



TAX BULLETIN 13-1

Virginia Department of Taxation

January 25, 2013

IMPORTANT INFORMATION REGARDING THE LAND PRESERVATION INCOME TAX CREDIT

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 (“the Department”) 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 2012, the average CPI-U for the 12-month period ending August 31, 2011 increased by approximately 11.05 percent over the average for the 12-month period ending August 31, 2006. Therefore, for calendar year 2012, the cap was \$111,054,000.

Using information obtained from United States Bureau of Labor Statistics, the average CPI-U for the 12-month period ending August 31, 2012 increased by approximately 13.91 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 \$113,909,000 for calendar year 2013.

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.

Year	CPI-U Amount Over 2006 Base Year	Cap Amount
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
2012	11.05%	\$111,054,000
2013	13.91%	\$113,909,000

If you have additional questions, please visit the Department's website at www.tax.virginia.gov, or contact the Tax Credit Unit at (804) 786-2992.