



# SENATE BILL 355: North Carolina Farm Act of 2024, Sec. 15: Conservation Tax Credit

2023-2024 General Assembly

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<b>Committee:</b>		<b>Date:</b>	August 13, 2024
<b>Introduced by:</b>		<b>Prepared by:</b>	Trina Griffin Staff Attorney
<b>Analysis of:</b>	Sec. 15 of S.L. 2024-32		

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**OVERVIEW:** Section 15 of S.L. 2024-32 reenacts a modified conservation tax credit equal to 25% of the fair market value of donated real property that may be used (1) for forestland or farmland preservation; (2) for fish and wildlife conservation; (3) as a buffer for military training and testing activities; (4) for floodplain protection; (5) for historic landscape conservation; (6) for public trails or access to public trails. The credit is capped at \$500,000 for corporations and \$250,000 for individuals. There is an aggregate cap of \$5 million dollars per taxable year with 65% of that amount being allocated for credits claimed for forestland and farmland preservation.

*This credit is effective for taxable years beginning on or after January 1, 2025, for donations made on or after January 1, 2025, and expires for taxable years beginning on or after January 1, 2027, for donations made on or after January 1, 2027.*

**CURRENT LAW:** Originally, the conservation tax credit was enacted in 1983 and was repealed in 2013 as part of the Tax Simplification and Reduction Act.

Prior to its repeal, a taxpayer was allowed a nonrefundable income tax credit for certain donations of real property interests located in North Carolina. The amount of the credit was 25% of the fair market value of the donated property interest, capped at \$250,000 for individuals and \$500,000 for corporations. To be eligible for the credit, the land was required to be useful for (i) public beach access or use, (ii) public access to public waters or trails, (iii) fish and wildlife conservation, (iv) forestland or farmland conservation, (v) watershed protection, (vi) conservation of natural or scenic river areas, (vii) conservation of predominantly natural parkland, or (viii) historic landscape conservation. The land must be donated in perpetuity to and accepted by the State, a local government, or a body organized to receive and administer lands for conservation purposes and qualified to receive charitable contributions.

**BILL ANALYSIS:** Section 15 of S.L. 2024-32 reenacts the tax credit for certain real property donations and modifies the purposes for which donated land qualifies for the credit. The credit is available to individuals, pass-through entities, and corporations, and the amount of the credit and the caps are the same – 25% of the fair market value of the property, capped at \$250,000 for individuals, including owners of a pass-through entity, and \$500,000 for corporations.

Under the credit as reenacted and modified by this section, the credit is allowed for donations of real property for the following six purposes:

- Forestland or farmland preservation.
- Fish and wildlife conservation.
- As a buffer to limit land use activities that would restrict or interfere with military training, testing, or operation on a military installation or training area.

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- Floodplain protection.
- Historic landscape conservation.
- Public trails or access to public trails.

Unlike the original pre-2014 credit, there is an overall cap of \$5 million on the total amount of credits that may be allowed in a taxable year under both sections. In addition, 65% of the aggregate amount must be reserved for credits for forestland or farmland preservation. If the 65% threshold has not been reached once all applications have been filed by the April 15 due date, the Department of Revenue must reopen the application period until October 15 for additional applications. If the total amount of applications exceeds the maximum aggregate amount, the Secretary must prorate the credits claimed in proportion to the size of the credit claimed and notify each taxpayer of the reduction by December 31.

A taxpayer claiming this credit must maintain and make available for inspection by the Secretary any records that the Secretary considers necessary to determine and verify the amount of the credit.

The Department must include certain data related to this credit in its annual economic incentives report, including the number of taxpayers, by type, that took the credit, the number of credits by conservation purpose, and the total cost to the General Fund of the credits taken.

**EFFECTIVE DATE:** This section is effective for taxable years beginning on or after January 1, 2025, for donations made on or after that date, and expires for taxable years beginning on or after January 1, 2027, for donations made on or after that date.