

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: House Bill 260
SHORT TITLE: Conservation Easements/Tax Credit
SPONSOR(S): Representative Gray, et al.

(\$ Million)					
FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>
General Fund					
REVENUES					
Individual		\$1.5 million (loss) a year in additional income tax credits certified			
Corporation		\$1.7 million (loss) a year in additional income tax credits certified			
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	Department of Revenue Personal Tax Division Department of Revenue Corporate Tax Division Department of Environment, Health, and Natural Resources				
EFFECTIVE DATE:	For tax years beginning on or after January 1, 1997				

BILL SUMMARY:

The proposed act increases the income tax credit for donations of real property made to the State, a unit of local government, or to a body organized to receive land for conservation purposes. The corporate credit under G. S. 105-130.34 is increased from \$25,000 to \$250,000. The individual credit under G. S. 105-151.12 is increased from \$25,000 to \$100,000. Makes a clarifying change to the property tax statutes under G. S. 105-287(a) and G. S. 105-317(a).

ASSUMPTIONS AND METHODOLOGY:

It is impossible to determine how much real property will be donated in a given year under this act. Donors are motivated to make such gifts for many different reasons. However, it is logical to assume that the greater the tax credit received from the donation, the more real property individuals and corporations are willing to donate. This assumption is evident in the increase in donations and their characteristics when the credit was increased from a \$5,000 cap to the current \$25,000. (The percentage increase in the cap effective tax year 1989 was 500% or five times the 1983 cap.)

For tax years 1983 through 1988, 37 donations were made by 169 donors. Each donor gave an average of 66 acres for a total acreage of 2,383. The estimated value of this acreage is \$5.6 million. For tax years 1989 through 1995, 95 donations were made by 215 donors. Each donor gave an average of 252 acres for a total acreage of 23,714. The estimated value of this acreage is \$34.5 million. The cumulative credit for the period 1983 to 1988 was \$574,151 and for the period 1989 to 1995 was \$2,805,488. The percentage increase over this period is 488% or almost five times the cumulative credit for 1983 through 1988. The ratio of the increase in the credit cap to the increase in certified credits is almost 1 to 1; 488% increase in credits to a 500% increase in the cap.

This act raises the credit cap 1000% for corporations and 400% for individuals. If this ratio continues the level of additional certified credit, on average, for the next five years is expected to be \$1.7 million a year for corporations and \$1.5 million a year for individuals.

Equations shown below:

Corporations

The base data for credits certified to corporations is the seven year average of cumulative credits for the period 1989 to 1995 times 30%, the corporate share of total credits for the period; \$841,646. This value times 10 divided by five years equals \$1.7 million a year in new credits.

- $\$2,805,488 * .30 = \$841,646$
- $(\$841,646 * 10) / 5 = \1.7 million

Individuals

The base data for credits certified to individuals is the seven year average of cumulative credits for the period 1989 to 1995 times 69%, the individual share of total credits for the period; \$1,935,787. This value times 4 divided by five years equals \$1.5 million a year in new credits.

- $\$2,805,488 * .69 = \$1,935,787$
- $(\$1,935,787 * 4) / 5 = \1.5 million

FISCAL RESEARCH DIVISION

733-4910

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