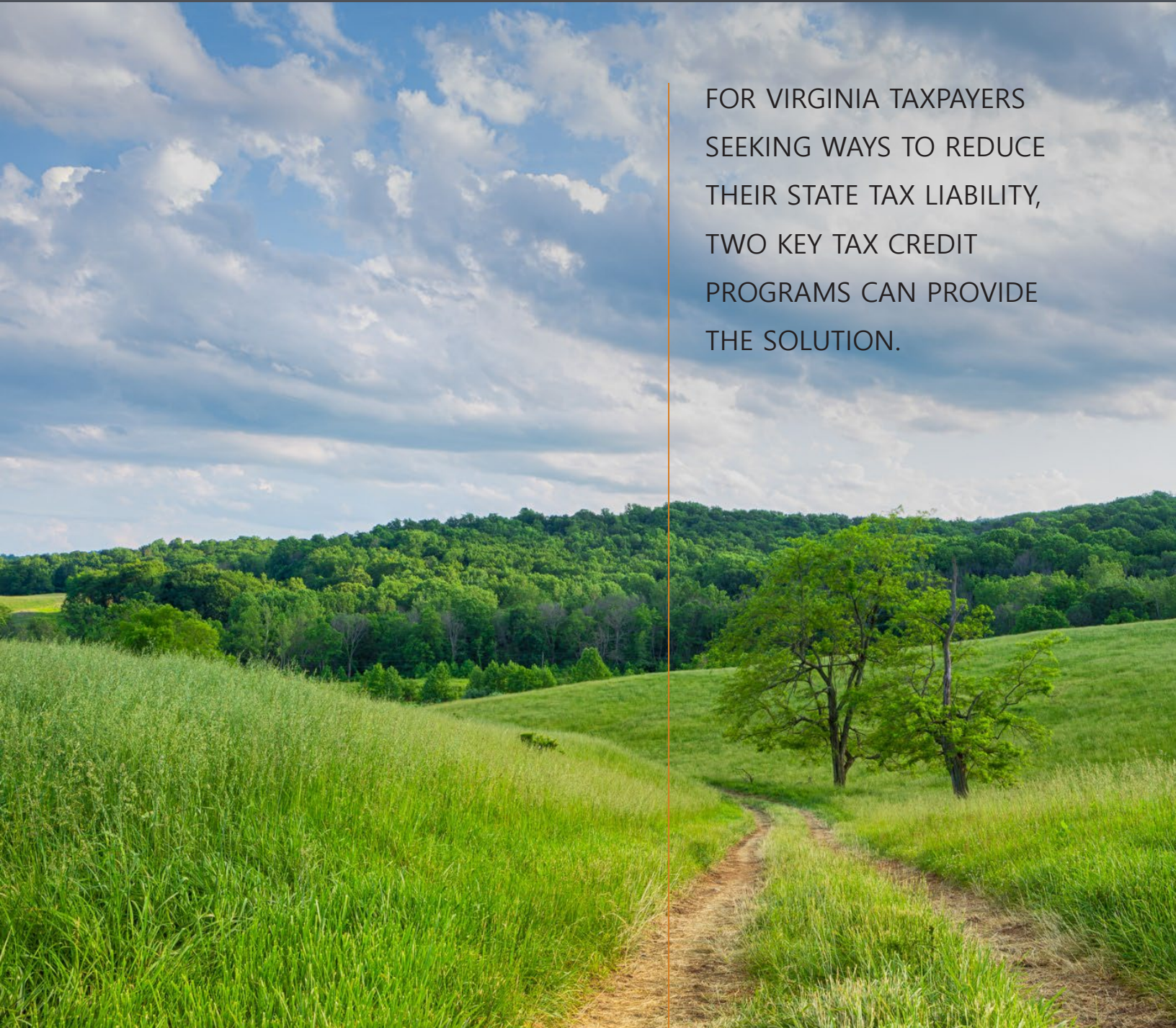


Virginia Tax Credits

FACTS YOU NEED TO KNOW



FOR VIRGINIA TAXPAYERS
SEEKING WAYS TO REDUCE
THEIR STATE TAX LIABILITY,
TWO KEY TAX CREDIT
PROGRAMS CAN PROVIDE
THE SOLUTION.



The Virginia Historic Rehabilitation Tax Credit and the Virginia Land Preservation Tax Credit offer significant advantages to those who qualify. PBMares has the credits available for you to buy from people who cannot use the tax credits. *We do not need to be the preparer of your tax return.*

YOU MAY BE ELIGIBLE

Virginia tax credits are available to any taxpayer, including business entities (corporations), estates, trusts and individual filers. They are worth investigating, as they can reduce the cost of your tax bill. But everyone's tax situation is different, so before you make a decision, we recommend a quick review of your tax situation with a professional to determine which tax credit works best for you.

DOES THIS MAKE SENSE?

If you had the chance at the end of the year to pay your mortgage for the whole year for 90 cents on the dollar, would you do that? Of course you would. That is simply the opportunity you have here to pay your taxes. It can even help you avoid penalties if you are underpaid for the year.

Virginia Historic Rehabilitation Tax Credit:

This tax credit program allows you to buy tax credits earned by historic renovation project developers who cannot use the tax credits themselves. They sell the credits, at a discount, and you can use them to cover your Virginia income tax liability. If you buy too much, the credits carry over to the following year.

Virginia Land Preservation Tax Credit:

This tax credit program allows you to buy tax credits earned by someone who donated a property easement. The donor can sell the credits, and you can buy the credits to cover your Virginia income tax liability. If you buy too much, the credits carry over to the following year.

[Follow this guide to learn more about each program and find out how PBMares, LLP can put them to work for you.](#)

Virginia Tax Credits

THE FACTS TO KNOW



Virginia Historic Rehabilitation Tax Credit

The *Virginia Historic Rehabilitation Tax Credit* is the state's historic preservation tax credit program enacted in 1997. It allows a tax credit of 25% for every \$1 investment in a qualified preservation project. The credits are a direct dollar for dollar offset against Virginia income tax. Renovating historic structures can mean many upfront expenses during a time when income is limited or nonexistent for project owners. By selling the tax credits they cannot use, the project owners generate cash to fund the project.

This is where you can benefit. Project owners bring other taxpayers (YOU) into the project and they allocate the tax credits to those taxpayers. Though these tax credits are not refundable, they can be carried forward for a ten-year period.

How exactly might a credit scenario work?
See page 4 of this guide for answers.

Virginia Land Preservation Tax Credit

Both individuals and corporations can receive *Virginia Land Preservation Tax Credits* by donating Virginia land for use as a historical or conservation site or for agricultural use, forest use, open space, or natural resource conservation.

The Virginia Department of Taxation issues a credit for 40% of the loss in fair market value of the land or interest in land donated. The credit is not refundable, and it can be carried forward for a fifteen-year period. Landowners who donate such are also entitled to a charitable contribution deduction for the loss in fair market value as a result of the donation.

As with historic rehabilitation tax credits, you can benefit from the Land Preservation Tax Credit because owners of these tax credits can transfer them to you. The transfer of the credit must be completed before the end of the tax year in order to use the credit for that year.

Virginia Tax Credits

A TYPICAL SCENARIO

Virginia Historic Rehabilitation Tax Credits

A typical scenario is a situation where a taxpayer contributes \$8,900 in capital to a limited liability company (LLC) that has rehabilitated a qualifying historic structure and therefore has Virginia Historic Rehabilitation Tax Credits available for allocation. In exchange for a capital contribution, the taxpayer is allocated \$10,000 worth of tax credits, which offsets the Virginia tax liability dollar for dollar. If you need tax credits in excess of the Land Preservation Tax Credit limit of \$20,000 per taxpayer (\$40,000 for a joint return), then historic tax credits are the way to go. The amount of savings depends on your tax bracket.

For someone subject to the federal alternative minimum tax (AMT), paying state income taxes most likely saves you nothing on your federal tax return. Many taxpayers do not realize they are in AMT. Approximately 25% of all taxpayers are in AMT especially taxpayers between \$200,000 and \$500,000 of taxable income.

Virginia Land Preservation Tax Credits

A typical scenario is where a taxpayer pays \$8,900 to purchase \$10,000 of tax credits. In the year of purchase, the taxpayer claims \$10,000 as a tax credit on their Virginia income tax return, which offsets your Virginia tax liability dollar for dollar. In the following year, the taxpayer claims \$10,000 as an itemized deduction on schedule A as state taxes paid, and the taxpayer reports \$1,100 as a short term gain. The gain is subtracted from your Virginia taxable income. Unused tax credits carry forward 10 years from the year they were created.

PBMares is available for consultations on helping you decide if buying credits is right for you.

We also perform historic property tax credit certifications, enterprise zone certifications, and overall discussions on the opportunities related to historic rehabilitation tax credits, land preservation tax credits, and enterprise zone grants.

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About PBMares

As one of the largest accounting and consulting firms in the United States and a top 100 Accounting Firm as named by *Accounting Today*, PBMares brings a comprehensive approach to client engagements by providing a high level of expertise and experience in tax strategy, audit services, consulting, cybersecurity, investment banking and wealth management.

