CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 22, 2007

Habitat and Land Conservation Act of 2007

As ordered reported by the Senate Committee on Finance on September 21, 2007

The Habitat and Land Conservation Act of 2007 would provide tax relief to individuals and corporations that make charitable contributions or expenditures for conservation of endangered species and would extend the rules that allow businesses to immediately deduct remediation costs of real property that could not be reused due to environmental contaminants (brownfields sites). The bill also would accelerate the effective date for provisions of the American Jobs Creation Act of 2004 (AJCA) that provided for loss deferral rules for certain tax-exempt property involved in so-called sale-in, lease-out ("SILO") transactions.

The Joint Committee on Taxation (JCT) estimates that enacting the bill would increase revenues by $2.5 billion over the 2008-2012 period and by $53 million over the 2008-2017 period. CBO estimates that implementing the legislation would cost less than $500,000 per year over the 2008-2012 period, assuming the availability of appropriated funds.

JCT has determined that the tax provisions of the bill contain one private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA): modification of the effective date for the provisions of AJCA regarding leasing (SILO) transactions. CBO has reviewed the non-tax provision of the bill (section 3(b)) and determined that it contains no private-sector mandates as defined in UMRA. CBO and JCT have determined that the bill contains no intergovernmental mandates.

The estimated revenue effects are summarized below.

	By Fiscal Year, in Millions of Dollars											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2012	2008-2017
Estimated Revenues	2,388	381	-150	-108	-4	-49	-131	-458	-801	-1,016	2,506	53

Source: Joint Committee on Taxation.

The Habitat and Land Conservation Act of 2007 would provide income tax credits for certain costs related to habitat restoration and habitat protection easements for endangered species. It also would make permanent the provisions that expire on December 31, 2007, that reduce the limitations for deducting charitable contributions of certain conservation property. The bill also would allow farmers to immediately deduct certain capital expenditures for endangered species recovery to the same extent that they can deduct capital expenditures related to soil and water conservation. JCT estimates that these three provisions would reduce revenues by $62 million in 2008, by $1.1 billion over the 2008-2012 period, and by $2.5 billion over the 2008-2017 period.

The bill would extend for three years, to December 31, 2010, the rules that allow taxpayers to immediately deduct remediation costs for brownfields. JCT estimates that this provision would reduce revenues by $227 million in 2008, by $971 million over the 2008-2012 period, and by $630 million over the 2008-2012 period.

The bill would accelerate the effective date for provisions of AJCA that provided for loss deferral rules for certain tax-exempt property involved in SILO transactions. JCT estimates that this provision would increase revenues by $2.7 billion in 2008, by $4.6 billion over the 2008-2012 period, and by $3.2 billion over the 2008-2017 period.

The legislation also would require a five-year study by the Government Accountability Office (GAO) on the endangered species recovery and restoration credit. This study would include an evaluation of the tax credit for the restoration and enhancement of species habitat and the development of recommendations to improve effectiveness of the credit. Based on the costs of similar efforts, CBO estimates that preparing the study would cost less than $500,000 annually over the 2008-2012 period.

The CBO staff contacts for this estimate are Barbara Edwards (for revenues) and Matthew Pickford (for GAO costs). The estimate was approved by Peter H. Fontaine, Assistant Director for Budget Analysis, and G. Thomas Woodward, Assistant Director for Tax Analysis.