



# NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

## Legislative Fiscal Note

**Short Title:** Protecting NC's Military and Working Lands.  
**Bill Number:** House Bill 290 (First Edition)  
**Sponsor(s):** Rep. Ross, Rep. Bell, Rep. Wray, and Rep. Dixon

### SUMMARY TABLE

#### FISCAL IMPACT OF H.B. 290, V.1 (\$ in millions)

	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>
<b>State Impact</b>					
General Fund Revenue	(25.0)	(52.3)	(54.7)	(57.2)	(59.8)
Less Expenditures	-	-	-	-	-
<b>General Fund Impact</b>	<b>(25.0)</b>	<b>(52.3)</b>	<b>(54.7)</b>	<b>(57.2)</b>	<b>(59.8)</b>
<b>NET STATE IMPACT</b>	<b>(\$25.0)</b>	<b>(\$52.3)</b>	<b>(\$54.7)</b>	<b>(\$57.2)</b>	<b>(\$59.8)</b>

### FISCAL IMPACT SUMMARY

HB 290 will reduce State revenue by enacting an individual and a corporate income tax credit for a donation of an interest in real property that is useful for one of several specified conservation purposes. The credit is 25% of the fair market value of the donated property interest. The credit is limited each year to \$250,000 for an individual taxpayer and to \$500,000 for a corporate taxpayer. The credit is not refundable, but unused portions may be carried forward and used for the next five succeeding tax years.

### FISCAL ANALYSIS

The Fiscal Research Division (FRD) reviewed information from neighboring states that have conservation income tax credits. Georgia's credit is used as a significant reference because the basis for the credit, the credit percentage, and the limitations on the amount of credit available for a taxpayer are similar. The revenue impact of the Georgia credit reached nearly \$60 million before the total amount of credit available was capped. The proposed NC credit is not capped, and FRD's estimate assumes a fiscal impact comparable to the Georgia credit, prior to Georgia's implementation of a cap. FRD's comparative analysis yields an initial full-year estimate of around \$50 million. Since HB 290 would make the credit available for the 2023 tax year, it is appropriate to estimate a partial impact for FY 2023-24.

## **TECHNICAL CONSIDERATIONS**

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Ultimately the level of individual and corporate participation and the appraised fair market value of potential donations of property is unknown, so this estimate carries significant uncertainty. Additionally, significant compliance concerns about tax reductions tied to donations of real property for conservation purposes are noted by the Department of Revenue and the Internal Revenue Service. Consequently, FRD's fiscal estimate carries more forecast risk than is typical. The forecast risk could be decreased if the legislation were modified to limit the total amount of credit available to a defined maximum amount of tax expenditure permitted per tax year.

## **DATA SOURCES**

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NC Department of Revenue, Internal Revenue Service, Georgia Department of Revenue, South Carolina Department of Revenue, Virginia Department of Taxation

## **LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS**

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This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

## **CONTACT INFORMATION**

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Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

## **ESTIMATE PREPARED BY**

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## **ESTIMATE APPROVED BY**

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April 10, 2023



**Signed copy located in the NCGA Principal Clerk's Offices**