

OFFICE OF THE STATE INSPECTOR GENERAL

**Department of Conservation and Recreation
and Department of Taxation
Conservation Easement/Land Preservation
Tax Credit**

Performance Audit
June 2021



**Michael C. Westfall, CPA
State Inspector General
Report No. 2021-PA-006**



COMMONWEALTH OF VIRGINIA
Office of the State Inspector General

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June 23, 2021

The Honorable Ralph Northam
Governor of Virginia
P.O. Box 1475
Richmond, VA 23219

Dear Governor Northam,

The Office of the State Inspector General (OSIG) completed an audit of the Department of Conservation and Recreation (DCR) and the Department of Taxation (Virginia Tax) Conservation Easement/Land Preservation Tax Credit Program. The final report is attached.

OSIG would like to thank DCR Director Clyde Cristman and Virginia Tax Commissioner Craig Burns and their staff for their cooperation and assistance during this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael C. Westfall".

Michael C. Westfall, CPA
State Inspector General

cc: The Honorable Clark Mercer, Chief of Staff to Governor Northam
The Honorable Matthew J. Strickler, Virginia Secretary of Natural Resources
The Honorable Aubrey L. Layne, Jr., Virginia Secretary of Finance
The Honorable J. Chapman Peterson, Chair, Agriculture, Conservation and Natural Resources Committee
The Honorable Kenneth R. Plum, Chair, Agriculture, Chesapeake and Natural Resources Committee
The Honorable Janet D. Howell, Chair, Finance and Appropriations Committee
The Honorable Vivian Watts, Chair, Finance Committee
Craig M. Burns, Commissioner, Virginia Department of Taxation
Clyde Cristman, Director, Virginia Department of Conservation and Recreation

Conservation Easement/Land Preservation Tax Credit

What OSIG Found

Quality of Conservation

Virginia is receiving lower quality conservation for conservation easements supporting tax credits between \$500,000 and \$999,999, when compared with easements that result in tax credits of \$1 million or more. Examples include:

- No limitation on alteration or destruction of natural habitats or historical preservation (16 of 21 files reviewed).
- No limitation on mowing in the buffers along bodies of water (12 of 24 files reviewed).
- No prohibition of livestock grazing in the buffer along bodies of water (11 of 24 files reviewed).

Reduced Tax Credits

Taxpayers are taking reduced credits on easements to avoid crossing the \$1 million threshold for a DCR review. Three of four credits tested by OSIG had a reduced easement appraisal value recorded in the automated Virginia Tax data resulting in credit values under \$1 million. The credit values had been reduced by an average of \$172,700.

Easement Monitoring

For one of three conservation easement properties visited by auditors, monitoring by the non-accredited land conservation agency was inadequate. OSIG observed trash, scrap metal pile, old tires, old campers, inoperable vehicles and a manure storage area that contained deceased cattle parts on the property. OSIG also identified differences in the baseline documentation report and the appraisal that were not identified by the land trust company's monitor.

Management concurred with all findings and plans to implement corrective actions.

June 2021

HIGHLIGHTS

Why OSIG Did This Audit

Virginia provides tax credits up to \$75 million per year for conservation easements and land donations. In effect, Virginia is paying for natural resource preservation through these tax credits. OSIG performed this audit to determine whether quality conservation was being achieved because of the tax credits.

What OSIG Recommends

- Land trust companies holding easements or donations of land for Land Preservation Tax Credits should be accredited by the Land Trust Alliance.
- *Code of Virginia* § 58.1-512 (D) (1) should require:
 - A lower threshold for quality reviews by DCR.
 - A review by DCR when the appraised value of the easement qualifies for a Land Preservation Tax Credit of \$1 million or more, regardless of the amount of credit taken.



For more information, please contact OSIG at 804-625-3255 or www.osig.virginia.gov

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REPORT ACRONYMS

The following is an alphabetical list of acronyms used in the report.

DCR – Virginia Department of Conservation and Recreation

LPTC – Land Preservation Tax Credit

OSIG – Office of the State Inspector General

VaULT – Virginia United Land Trust

Virginia Tax – Virginia Department of Taxation

VLCF – Virginia Land Conservation Foundation

BACKGROUND

A conservation easement is a voluntary legal agreement between a landowner and an eligible private conservation agency or public body that permanently limits uses of the land in order to protect its conservation values. The Virginia Conservation Act (*Code of Virginia* § 10.1-1009) defines a private holder as a charitable corporation, charitable association or charitable trust that has been declared exempt from taxation pursuant to Internal Revenue Code § 501 (c) (3). A public body is any state agency having authority to acquire land for a public use, or any county or municipality or other authority as defined by the Open-Space Easement Act (*Code of Virginia* § 10.1-1700).

Virginia's LPTC program, authorized by the Virginia Land Conservation Incentives Act of 1999 (*Code of Virginia* § 58.1-510), provides an incentive for landowners to conserve their property located in Virginia through perpetual conservation easements and fee-simple donations. The LPTC program allows an income tax credit equal to 40 percent of the fair market value of donated land or conservation easements at the time of the donation as substantiated by an appraisal prepared by a qualified, licensed appraiser. Each taxpayer may use up to \$20,000 in an LPTC through 2020,¹ and the tax credit may be carried forward for up to 10 years after the year of donation. In addition, the tax credit program allows the landowner to sell their unused tax credits for income. A two percent fee is applied for the transfer of tax credits. The fee helps support land trusts and other conservation agencies and organizations in their ongoing responsibilities to enforce the conservation and preservation purposes of the donated interests and to inspect the property annually.

Oversight responsibilities of the LPTC program are shared by Virginia Tax and DCR. Virginia Tax is responsible for granting the LPTC to eligible taxpayers and Virginia Tax maintains a system to track credit balances for the LPTC, as well as other tax credits.

The taxpayer submits an Application for Land Preservation Credit (Form LPC-1) for review by Virginia Tax. When the taxpayer (donor) is claiming a state tax credit of \$1 million or more, DCR must review and verify the conservation value of the donated land or conservation easement prior to Virginia Tax granting the tax credit. Similarly, DCR must review easements in certain cases where they have been subdivided from an original parcel and other subdivided parcels from that original parcel that had prior conservation easements. DCR measures the conservation value by applying the Conservation Value Review Criteria adopted by the VLCF Board.

¹ 2020 Virginia Schedule CR Instructions

Quality of conservation easements is often attained by accreditation of the land trust company with the Land Trust Alliance, a national land conservation organization that sets forth the Standards, Indicator Elements and Requirements for land trust accreditation through the areas of governance, finance, transactions and stewardship. According to the Land Trust Alliance, accreditation is a mark of distinction showing that a land trust meets high standards for land conservation and demonstrates that a land trust has successfully implemented Land Trust Standards and Practices.

SCOPE

The audit scope covered conservation easements and land preservation tax credits from calendar years 2009 through 2019, focusing on tax credits in the amounts of \$500,000 or more.

OBJECTIVES

Objectives of this audit were to:

- Determine whether the conservation easement/donated land receiving an LPTC meets the Conservation Value Review Criteria adopted by the VLCF to provide for quality conservation value.
- Determine if activity to take advantage of an LPTC for an easement is occurring and meets the intent of the tax law.
- Determine whether the conservation easement and value of the property is adequately protected by ensuring that monitoring is being performed.
- Determine whether conservation easements and donated land reporting by DCR, in accordance with *Code of Virginia* § 58.1-512 (C) (2), is complete.
- Determine whether an LPTC, when granted, is supported by recorded easements on real property.
- Determine whether the easement's appraisal ensures a true fair market value, which is the basis for the LPTC.
- Determine whether identified controls for Conservation Easement Credit transfers are working to transfer the appropriate amount of credit.

METHODOLOGY

OSIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that OSIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OSIG believes that the evidence obtained provides reasonable basis for the findings and conclusion based on the audit objectives.

OSIG applied various methodologies during the audit process to gather and analyze information pertinent to the audit scope and to assist with developing and testing the audit objectives. The methodologies included the following:

- Evaluating a sample of conservation easements resulting in tax credits between \$500,000 and \$999,999 for conservation quality.
- Verifying DCR's conservation value review of easements resulting in tax credits of \$1 million or more prior to Virginia Tax issuing the tax credit.
- Assessing a sample of tax credits for undervalued easement property.
- Verifying a sample of tax credits ensuring that appraisals were completed by a qualified, licensed appraiser.
- Evaluating the completeness of DCR's annual reporting of all conservation easements.
- Verifying tax credits issued are supported by recorded easements on real property.
- Evaluating the monitoring of selected easement properties to ensure conservation value is maintained.
- Performing site visits of a sample of conservation easement properties.
- Collecting and analyzing relevant tax credit data to determine if internal controls were in place and operating over tax credit transfers.

FINDINGS

FINDING 1 - QUALITY OF CONSERVATION IN TAX CREDITS BELOW \$1 MILLION

For conservation easements supporting tax credits between \$500,000 and \$999,999, Virginia is receiving lower quality conservation when compared with easements that result in tax credits of \$1 million or more. (OSIG did not test quality of easements below \$500,000, as the purpose of testing was to see if the quality was sufficient above \$500,000 level.) The Virginia Land Conservation Foundation (VLCF) prescribes criteria for Land Preservation Tax Credits. These criteria were adopted on November 21, 2006, and amended on August 7, 2008, and March 27, 2009. However, these criteria are not assessed against tax credits under \$1 million based on *Code of Virginia* § 58.1- 512 (D) (1), which only requires DCR review at or above that amount.

Deficiencies in quality included the following:

- No limitation on alteration or destruction of natural habitats or historical preservation (16 of 21 files reviewed).
- No limitations on utility placement (one of 25 files reviewed).
- No limitations on new road location (one of 25 files reviewed).
- Buffers did not meet required criteria (three of 24 files reviewed).
- No limitation on mowing in the buffer (12 of 24 files reviewed).
- No prohibition of livestock grazing in the buffer (11 of 24 files reviewed).
- No agriculture conservation plan (15 of 25 files reviewed).
- No forestal plan (three of 25 files reviewed).

Recommendation(s):

The General Assembly should lower the threshold for DCR reviews using VLCF criteria in *Code of Virginia* § 58.1-512 (D) (1) to improve the quality of conservation for which Virginia is paying through large tax credits.

DCR Management Response(s):

DCR concurs with the conditions observed and recommendation as presented.

Virginia Tax Management Response(s):

Virginia Tax does not state an opinion as to the findings or recommendations as they view them as not applicable to their agency.

FINDING 2 - REDUCED TAX CREDITS

Some taxpayers are electing to take reduced tax credits to avoid the requirement for a DCR review for compliance with the VLCF standards. *Code of Virginia* § 58.1-512 (D) (1) requires that a taxpayer also file the Land Tax Credit application with DCR when the amount of the requested credit is \$1 million or more. The election to take reduced tax credits is allowed by Virginia Tax ruling 07-172 and permits taxpayers to take a reduced credit.

OSIG identified 15 easements with tax credit values from \$940,000 to \$999,999 for years 2009 through 2019. DCR had performed a pre-review on five of the 15 applications where the anticipated tax credit was \$1 million or more. Three of four credits tested by OSIG had a reduced easement appraisal value recorded in the automated Virginia Tax data resulting in credit values under \$1 million. The credit values had been reduced by an average of \$172,700.

By not undergoing required DCR reviews, the quality of conservation easements was lower as demonstrated in Finding #1 (Quality of Conservation in Tax Credits Below \$1 Million). In one of the three instances noted, DCR had performed a pre-application review of the property and the taxpayer took the lower credit rather than complying with the DCR findings regarding the General Water Quality and Forest Management section of the VLCF standards.

Recommendation(s):

The General Assembly should change *Code of Virginia* § 58.1-512 (D) (1) to require a review by DCR when the appraised value of the easement qualifies for a Land Preservation Tax Credit of \$1 million or more, regardless of the credit taken.

DCR Management Response(s):

DCR concurs with the conditions observed and recommendations as presented with the following statement:

DCR agrees with the recommendation as presented, but notes that reducing the threshold for DCR review would be a more effective means to capture more conservation from the large tax credit applications. However, legislation has been introduced twice to lower the threshold and was unsuccessful.

Virginia Tax Management Response(s):

Virginia Tax does not state an opinion as to the findings or recommendation as they view them as not applicable to their agency.

FINDING 3- EASEMENT MONITORING

Conservation easements were not effectively monitored by a land trust company. The company which held the easement and performed the monitoring was neither accredited nor actively seeking accreditation with the Land Trust Alliance, the national professional organization for land trust companies. Properties under easement should be monitored by the land trust company on a regular basis ensuring that the property is maintained in accordance with the terms of the easement. One of three properties under conservation easements observed by auditors did not meet the terms of the easement. The auditors observed trash, scrap metal pile, old tires, old campers, inoperable vehicles and a manure storage area that contained deceased cattle parts on the property. The auditors' observation also identified a discrepancy between the easement and the baseline report. The prior monitoring visit completed by the land trust had not identified this discrepancy.

Recommendation(s):

1. For LPTC applications for conservation easements and donations of land in fee simple to land trusts to be eligible for the Virginia Land Conservation Incentives Act, the General Assembly should require the land trust companies holding the interest in real property to either be certified by the Land Trust Alliance or demonstrate satisfactory progression toward certification within a reasonably specified time.
2. DCR, in conjunction with the Virginia Outdoors Foundation, should work with the VaULT to educate land trust companies on effective easement monitoring and compliance with conservation easements.

DCR Management Response(s):

DCR concurs with the conditions observed and recommendation as presented. DCR provided the following:

If this recommendation goes into effect, it would have a positive impact on other aspects of the tax credit program, including the fiduciary obligation to ensure tax credits are issued for legitimate conservation projects in perpetuity. Requiring land trusts to be accredited by the Land Trust Alliance in order to be eligible for LPTC applications will raise the standards and quality of their operations and ensure all of the legal requirements of the Conservation Easement Act are met. Accreditation will also help land trusts avoid errors observed by OSIG in drafting conservation easements, baseline documentation reports, monitoring and stewardship.

Virginia Tax Management Response(s):

Virginia Tax does not state an opinion as to the findings or recommendation as they view them as not applicable to their agency.

FINDING 4 - CONSERVATION PURPOSE

Land Preservation Tax Credit applications require identification of the conservation purpose(s). When a taxpayer lists any of the eight purposes, they only have to meet one of the purposes in the criteria prescribed by the VLCF. DCR only verifies that at least one of the criteria are met for credits that are \$1 million and above per *Code of Virginia* § 58.1-512 (D) (1). OSIG reviewed 25 applications and supporting deeds for tax credits between \$500,000 and \$999,999. From that review, OSIG identified 15 instances of a conservation purpose listed on the application that did not meet the criteria. This included three for Agriculture, three for Forestal Use, one for Historic Preservation and eight for Watershed Preservation.

Recommendation(s):

1. Land Preservation Tax Credits should only be allowed when all conservation purposes identified on the application meet the criteria of the VLCF. As a result, the VLCF, through direction from its Chairman (Secretary of Natural Resources), should update VLCF criteria to require that all conservation purposes be met.
2. Virginia Tax should update the application instructions for a Land Preservation Tax Credit to clarify all identified conservation purposes must meet the VLCF criteria.

DCR Management Response(s):

DCR concurs with the conditions observed and the second recommendation as presented, but does not agree with the first recommendation as presented and provided the following statement:

If this recommendation applies to only those applications for tax credits for \$1M or more, then DCR agrees. However, if it is meant to apply to all applications then this recommendation would require a statutory change. The VLCF Board does not have the statutory authority to require applicants for tax credits under \$1M to meet the identified conservation purposes.

Virginia Tax Management Response(s):

Virginia Tax concurs with the conditions observed and recommendations as presented with the following statement:

Virginia Tax agrees with the recommendation except it should be noted that the existing application form is correct. The only necessary modification to implement this change is to the instructions to the form.

FINDING 5 - SUBDIVIDED PROPERTY

Property adjacent to a property that received a previous LPTC was granted an additional LPTC of \$963,600 without the required approval of the conservation value by DCR. *Code of Virginia* § 58.1-512 (D) (3) (b) requires the determination of the credit resulting in a DCR review be aggregated when any other portion of a recorded parcel of land was donated by the same property owner (including immediate family members) within the preceding 11 years of the original property donation. Part (c) requires verification of conservation value by the Director of DCR for conservation easements involving real property that was partitioned from or a part of another portion of land that has been allowed a tax credit within the past three years and has a value exceeding \$250,000.

In 2017, a conservation easement was placed on property resulting in the LPTC of \$960,000. A second conservation easement was placed in 2020 by the same property owner on adjacent property resulting in the LPTC of \$963,600. The application for the tax credit did not indicate that a prior easement was involved. Combined, these LPTCs totaled \$1,923,600.

Recommendation(s):

1. Virginia Tax should notify the landowner that they must submit the requisite information to DCR to enable a conservation value review of the two conservation easements identified by auditors as meeting the requirements of *Code of Virginia* § 58.1-512 (b), in order for the prior issued land preservation tax credits to remain valid.
2. Virginia Tax, in conjunction with DCR and Virginia Outdoors Foundation, should work with the VaULT to educate land trust companies on proper completion of the LPC application.

DCR Management Response(s):

DCR concurs with the conditions observed and recommendations as presented.

Virginia Tax Management Response(s):

Virginia Tax will contact the taxpayer to give them an opportunity to respond to the audit observation that it appears the two conservation easements identified by auditors as not meeting the requirements of Section 58.1-512(b). If it is determined that the audit observation is correct, the taxpayer will be requested to explain the cause of the taxpayer's omission on the form as well as to remediate the error.

Depending upon the results of the determination of the error and the cause of the error, Virginia Tax and DCR will work collaboratively to address the issue with all parties to prevent reoccurrence of the error.

AUDIT RESULTS

This report presents the results of OSIG's audit of the Conservation Easement/Land Preservation Tax Credit program. The following audit testing was performed with immaterial, if any, discrepancies noted:

- Verified DCR's conservation value review and approval of easements with tax credits of \$1 million or more occurs prior to the issuance of the tax credit by Virginia Tax.
- Determined that appraisals on conservation easements are completed by qualified licensed appraisers.
- Verified the completeness of DCR's annual reporting of all conservation easements.
- Determined that tax credits are issued for recorded easements on real property.
- Verified that controls over Conservation Easement Credit transfers are functioning to ensure the appropriate amount of credit is transferred.

Based on the results and findings of the audit test work conducted of Conservation Easement/Land Preservation Tax Credits, OSIG concluded that internal controls, as they relate to the audit objectives, were operating properly except as identified in the report findings.

APPENDIX I - DCR CORRECTIVE ACTION PLAN

RECOMMENDATION NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
1	The General Assembly should lower the threshold for DCR reviews using VLCF criteria in <i>Code of Virginia</i> § 58.1-512 (D) (1) to improve the quality of conservation for which Virginia is paying through large tax credits.	Not Applicable to DCR			

RECOMMENDATION NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
2	The General Assembly should change <i>Code of Virginia</i> § 58.1-512 (D) (1) to require a review by DCR when the appraised value of the easement qualifies for a Land Preservation Tax Credit of \$1 million or more, regardless of the credit taken.	Not Applicable to DCR			

RECOMMENDATION NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
3(1)	For LPTC applications for conservation easements and donations of land in fee simple to land trusts to be eligible for the Virginia Land Conservation Incentives Act, the General Assembly should require the land trust companies holding the interest in real property to either be certified by the Land Trust Alliance or demonstrate satisfactory progression toward certification within a reasonably specified time.	Not Applicable to DCR			

RECOMMENDATION NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
3(2)	DCR, in conjunction with the Virginia Outdoors Foundation, should work with the VaULT to educate land trust companies on effective easement monitoring and compliance with conservation easements.	DCR will approach VaULT for presenting on proper monitoring of conservation easements and land donations at one of their training events.	DCR will coordinate with VOF to reach out to VaULT to hold a training event at the next VaULT Conference.	April 2022	Land Conservation Manager

RECOMMENDATION NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
4(1)	Land Preservation Tax Credits should only be allowed when all conservation purposes identified on the application meet the criteria of the VLCF. As a result, the VLCF, through direction from its Chairman (Secretary of Natural Resources), should update VLCF criteria to require that all conservation purposes be met.	DCR will work with the Secretary of Natural Resources to update the VLCF criteria	DCR will work with the Secretary of Natural Resources to update the VLCF criteria if the LPTC law is changed as suggested in Recommendation #1.	After legislation passes authorizing VLCF to require standards for LPTC applications for less than \$1M.	Land Conservation Manager

RECOMMENDATION NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
4(2)	Virginia Tax should update the application instructions for a Land Preservation Tax Credit to clarify all identified conservation purposes must meet the VLCF criteria.	Not Applicable to DCR			

RECOMMENDATION NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
5(1)	Virginia Tax should notify the landowner that they must submit the requisite information to DCR to enable a conservation value review of the two conservation easements identified by auditors as meeting the requirements of <i>Code of Virginia</i> § 58.1-512 (b), in order for the prior issued land preservation tax credits to remain valid.	Not Applicable to DCR			

RECOMMENDATION NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
5(2)	Virginia Tax, in conjunction with DCR and Virginia Outdoors Foundation, should work with the VaULT to educate land trust companies on proper completion of the LPC application.	DCR will approach VaULT for presenting on proper completion of the LPC application at one of their training events.	DCR will consult with VaULT to hold a training event at the next VaULT Conference.	April 2022	Land Conservation Manager

APPENDIX II - VIRGINIA TAX CORRECTIVE ACTION PLAN

RECOMMENDATION NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
1	The General Assembly should lower the threshold for DCR reviews using VLCF criteria in <i>Code of Virginia</i> § 58.1-512 (D) (1) to improve the quality of conservation for which Virginia is paying through large tax credits.	Not Applicable to Virginia Tax			

RECOMMENDATION NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
2	The General Assembly should change <i>Code of Virginia</i> § 58.1-512 (D) (1) to require a review by DCR when the appraised value of the easement qualifies for a Land Preservation Tax Credit of \$1 million or more, regardless of the credit taken.	Not Applicable to Virginia Tax			

RECOMMENDATION NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
3(1)	For LPTC applications for conservation easements and donations of land in fee simple to land trusts to be eligible for the Virginia Land Conservation Incentives Act, the General Assembly should require the land trust companies holding the interest in real property to either be certified by the Land Trust Alliance or demonstrate satisfactory progression toward certification within a reasonably specified time.	Not Applicable to Virginia Tax			

RECOMMENDATION NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
3(2)	DCR, in conjunction with the Virginia Outdoors Foundation, should work with the VaULT to educate land trust companies on effective easement monitoring and compliance with conservation easements.	Not Applicable to Virginia Tax			

RECOMMENDATION NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
4(1)	Land Preservation Tax Credits should only be allowed when all conservation purposes identified on the application meet the criteria of the VLCF. As a result, the VLCF, through direction from its Chairman (Secretary of Natural Resources), should update VLCF criteria to require that all conservation purposes be met.	Not Applicable to Virginia Tax			

RECOMMENDATION NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
4(2)	Virginia Tax should update the application instructions for a Land Preservation Tax Credit to clarify all identified conservation purposes must meet the VLCF criteria.	Virginia Tax will update the application instructions for the LTPC to clarify all identified conservation purposes must meet the VLCF criteria.	Updated application instructions	12/31/2021	Assistant Tax Commissioner, Office of General Legal and Technical Services

RECOMMENDATION NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
5(1)	Virginia Tax should notify the landowner that they must submit the requisite information to DCR to enable a conservation value review of the two conservation easements identified by auditors as meeting the requirements of <i>Code of Virginia</i> § 58.1-512 (b), in order for the prior issued land preservation tax credits to remain valid.	<p>Virginia Tax will contact the taxpayer to give them an opportunity to respond to the audit observation that it appears the two conservation easements identified by auditors as not meeting the requirements of Section 58.1-512(b). If Virginia Tax determines that the audit observation is correct, the taxpayer will be requested to explain the cause of the taxpayer’s omission on the form as well as to remediate the error.</p> <p>Depending upon the results of the determination of the error and the cause of the error, Virginia Tax and DCR will work collaboratively to</p>	Written contact with the noted taxpayer.	9/30/2021	Assistant Tax Commissioner, Office of General Legal and Technical Services

RECOMMENDATION NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
		address the issue with all parties to prevent reoccurrence of the error.			

RECOMMENDATION NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
5(2)	Virginia Tax, in conjunction with DCR and Virginia Outdoors Foundation, should work with the VaULT to educate land trust companies on proper completion of the LPC application.	Depending upon the results of the determination of the error and the cause of the error, Virginia Tax and DCR will work collaboratively to address the issue with all parties to prevent reoccurrence of the error	Deliverable to be determined after step 5(1) completed.	Within 30 days after corrective action determined.	Assistant Tax Commissioner, Office of General Legal and Technical Services