



REAP Tax Credits ~ Businesses Investing in Soil and Water Conservation

Pennsylvania businesses can contribute to conservation practices on local farms, **and in return receive state tax credits equal to their contribution.** Pennsylvania's *Resource Enhancement and Protection (REAP) Program* offers qualifying farmers **and sponsoring businesses** state tax credits in return for the installation of conservation practices. REAP is a tremendous boost to agricultural soil and water conservation efforts, but it's a great opportunity for businesses as well. The program is administered by the State Conservation Commission (Commission), and tax credits are awarded by the Department of Revenue.

How Non-Farm Businesses Can Participate in REAP

- By **sponsoring and applying for** REAP projects on farms and earning tax credits, dollar-for-dollar.
- By **purchasing** transferable tax credits at a discount from eligible farmers who have been awarded the REAP tax credits.

REAP Sponsors: Businesses Helping Farms and the Environment

Businesses subject to a wide variety of Pennsylvania taxes can receive state tax credits for funds they contribute toward eligible farm conservation projects. Through REAP's Sponsorship provision, businesses can provide financing that farmers need to install cost-effective water quality improvements or purchase qualified equipment. Depending on the kind of project, 50-75% of the project will be reimbursed in the form of PA REAP tax credits. Farmers provide the matching funds, if necessary. There is no cap on the amount of credits a sponsor can receive.

The following PA taxes are eligible under the program: 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. **All liabilities related to the project belong to the landowner/operator, not the sponsor.**

Because all projects must meet certain eligibility requirements, the farmer will typically complete the bulk of the REAP application form, even though the business sponsor submits the application for tax credits. A signed written agreement certifying that the property owner will comply with all the requirements associated with the award of the REAP tax credit is required.

Purchasing Tax Credits: Another Alternative for Businesses

Just like businesses, farmers can apply for REAP state tax credits to help offset the costs of conservation projects. Many farm operations, however, do not have sufficient tax liability to make use of the credits themselves. In these cases, farmers can sell their REAP tax credits to any Pennsylvania taxpayer (either an individual or a business) seeking to reduce their tax liability. In these sale transactions, the sale price is determined by the buyer and seller, who may use a broker in the transaction.