



# TAX BULLETIN 10-11

## *Virginia Department of Taxation*

November 15, 2010

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### **IMPORTANT INFORMATION REGARDING THE LAND PRESERVATION INCOME TAX CREDIT**

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#### **New Cap Amount**

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.

For example, for Calendar Year 2010, the average CPI-U for the 12-month period ending August 31, 2009 increased by approximately 6.8 percent over the average for the 12-month period ending August 31, 2006. Therefore, for calendar year 2010, the cap was \$106,845,000.

Using information obtained from United States Bureau of Labor Statistics, the average CPI-U for the 12-month period ending August 31, 2010 increased by approximately 8.4 percent over the average for the 12-month period ending August 31, 2006. As a result, the cap for the Land Preservation Income Tax Credit will be increased to \$108,424,000 for calendar year 2011.

The following chart depicts the growth in the CPI-U from 2006 through the applicable year for each year that the \$100,000,000 has been increased. It also shows the amount of the cap for each applicable year.

<b>Year</b>	<b>CPI-U Amount Over 2006 Base Year</b>	<b>Cap Amount</b>
2007	-	\$100,000,000
2008	2.29%	\$102,287,000
2009	6.6%	\$106,647,000
2010	6.8%	\$106,845,000
2011	8.4%	\$108,424,000

If you have additional questions, please visit our website at [www.tax.virginia.gov](http://www.tax.virginia.gov), or contact the Tax Credit Unit at (804) 786-2992.