

Fiscal Estimate - 2007 Session

Original Updated Corrected Supplemental

LRB Number 07-0339/1 **Introduction Number** AB-0177

Description
 Creating an individual income and corporate income and franchise tax deduction for a donation of a conservation easement to a unit of government

Fiscal Effect

State:

No State Fiscal Effect

Indeterminate

Increase Existing Appropriations Increase Existing Revenues Increase Costs - May be possible to absorb within agency's budget

Decrease Existing Appropriations Decrease Existing Revenues Yes No

Create New Appropriations Decrease Costs

Local:

No Local Government Costs

Indeterminate

1. Increase Costs 3. Increase Revenue

Permissive Mandatory Permissive Mandatory

2. Decrease Costs 4. Decrease Revenue

Permissive Mandatory Permissive Mandatory

5. Types of Local Government Units Affected

Towns Village Cities

Counties Others

School Districts WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR FED PRO PRS SEG SEGS

Agency/Prepared By DOR/ Michael Oakleaf (608) 261-5173	Authorized Signature Rebecca Boldt (608) 266-6785	Date 4/5/2007
--	---	-------------------------

Fiscal Estimate Narratives

DOR 4/5/2007

LRB Number	07-0339/1	Introduction Number	AB-0177	Estimate Type	Original
Description Creating an individual income and corporate income and franchise tax deduction for a donation of a conservation easement to a unit of government					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, contributions of conservation easements may be included in the computation of the itemized deduction credit up to 30% of federal adjusted gross income (FAGI).

This bill creates an individual income and corporate income and franchise tax deduction for the fair market value (FMV) of a permanent conservation easement on eligible land that a taxpayer donates to the state or to a county. Under the bill, for a conservation easement to qualify, it must allow the occurrence of hunting, fishing, hiking, sight-seeing, cross-country skiing, and generally accepted forestry management practices and, in general, preclude development of the land.

The maximum deduction, based on the FMV of the donated conservation easement that may be claimed is an amount of up to 50% of the taxpayer's FAGI or, if the taxpayer is a farmer or rancher, up to 100% of the taxpayer's FAGI. If the FMV of the claimant's donation exceeds the maximum allowable amount of the claimant's deduction, the claimant may carry forward any unused amount of the deduction for the next 15 taxable years.

Based on cost estimates by the Joint Committee on Taxation of the federal deduction for conservation easements, the bill is estimated to reduce state tax revenue by approximately \$400,000 per year. The fiscal effect could increase to the extent that the credit encourages individuals to donate conservation easements.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 07-0339/1		Introduction Number AB-0177	
Description Creating an individual income and corporate income and franchise tax deduction for a donation of a conservation easement to a unit of government			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$		\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$		\$-400,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$-400,000
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-400,000		\$
Agency/Prepared By		Authorized Signature	Date
DOR/ Michael Oakleaf (608) 261-5173		Rebecca Boldt (608) 266-6785	4/5/2007