

Rulings of the Tax Commissioner

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IMPORTANT INFORMATION REGARDING THE LAND PRESERVATION INCOME TAX CREDIT

NEW CAP AMOUNT FOR THE LAND PRESERVATION INCOME TAX CREDIT

House Bill 5019 (Chapter 4, Special Session I of 2006) made several changes to the Land Preservation Tax Credit. One of these changes established a \$100 million cap on the amount of total credits that may be issued by the Department of Taxation ("TAX") during a calendar year.

In addition, the legislation provided a mechanism by which this cap may be increased because of inflation. Under *Va. Code* § 58.1-512 D 4b, beginning with calendar year 2008, the \$100 million cap must be increased by an amount equal to \$100 million multiplied by the percentage by which the consumer price index for all-urban consumers published by the United States Department of Labor (CPI-U) for the 12-month period ending August 31 of the preceding year exceeds the CPI-U for the 12-month period ending August 31, 2006.

New Cap Amount

Using information obtained from United States Bureau of Labor Statistics, TAX compared the CPI-U for the 12-month period ending August 31, 2007 ("second 12-month period") with the CPI-U for the 12-month period ending August 31, 2006 ("first 12-month period"). Based on these statistics, the average CPI-U for the second 12-month period increased by approximately 2.29% over the average for the first 12-month period. As a result, the cap for the Land Preservation Income Tax Credit will be increased to \$102,287,000 for calendar year 2008.