

# Resource Enhancement and Protection (REAP)

## WHAT IS REAP?

- The Resource Enhancement and Protection (REAP) Program allows farmers and businesses to earn tax credits in exchange for "Best Management Practices" (BMPs) on agricultural operations that will enhance farm production and protect natural resources.
- The program is administered by the State Conservation Commission (Commission) and the tax credits are awarded by the Pennsylvania Department of Revenue.
- Eligible applicants may receive between 50% and 75% of project costs as state tax credits for up to \$150,000 per agricultural operation. The amount of tax credit available to a recipient is dependent on the type of BMP implemented.

## HOW CAN FARMERS PARTICIPATE?

There are three ways for farmers to participate in the REAP program - *Self, Sell or Sponsor*

- Implement eligible BMPs and receive tax credits directly to reduce a state tax bill. (Self)
- Sell tax credits to another Pennsylvania taxpayer. (Sell)  
(Note - Farmer must hold for 1 year after date that tax credit is granted.)
- Work with a sponsor that will help finance a farmer's BMPs. The farmer will be compensated for making improvements and the sponsor will receive the tax credit. (Sponsor)

## WHAT DO FARMERS NEED TO HAVE IN ORDER TO BE ELIGIBLE FOR REAP?

**1. Current Plans** - Agricultural operations must have a current:

- Conservation plan (or an NRCS approved grazing (528) plan).
- An agricultural erosion and sedimentation control plan (An Ag E&S plan is part of a properly written conservation plan).
- A nutrient management plan, if required (for a CAO or CAFO).

The cost of developing and implementing these plans may be included to qualify for the tax credit.

**2. Properly Protected Barnyards** - An agricultural operation with an animal concentration area (ACA) such as a barnyard or loafing area, must have implemented the Best Management Practices (BMPs) to abate storm water runoff, loss of sediment and nutrients, and runoff of other pollutants from the ACA, or the implementation of these BMPs must be included in the application for a tax credit.

**3. Fully Implemented Crop Field and NM BMPs** - An agricultural operation with uncompleted BMPs required in an Ag E&S plan and/or a nutrient management plan must first include the remaining BMPs included in these plans in the application for a tax credit.

## WHAT KINDS OF PROJECTS ARE ELIGIBLE FOR REAP TAX CREDITS?

1. Tax credits for **75%** of eligible costs include the following:

- Nutrient Management Plan, Ag. E&S Plan and/or Conservation Plan development.
- BMPs for ACAs and barnyard runoff, stream bank fencing with 50 foot forested riparian buffers, and 50 foot forested riparian buffers.

2. Tax credits for **50%** of eligible costs include:

- Any Commission approved BMP or equipment necessary to reduce existing sediment and nutrient concerns, such as: manure storage systems, alternative manure treatment

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practices, filter strips, grassed waterways, management intensive grazing systems and no till planting equipment.

- Stream bank fencing with 35 foot riparian buffers (grassed or forested).
3. No tax credit will be provided for a publicly funded portion of a project.
  4. The tax credit is to be returned if the practice is not maintained for the life span of the practice.
  5. Tax credits can only be awarded to projects completed or equipment purchased after the effective date of the Act, which is **October 23, 2007**.

## WHAT ARE THE ELIGIBLE PROJECT COSTS?

The following are eligible costs of a project to which a tax credit may be applied:

- Project design, engineering, and associated planning
- project management costs, including constructing, document preparation and applications
- Project construction and installation
- Equipment, materials and other eligible project components
- Post construction expenses
- Interest payments on loans for project implementation for up to one year prior to the award of the tax credit.

## SOME REMINDERS

- REAP differs from traditional conservation programs. It is a tax credit where, unless the farmer works with a sponsoring business, the farmer must finance all up-front costs. The tax credit is issued after the installation of a practice or purchase of eligible equipment. State or federal cost-share portions of a project are ineligible for REAP tax credits.
- Many producers owe few, if any, state taxes. REAP tax credits can be used by the farmer for up to fifteen years, and are transferable and can be sold to other taxpayers. Through REAP's sponsorship program, another business could help finance a project and apply for the tax credit instead of the producer. An accountant or other financial professional can advise farmers on the benefits of REAP for their operation.
- REAP tax credits may be sold, and there are individuals and corporations that wish to reduce their tax liability by purchasing tax credits. Several brokers in Pennsylvania help arrange tax credit transfers.

## Contact

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