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# What is REAP?

The **Resource Enhancement and Protection (REAP)** Program allows farmers and sponsors to earn **PA tax credits** for installing “Best Management Practices” (BMPs) on agricultural operations that enhance farm production and protect natural resources.

- \$10 million program is first-come, first-served – no rankings
- Eligible applicants receive 50% (for equipment and most BMPs) or 75% (for some high-priority BMPs) of **out-of-pocket** project costs.
  - Can be used in conjunction with other funding sources to help offset the farmer’s out-of-pocket expenses
- The credits can be used incrementally to pay PA state income taxes for up to **15 years** or they can be sold for cash.
- \$150,000 lifetime limit per ag operation

# What do farmers need in order to be eligible for REAP?

## 1. Individual or farm must be subject to taxation by the Commonwealth of PA

### ✓ Personal Income Tax, Corporate Net Income Tax

- Partnerships, LLC, Corporation, S Corps., Sole Proprietorships are all eligible
- Credits can be passed through to members

## 2. Current Plans - Agricultural operations must be in **compliance with State laws** by having a current:

### ✓ Conservation Plan/Agricultural E&S Plan - on **all** acres operated

### ✓ Nutrient Management Plan/Manure Management Plan - if needed

- The cost of developing and implementing these plans may be included in the application.

## 2a. Fully Implemented ACA-related BMPs

### ✓ BMPs necessary to control runoff from ACAs must be fully implemented

### ✓ OR the implementation of these BMPs must be included in the application for tax credits.

## 2b. On-Schedule

- ✓ An agricultural operation with uncompleted non-ACA BMPs in those plans must be on-schedule for full implementation of BMPs in order to be eligible for REAP tax credits OR they must be included in the application for tax credits.

# What Kinds of Projects are Eligible for REAP Tax Credits?

➤ *Proposed projects and completed projects are both eligible*

## 1. **Tax credits for 75%:**

- ✓ Planning - Nutrient Management Plans, Ag. E&S Plan/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%:**

- ✓ **No-Till Planting equipment**, Cover Crop Rollers, Inter-seeders, Composting equipment, others
- ✓ Manure storage systems, Alternative manure treatment practices , composting facilities
- ✓ Sediment and Nutrient runoff practices in crop fields - grassed waterways, terraces, etc.
- ✓ Intensive grazing systems, Stream bank fencing with 35 foot riparian buffers (grassed or forested), Cover crops.

➤ EQIP projects (and/or other funding sources) ARE eligible for REAP – out-of-pocket expenses only

➤ The practice must be maintained for its lifespan.

- **Equipment trade-in policy**

# How Can Farmers Participate?

➤ **Three ways** for farmers to participate in the REAP program

1. Use the tax credits directly to reduce a state tax bill. After being awarded, credits can be used incrementally over 15 years. The credits can be used to reduce taxes on any income – not just the farm income
  - Farms that are organized as a business entity can pass credits through to members as-needed
2. Sell/transfer tax credits to another Pennsylvania taxpayer. Approximately 35-40% of farmers in the program do this.
  - Farmers must wait one year before sale/transfer
3. Work with a sponsor that will help finance a farmer's BMPs. The sponsor helps finance the project and receives the tax credits.

# What costs are eligible?

- Project design, engineering, and planning
- Project construction and installation
  - Includes personal labor
- Equipment, materials, and other eligible components
- Post construction expenses (engineer certification)
- Interest payments on loans for project implementation for up to one year.

# Reminders

- **TAX CREDITS** - issued *after* the installation of a practice or purchase of eligible equipment. Proposed projects are eligible (credits are *reserved* and then awarded upon completion of the project).
- Out-of-pocket expenses and/or labor only.
- REAP tax credits can be used incrementally by the farmer for up to **15 years**.
  - Please contact me about farms organized as a business entity
- REAP tax credits may be sold to any individual or corporation that is liable to pay PA State Income Tax. Several brokers in Pennsylvania help arrange tax credit sale/transfers. Banks are big buyers of tax credits
- Through REAP's sponsorship program, another business can help finance a project up-front and apply for the tax credits instead of the producer.
- An accountant or other financial professional can advise farmers on the specific tax implications

# REAP 2014-2015

- Fiscal Year 2014-2015 program is closed. We received almost \$12 million in applications.
  - Approved applications that don't get funded this FY will be rolled-over to FY2015-16 – No additional application necessary.
- Fiscal Year 2015-16 REAP Guidelines will be available July 1, 2015 and applications will be accepted beginning on August 3, 2015 – *pending PA budget*
  - Precision fertilizer top-dress equipment
  - Changes to vertical tillage equipment guidelines (again)
  - Odor management BMPs



# Questions?

Contact Joel Semke, REAP Coordinator, at:

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➤ [www.pda.state.pa.us/REAP](http://www.pda.state.pa.us/REAP)

*for program guidelines and application.*