

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: House Bill 463 (Third Edition)

SHORT TITLE: Conservation Tax Credit Modifications.

SPONSOR(S): Representative Luebke

FISCAL IMPACT					
	Yes ()	No ()	No Estimate Available ()		
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
REVENUES:	*See Assumptions and Methodology*				
EXPENDITURES:					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	Department of Revenue				
EFFECTIVE DATE:	January 1, 2007				

BILL SUMMARY:

This legislative proposal would equalize the cap for the conservation tax credit for corporations and pass-through entities at \$500,000. Individuals can receive a credit not to exceed \$250,000 and as amended, married taxpayers filing jointly can receive a tax credit up to \$500,000 rather than the \$250,000 cap under current law. The bill would also require any taxpayer claiming the credit to support the claim's represented value of the real property donation by using either certain appraisal reports or the county's appraisal value as adjusted by the sales assessment ratio. Finally, the bill narrows the conservation purposes that qualify the land for a credit.

ASSUMPTIONS AND METHODOLOGY:

Based on discussions with the Department of Revenue, there is not sufficient data available for an accurate assessment of the overall fiscal impact from the proposed changes in the bill. Fiscal Research thinks that raising the cap on pass through entities may lead to granting higher tax credits

for donated lands, while the improved valuation guidelines and a more narrowly defined conservation purpose may offset the increased credit cap for pass through entities. Increasing the credits allowed for married couples filing jointly may allow a few taxpayers to receive more credits than allowed under current law. The Department of Revenue in analyzing past returns of married filers claiming the conservation credit have estimated the impact at less than \$500,000 per tax year.

SOURCES OF DATA: Department of Revenue

TECHNICAL CONSIDERATIONS: None

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