



2025-2026 General Assembly

HOUSE BILL 74: House Budget Technical Corrections, Sec. 9.1: Various Clarifying Changes to the Conservation Tax Credit

Analysis of: S.L. 2025-4, Sec. 9.1

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Prepared by: Legislative Analysis
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OVERVIEW: Section 9.1 of S.L. 2025-4 makes various stylistic and technical changes to the conservation tax credit as well as the following substantive changes:

- *Expands the type of real property interest that may be donated to be eligible for the credit to match the federal definition for a qualified real property interest, which includes an easement.*
- *Provides a detailed proration formula for reducing the amount of credit to which a taxpayer is entitled when the applications for a credit exceed the maximum overall amount or the maximum amount that is prioritized for forestland or farmland conservation.*
- *Allows an allocated, but unused, credit to be transferred by will or through intestate succession.*

CURRENT LAW: The conservation tax credit¹ provides a nonrefundable income tax credit for certain donations of real property interests located in North Carolina. The credit is available to individuals, pass-through entities, and corporations, and the credit amount is equal to 25% of the fair market value of the donated property, capped at \$250,000 for individuals, including owners of a pass-through entity, and \$500,000 for corporations.

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

There is an overall cap of \$5 million on the total amount of credits that may be allowed in a taxable year. 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

¹ The conservation tax credit was originally enacted in 1983 but was repealed in 2013 as part of the Tax Simplification and Reduction Act. Section 15 of S.L. 2024-32 reenacted and modified the previously repealed conservation tax credit as G.S. 105-130.34 (corporate income tax) and 105-153.11 (individual income tax).

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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.

BILL ANALYSIS: Section 9.1 of S.L. 2025-4 makes various stylistic and technical changes to the conservation tax credit, including recodifying the conservation tax credit for corporate income tax filers as G.S. 105-130.34A, as well as the following substantive changes:

- Expands the type of real property interest that may be donated to be eligible for the credit to match the federal definition for a qualified real property interest, which includes an easement.
- Provides a detailed proration formula for reducing the amount of credit to which a taxpayer is entitled when the applications for a credit exceed the maximum overall amount or the maximum amount that is prioritized for forestland or farmland conservation.
- Allows an allocated, but unused, credit to be transferred by will or through intestate succession.

EFFECTIVE DATE: This section 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.