

# State Conservation Commission



**FY 2020**

July 1, 2020–June 30, 2021

## 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, and amended in 2019 as part of the PA Farm Bill. REAP allows farmers, businesses, and landowners to earn Pennsylvania state income tax credits in exchange for the implementation of water quality Best Management Practices (BMPs) on Pennsylvania farms. Eligible practices reduce nutrient and sediment pollution in our waterways, protect natural resources, and enhance farm production. REAP reimburses eligible applicants for costs incurred during the installation of conservation projects. REAP also helps eligible applicants purchase conservation equipment.

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 Commission awards the REAP tax credits on behalf of the Pennsylvania Department of Revenue - 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 income tax bill. REAP credits can be used for up to 15 years from the date-of-issuance of the REAP tax credit 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. Fifty-four farmers worked with a sponsor in 2020.

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

- **Completed projects** that have been recently finished.
- **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 Commission issues the REAP tax credit on behalf of the PA Department of Revenue after it conducts a back-tax compliance check to determine if the applicant has filed all required state tax reports and paid all state taxes due.

## REAP Participation

The program has awarded REAP tax credits in 13 state fiscal years: FY 2007 to the present. As part of the 2019 PA Farm Bill, funding for the REAP program was increased to \$13 million annually. REAP’s allocation typically funds over 325 eligible applicants per year. In each program year since 2007, the number of applications for available credits have exceeded the allocation of credits available for that year. Farm operations are limited by law to \$250,000 of REAP tax credits in a 7-year period.

## New for FY 2020

The State Conservation Commission revises the REAP Guidelines each year to keep up with emerging technologies and new trends. For FY 2020, multi-species cover crops and cover crop roller/crimping equipment became eligible for a 90% REAP tax credit for applicants in watersheds with an ag-impaired TMDL. Also, soil-health tests became eligible for REAP tax credits.

## Economic Benefits

REAP generates economic investment in the local community. REAP income tax credits help producers make investments in the environment - while enhancing the economic viability of the farm operation at the same time—by reducing the out-of-pocket costs farmer often face when implementing conservation projects. The FY 2020 REAP program has helped generate more than \$32 million in private investments for the implementation of conservation practices and equipment investments. The projects also leveraged an additional \$4.0 million in other public funds (from sources like NRCS/EQIP, Growing Greener, CBP) for a total investment of \$36.3 million in the local economy through the 381 farms that were approved for REAP funding in FY 2020.

## Water-Quality Projects

### 2020-21

(As of February 2022. The REAP Program accepts applications for proposed and completed projects. Applicants have at least 2 years to complete proposed projects. REAP tax credits continue to be awarded as projects are completed.)

BMP	# of projects	Actual Cost	Other Public Funding	Reap Request Amount	Credit Granted Amount
CONSERVATION EQUIPMENT	267	\$19,187,634.45	\$0.00	\$8,924,250.00	\$8,316,824.00
ANIMAL & MANURE	188	\$14,352,671.14	\$3,626,062.56	\$4,984,483.50	\$3,275,341.00
COVER CROPS	178	\$2,145,579.24	\$60,753.00	\$958,733.00	\$563,747.00
CROP FIELD EROSION & STREAM PLANS	33	\$487,045.90	\$243,648.93	\$127,301.00	\$58,830.00
	55	\$163,925.81	\$20,997.00	\$100,372.00	\$92,747.00
<b>TOTAL</b>	<b>721</b>	<b>\$36,336,856.54</b>	<b>\$3,951,461.49</b>	<b>\$15,095,139.50</b>	<b>\$12,307,489.00</b>

CONSERVATION EQUIPMENT includes: No-till planters and drill, manure injectors, and precision nutrient application

ANIMAL & MANURE BMPS include: manure storages, heavy use area protection, grazing BMPs

COVER CROPS includes: Cover crop planting, cover crop roller/crimpers

FIELD EROSION & STREAM BMPS includes: Stream Crossings, Riparian Buffers, Grassed Waterways, Terraces, etc.

PLANS includes: Nutrient Management/Manure Management Plans, Ag E&S/Conservation Plans, Soil Health Plans

## Project Distribution

REAP is statewide program. Since 2007, REAP has helped improve environmental stewardship and economic viability on over 3000 farming operations across the commonwealth. In FY 2020, the REAP program approved applications from 380 eligible agricultural operations from 62 counties.

In 2020-21, 73% of REAP tax credits were allocated to operations within the Bay watershed. Historically, 75% of all REAP credits have been awarded to farming operations within the Chesapeake Bay watershed.

The following list shows the amount of REAP credits that were approved for farmers and landowners in each County.

County	Approved REAP Funding	County	Approved REAP Funding
ADAMS	\$948,161	JUNIATA	\$942,765
ALLEGHANY	\$75,401	LACKAWANNA	\$7,400
ARMSTRONG	\$96,734	LANCASTER	\$2,570,774
BEAVER	\$54,090	LAWRENCE	\$407,592
BEDFORD	\$198,492	LEBANON	\$524,094
BERKS	\$1,312,220	LEHIGH	\$230,793
BLAIR	\$1,401,592	LUZERNE	\$160,798
BRADFORD	\$279,509	LYCOMING	\$552,529
BUCKS	\$179,214	McKEAN	\$77,304
BUTLER	\$481,981	MERCER	\$297,731
CAMBRIA	\$993,470	MIFFLIN	\$702,016
CAMERON	\$631	MONROE	\$51,764
CENTRE	\$806,091	MONTGOMERY	\$27,223
CHESTER	\$1,283,629	MONTOUR	\$320,698
CLARION	\$14,000	NORTHAMPTON	\$170,000
CLEARFIELD	\$94,916	NORTHUMBERLAND	\$649,225
CLINTON	\$69,930	PERRY	\$1,260,472
COLUMBIA	\$993,293	POTTER	\$73,685
CRAWFORD	\$281,193	SCHUYLKILL	\$445,643
CUMBERLAND	\$712,204	SNYDER	\$265,814
DAUPHIN	\$222,660	SOMERSET	\$585,197
DELAWARE	\$149,596	SULLIVAN	\$45,408
ELK	\$2,500	TIOGA	\$225,470
ERIE	\$161,362	UNION	\$333,051
FAYETTE	\$8,000	VENANGO	\$193,938
FRANKLIN	\$745,336	WARREN	\$104,168
FULTON	\$523,907	WASHINGTON	\$68,240
GREENE	\$405,317	WAYNE	\$67,710
HUNTINGDON	\$405,265	WESTMORELAND	\$172,390
INDIANA	\$321,697	WYOMING	\$13,500
JEFFERSON	\$147,485	YORK	\$1,405,450

# 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 water quality BMPs, as well as investments in no-till and precision ag equipment, directly lead 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 farm sustainability and decreasing pollution runoff. Nitrogen, phosphorus, and soil are all valuable resource that must be managed efficiently for economic and environmental benefit. REAP has proven to be an effective tool that provides farmers with the resources necessary to reduce nutrient and sediment runoff from their farms—while increasing farm productivity and efficiency.

The State Conservation Commission uses equations developed by DEP to estimate the statewide water-quality pollution reduction benefits related to REAP projects. The estimates of the state-wide pollution reductions tied to REAP for FY 2020 are:

1. 1.2 million lbs Nitrogen
2. 24,400 lbs Phosphorus
3. 12,100 tons of Sediment.

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