

State Conservation Commission



FY 2017
Annual Report

“Healthy farms and healthy waterways can co-exist and this program is just one example of the support offered to the state’s farmers in their efforts to be conservation stewards of the land. Funding provided by the REAP program helps our farmers implement practices that benefit their farms and work to protect water quality at the same time.” - Department of Agriculture Secretary Russell Redding.

What is REAP?

The Resource Enhancement and Protection (REAP) Program was created by Act 55 of 2007. REAP allows farmers, businesses and landowners to earn state tax credits in exchange for the implementation of conservation Best Management Practices (BMPs) on Pennsylvania farms. These practices protect natural resources, reduce nutrient and sediment pollution in our waterways, and enhance farm production. REAP applicants cover up-front costs of installation of the practice or purchase of eligible equipment. Upon completion of the REAP-eligible project, tax credits are awarded. REAP is a **first-come, first-served** program. An applicant’s eligibility is determined by the operation’s compliance with the PA Clean Streams Law. REAP also allows other PA businesses/entities to participate in the program by sponsoring a farmer’s project.

The State Conservation Commission administers the program and determines a project’s eligibility. The Pennsylvania Department of Revenue awards the REAP tax credits after a review to determine that the applicant is current on all state tax obligations.

Who is Eligible?

Any individual or business who is subject to taxation by the Commonwealth of Pennsylvania under any of the following taxes is eligible to participate in REAP: Personal Income Tax, Corporate Net Income Tax, Capital Stock and Franchise Tax, Bank Shares Tax, Title Insurance Company Premiums Tax, Insurance Premiums Tax and Mutual Thrift Institutions Tax. Applicants must be in compliance with the PA Clean Stream Law regarding Agricultural Erosion & Sedimentation/Conservation Plans and Nutrient/Manure Management Plans.

Farmers and landowners can participate in three ways:

- Use the tax credits directly to reduce a state tax bill. REAP credits can be used incrementally for up to 15 year from the date of issuance to pay any of the PA income taxes listed above.
- Sell tax credits to another Pennsylvania taxpayer 1 year after the award of credits.
- Work with a **sponsor** that will help finance a farmer’s BMPs. The sponsor helps finance the project and receives the tax credits upon its completion. Eight farmers in FY 2017 worked with a sponsor.

Program Procedures

Under the REAP Program, the State Conservation Commission accepts applications for:

- **Completed projects** that are still within the listed REAP lifespan for the practice.
- **Proposed projects** that will to be completed in the near future.

Upon completion of eligible projects, the applicant must provide receipts of total costs and certification from an engineer (or other qualified individual) that the project has been installed/completed properly. The Department of Revenue conducts a compliance check to determine if the applicant has filed all required state tax reports and paid all balances of state taxes due. The PA Department of Revenue issues a credit certificate to the eligible applicant within 60 days.

Demand for the Program

The program has awarded credits in ten state fiscal years: FY 2007 to the present. The REAP program is typically allocated \$10 million annually. This allocation covers 275-300 applicants per year. In each program year, applications for available credits have exceeded the allocation of credits available for that year. There is currently a lifetime limit of \$150,000 of REAP tax credits per ag operation. To date, approximately 90 farmers across the State have reached their cap.

New for FY 2017

For FY 2017, the REAP program added maintenance of Riparian Forest Buffers to the list of practices eligible for REAP credits. In addition, projects involving the removal and remediation of Legacy Sediments from historic mill dam areas became eligible for credits. REAP Guidelines pertaining to Cover Crops were revised to make it easier for farmers to try planting more cover crops.

Economic Benefits

REAP generates significant private investment, as farmers pay 25 - 50 percent of the total project costs for conservation BMPs and equipment. By providing state tax credits, REAP helps producers make investments in the environment while enhancing the viability of the farm operation at the same time. The FY 2017 REAP program generated more than \$22.2 million in private investments for the installation of conservation practices and equipment investments. The projects also leveraged an additional \$5.6 million in other public funds for a total investment of \$27.9 million in the local economy through the 307 farms that were approved for REAP funding in FY2017.

Statewide Environmental Impact of REAP

The contribution of the REAP program to cleaner streams in Pennsylvania—and ultimately to a cleaner Chesapeake Bay - is significant. Implementation of REAP BMPs, as well as investments in no-till and precision ag equipment, lead directly to reductions of nitrogen, phosphorus, and sediment discharges into surface waters in Pennsylvania. In addition, practices like no-till planting, precision application of nutrients, and cover crops work to improve the soil health of the Pennsylvania's farmland. Improving soil health is key to long-term sustainability and decreasing pollution runoff. Nutrients are also a valuable resource that can be managed more efficiently for economic and environmental benefit. REAP has proven to be an effective tool; providing farmers with the resources necessary to reduce nutrient and sediment runoff from their farms, while increasing farm productivity and efficiency.

The Chesapeake Bay Program Model can help estimate the statewide pollution reduction benefits related to REAP projects. Based on previous estimates from DEP, reductions tied to REAP for FY 2017 are:

1. 375,000 lbs Nitrogen
2. 17,500 lbs Phosphorus
3. 4,700 tons of sediment.

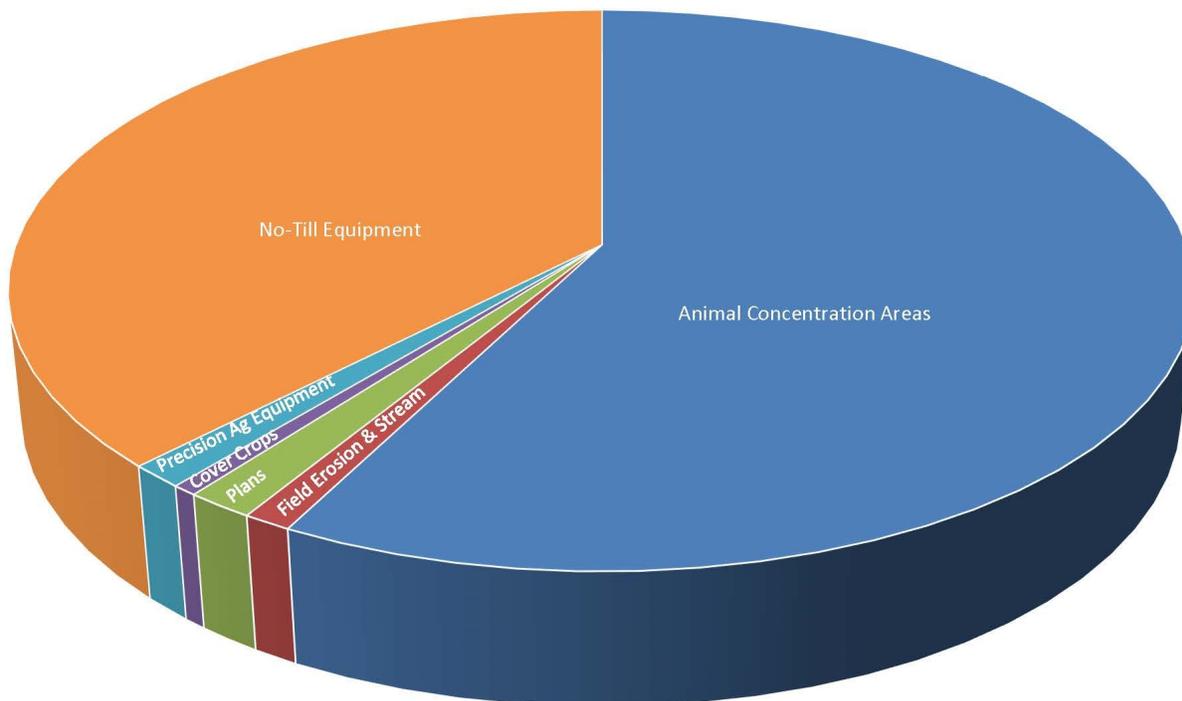
Project Types: Best Management Practices that reduce nitrogen, phosphorus, and sediment pollution

FY 2017 Best Management Practices*

BMP	number of projects	Total Cost	Other Funding	REAP Eligible	Credits Awarded
Animal Concentration Areas	228	\$17,913,371	\$5,469,117	\$11,930,678	\$4,795,746
No-Till Equipment	185	\$8,843,701	\$0	\$8,801,701	\$3,713,019
Precision Ag Equipment	18	\$295,605	\$0	\$289,182	\$124,782
Field Erosion & Stream Areas	37	\$405,725	\$155,973	\$249,752	\$50,613
Plans	71	\$243,511	\$7,244	\$236,268	\$107,694
Cover Crops	19	\$132,205	\$0	\$132,205	\$63,427
TOTAL		\$27,834,118	\$5,632,334	\$21,639,786	\$8,855,281

*As of 05/01/2018. REAP accepts applications for proposed and completed project. Applicants have at least 2 years to complete proposed projects. Therefore, credits continue to be awarded as time progresses.

FY 2017 REAP Allocation - BMP Type (\$)



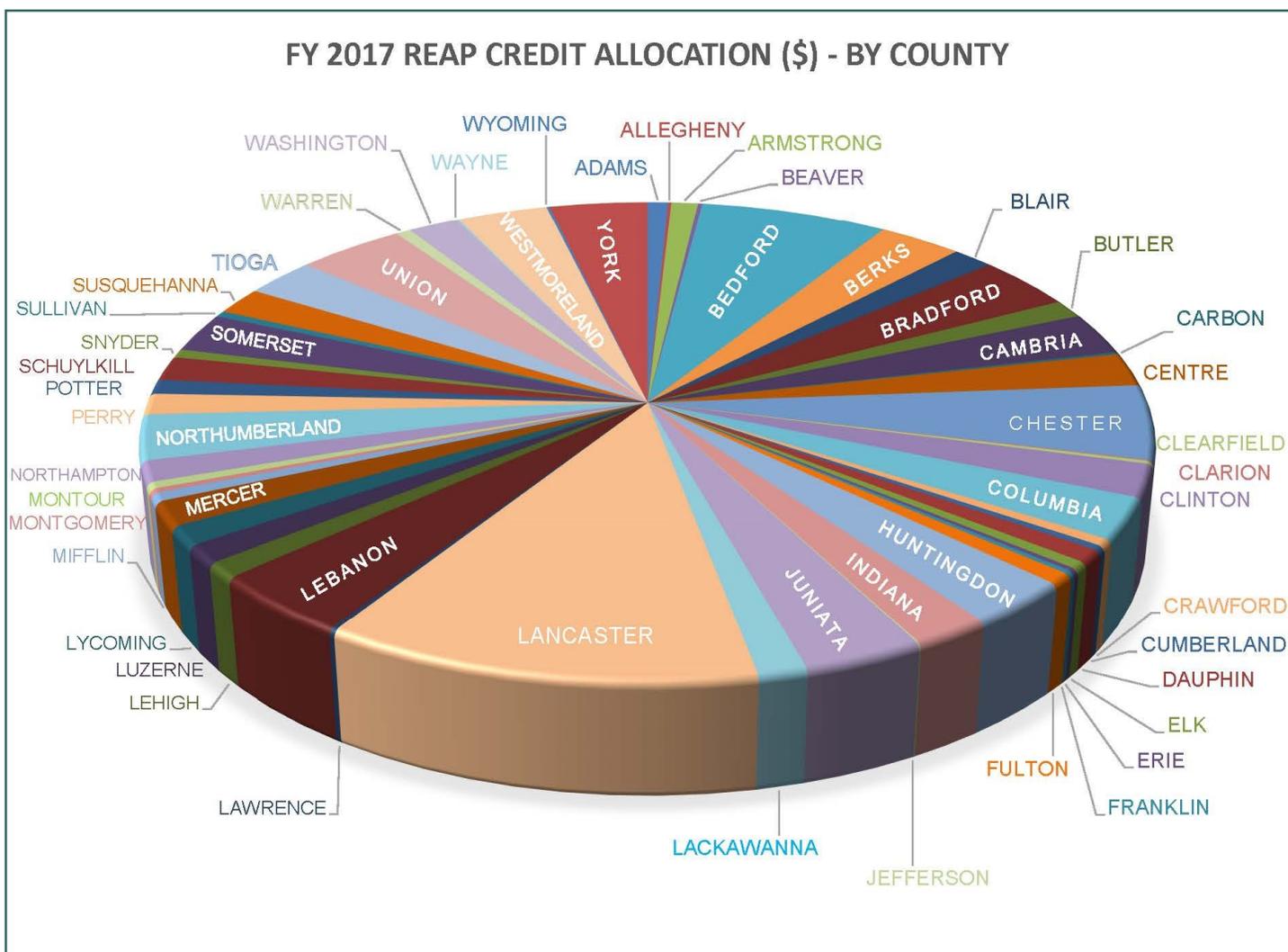
The State Conservation Commission revises the REAP each year to keep up with emerging technologies and new trends. This enables the program to add BMPs that are eligible for REAP tax credits; and to remove BMPs that are no longer viewed as effective or efficient. The Commission values the input of its partners and other agricultural/conservation groups to help maintain the value of REAP as a tool to conserve natural resources and enhance farm efficiency. Recent additions to the REAP program include: Precision Nutrient Application Equipment, Legacy Sediment Remediation projects, and expanded Cover Crop eligibility.

Project Distribution

REAP is statewide program. Since 2007, REAP has helped improve environmental stewardship and economic viability on over 2400 farming operations across the commonwealth. In FY 2017, the REAP program approved applications from 307 eligible agricultural operations from 56 counties. This includes 8 projects that were sponsored by other entities.

Historically, 75% REAP credits have been awarded to farming operations within the Chesapeake Bay watershed. In FY 2017, 68% of available REAP credits were allocated to operations within the Bay watershed.

The following chart shows the geographical distribution of REAP's \$10 million FY 2017 allocation.



For more information contact:
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