

The Resource Enhancement and Protection Program

REAP



The Resource Enhancement and Protection Program, or REAP, was signed into law in the summer of 2007 as part of Act 55 of 2007. A \$10 million tax credit program, REAP allows state tax credits to be issued to eligible farmers and sponsors across Pennsylvania to encourage the investment in planning and implementation of best management practices (BMPs) on agricultural operations.

Eligible applicants may be able to receive between 25% and 75% of project costs as state tax credits for up to \$150,000 per agricultural operation. Approved REAP activities include the implementation of BMPs, the planting of riparian forest buffers and remediation of problems related to legacy sediment.

The amount of tax credit available to a recipient is dependent on the type of BMP implemented.

The program will be administered by the State Conservation Commission, and the tax credits will be granted by the Pennsylvania Department of Revenue.

The Commission expects to have the program operational during the winter of 2007-08. As the program moves toward implementation, potential applicants and the public will be made aware of the process to qualify and apply for the tax credits.

There are three ways to participate in the REAP program:

- Implement eligible BMPs and receive tax credits directly to reduce your own state tax bill.
- Sell your tax credits to another Pennsylvania tax payer.
- Work with a sponsor that will help finance your BMPs. You will be compensated for making improvements, and the sponsor will receive the tax credit.

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For more information on the program, including how to apply for tax credits, visit the Commission Web site at:

www.agriculture.state.pa.us, and click on "Commissions and Councils."

Key features of REAP include:

- Tax credits are allowed up to \$150,000 per agricultural operation.
- There are no limits on the amount of tax credits that can be purchased or assigned from eligible applicants.
- There are no limits on the amount of tax credits that can be granted to a sponsor.
- All back taxes due must be paid in full before an application can be approved.
- Tax credits may be carried over for up to 15 years.
- Tax credits begin the year they are granted. There can be no carryback or refund.
- Tax credits may be sold.
- Tax credits must be claimed for the year they are purchased.
- Tax credits can be used for up to 75% of the total tax liability for any given year for any one who buys or trades for tax credits.
- An eligible applicant may be a "sponsor" or someone other than the farmer, who is paying for the project.
- Tax credits may be shared among business partners or shareholders.
- Tax credits can only be awarded to projects completed after the effective date of the law, which is October 24, 2007.
- Agricultural operations must have a current conservation plan, an erosion and sedimentation control plan and a nutrient management plan, if required. The cost of developing and implementing these plans may be included to qualify for the tax credit.
- Projects shall meet design and construction standards established by the State Conservation Commission.
- Tax credits for 75% of eligible costs include the following: Nutrient Management Plan, Agricultural Erosion and Sediment Control Plan and/or Conservation Plan development, BMPs for animal concentration areas and barnyard runoff, streambank fencing and 50 foot forested riparian buffers.
- Tax credits for 50% of eligible costs include operation, design and equipment to reduce existing sediment and nutrient concerns; streambank fencing; and 35 foot riparian buffers.
- Eligible BMPs and equipment approved by the Commission for tax credits of 50% may include manure storage systems, alternative manure treatment practices, filter strips, grassed waterways, management intensive grazing systems and no-till planting equipment.
- Tax credits for 25% of eligible costs include remediation of legacy sediments (after July 1, 2008).
- No tax credit shall be provided for the publicly funded portion of a project.
- The tax credit is to be returned if the practice is not maintained for the specified time period.
- Applications for tax credits are to be made to the State Conservation Commission.
- Applications will be reviewed by the Commission within 60 days of receipt.
- Tax credits are to be granted by the Department of Revenue within 60 days of receipt of notification of completion of the project by the Commission.
- Tax credits will be available for legacy sediment remediation after July 1, 2008.