

DEPARTMENT OF TAXATION

2026 Fiscal Impact Statement

1. **Patron** Betsy B. Carr

3. **Committee** House Finance

4. **Title** Income Tax: Land Preservation Tax Credit

2. **Bill Number** HB 805

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would increase the annual credit cap for the Land Preservation Tax Credit from \$75 million to \$100 million and would adjust such cap each year for inflation using the Consumer Price Index for All Urban Consumers ("CPI-U").

This bill would be effective for taxable years beginning on and after January 1, 2026.

6. **Budget amendment necessary:** Yes.

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7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2026-27	(\$25.0 million)	GF
2027-28	(\$28.15 million)	GF
2028-29	(\$30.74 million)	GF
2029-30	(\$33.37 million)	GF
2030-31	(\$35.4 million)	GF
2031-32	(\$36.94 million)	GF

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") and the Department of Conservation and Recreation ("DCR") consider implementation of this bill as routine, and do not require additional funding.

This legislation does not require significant changes to the Department's systems and is not impacted by the first phase of the Integrated Revenue Management System (IRMS) replacement project. No resource constraints or implementation considerations are anticipated.

Revenue Impact

This bill would have an estimated negative General Fund revenue impact as shown on Line 7b. Based on historic usage rates, the Department anticipates that this credit would be fully utilized, meaning the amount of credits requested would meet the credit cap on an annual basis.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Conservation and Recreation

10. Technical amendment necessary: No.

11. Other comments:

Land Preservation Tax Credit

The Land Preservation Tax Credit is equal to 40 percent of the fair market value of land or an interest in land located in Virginia which is conveyed for the purpose of agricultural and forestal use, open space, natural resource, and/or biodiversity conservation, or land, agricultural, watershed and/or historic preservation, as an unconditional donation by the taxpayer to a public or private conservation agency. Taxpayers may claim the credit against the individual income tax and the corporate income tax.

After a taxpayer completes an eligible donation, they are required to apply to the Department to receive an allocation of credits. If the application requests a credit of \$1 million or more, the taxpayer is also required to submit a credit application to DCR. In addition, no credit of \$1 million or more may be issued unless the conservation value of the donation has been verified by the Director of DCR, based on criteria adopted by the Virginia Land Conservation Foundation.

For most taxpayers, any unused amount of the land preservation tax credit may be carried forward for up to 10 years. Furthermore, any unused portion of this credit is transferable to someone else to claim on their Virginia income tax return.

Per Taxpayer Annual Cap

The amount of credits that may be claimed by each taxpayer per taxable year is limited. The language in the code section authorizing the tax credit limits the amount to \$20,000 for Taxable Year 2017, and \$50,000 for Taxable Year 2018 and thereafter. However, this amount has been changed several times through Virginia's Budget process. Most recently, the 2025 Appropriation Act imposed a \$20,000 limitation on the amount of land preservation tax credits a taxpayer may claim each year for tax years 2024 and after.

The changes to the annual per taxpayer limit on the amount of land preservation tax credit that may be claimed are as follows:

- For tax years 2017 through 2022—\$20,000

- For tax year 2023— \$50,000
- For tax years 2024 and after—\$20,000

Aggregate Annual Cap

The credit is currently subject to an annual credit cap of \$75 million. Beginning in calendar year 2007, the Land Preservation Tax Credit was subject to an overall annual cap of \$100 million. For calendar years 2008 through 2013, the \$100 million cap was increased for inflation. In 2013, the General Assembly enacted legislation (Chapter 798, 2013 Acts of Assembly) that reinstated the \$100 million cap for calendar year 2014 and thereafter, without any adjustments for inflation. In 2015, the General Assembly reduced the cap amount from \$100 million to the current cap of \$75 million.

Proposal

This bill would increase the annual credit cap for the Land Preservation Tax Credit from \$75 million to \$100 million and would adjust such cap each year for inflation using the Consumer Price Index for All Urban Consumers (“CPI-U”).

This bill would be effective for taxable years beginning on and after January 1, 2026.

cc : Secretary of Finance

Date: 02/01/2026 JLOF
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