

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2017 REGULAR SESSION**

MEASURE

2017 BR NUMBER **1596**

HOUSE BILL NUMBER **340**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to income tax credits promoting land conservation.**

SPONSOR **Representative J. Kay**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES			(\$2 million) See explanation below
EXPENDITURES			
NET EFFECT			(\$2 million) See explanation below

() indicates a decrease/negative

MEASURE'S PURPOSE: The purpose of this bill is to incentivize taxpayers to make qualified conservation contributions of real property interests. The bill creates a non-refundable credit equal to 40 percent of the value of real property interests donated to conservation agencies. The credit is limited to \$100,000 per taxpayer and \$2 million per year, and can be taken against the individual income tax or corporate income tax and limited liability entity tax. The real property interest donated can be a fee interest or a restriction or easement on the property that limits any future use or development of the property.

PROVISIONS/MECHANICS: A new section of KRS Chapter 141 is created to provide relevant definitions, to create and describe the credit, and to establish the means by which the tax credit is to be claimed.

FISCAL EXPLANATION: Each taxpayer can take a credit of up to \$100,000. This is a lifetime limit, but may be carried forward for up to 15 years. The Department of Revenue can only award \$2 million in credits per year, and credits are awarded after the tax year for which they apply. For

example, a credit for 2018 would be approved and recipients notified by March 2019. Credits are awarded based on the date of application.

Since the credit starts in 2018, the credits would not be awarded until 2019, so there is no fiscal impact in fiscal years 2016–2017 or 2017–2018.

Credits are expected to be claimed in approximately the amount awarded each year, and the \$2 million cap is expected to be met each year. While some might carry their credits forward due to not being able to use \$100,000 in credits in a single year, the credits claimed will average out to \$2 million per year.

DATA SOURCE(S): LRC Staff

PREPARER: Amit M. Shanker NOTE NUMBER: 74 REVIEW: JRS DATE: 2/20/2017