

VIRGINIA AGRICULTURAL BEST MANAGEMENT PRACTICE TAX CREDIT PROGRAM

Overview

The goal of the Agricultural Best Management Practices (BMP) Tax Credit Program (TCP) is to encourage voluntary installation of BMPs that address Virginia's nonpoint source pollution water quality objectives. As with any tax credit usage, the taxpayer is ultimately responsible for determining whether they are eligible to utilize the tax credit in compliance with instructions and regulations from the Virginia Department of Taxation. Participation in Virginia's agricultural tax credit programs does not convey the public's right to access the participant's property. The current Virginia Agricultural Best Management Practice Tax Credit is twenty-five percent (25%) of the total eligible cost not to exceed \$17,500.00. If a producer receives a cost-share payment, only the producer's share of the project (his out of pocket expense) is used to determine the amount of the tax credit.

The Agricultural BMP Tax Credit Program is managed and implemented with similar policies and procedures to the Virginia Agricultural BMP Cost-share (VACS) Program. The Virginia Agricultural Best Management Practices Tax Credit Program shall operate following the guidelines of the VACS Program in general, except as otherwise expressly provided in this document. Implementers should follow all aspects of the Virginia Agricultural BMP Cost-Share Program manual, unless specifically stated otherwise in these guidelines. This guidance is intended to address any differences between the two.

The applicable Code of Virginia sections follow:

§ 58.1-339.3. Agricultural best management practices tax credit.

A. For all taxable years beginning on and after January 1, 1998, any individual who is engaged in agricultural production for market, or has equines that create needs for agricultural best management practices to reduce nonpoint source pollutants, and has in place a soil conservation plan approved by the local Soil And Water Conservation District (SWCD), shall be allowed a credit against the tax imposed by [§ 58.1-320](#) of an amount equaling 25 percent of the first \$70,000 expended for agricultural best management practices by the individual.

As used in this section, "agricultural best management practice" means a practice approved by the Virginia Soil and Water Conservation Board (VSWCB) which will provide a significant improvement to water quality in the state's streams and rivers and the Chesapeake Bay and is consistent with other state and federal programs that address agricultural, nonpoint-source-pollution management. Eligible practices shall include, but are not limited to, the following:

1. Livestock-waste and poultry-waste management;
2. Soil erosion control;
3. Nutrient and sediment filtration and detention;
4. Nutrient management; and
5. Pest management and pesticide handling.

A detailed list of the standards and criteria for practices eligible for credit shall be found in the most recently approved "Virginia Agricultural BMP Manual" published annually prior to July 1 by the Department of Conservation and Recreation.

B. Any practice approved by the local Soil and Water Conservation District Board shall be completed within the taxable year in which the credit is claimed. After the practice installation has been completed, the local SWCD Board shall certify the practice as approved and completed and eligible for credit. The applicant shall forward the certification to the Department of Taxation on forms provided by the Department. The credit shall be allowed only for expenditures made by the taxpayer from funds of his own sources.

C. 1. The amount of such credit shall not exceed \$17,500 or the total amount of the tax imposed by this chapter, whichever is less, in the year the project was completed, as certified by the Board. Any taxpayer claiming a tax credit under this section shall not claim a credit under any similar Virginia law for costs related to the same eligible practices.

2. If the amount of the credit exceeds the taxpayer's liability for such taxable year, the excess may be refunded by the Tax Commissioner. Tax credits shall be refunded by the Tax Commissioner on behalf of the Commonwealth for 100 percent of face value. Tax credits shall be refunded within 90 days after the filing date of the income tax return on which the individual applies for the refund.

D. For purposes of this section, the amount of any credit attributable to agricultural best management practices by a pass-through entity such as a partnership, limited liability company, or electing small business corporation (S Corporation) shall be allocated to the individual partners, members, or shareholders in proportion to their ownership or interest in such entity.

E. A pass-through tax entity, such as a partnership, limited liability company or electing small business corporation (S corporation), may appoint a tax matters representative, who shall be a general partner, member-manager or shareholder, and register that representative with the Tax Commissioner. The Tax Commissioner shall be entitled to deal with the tax matters representative as representative of the taxpayers to whom credits have been allocated by the entity under this article with respect to those credits. In the event a pass-through tax entity allocates tax credits arising under this article to its partners, members or shareholders and the allocated credits shall be disallowed, in whole or in part, such that an assessment of additional tax against a taxpayer shall be made, the Tax Commissioner shall first make written demand for payment of any additional tax, together with interest and penalties, from the tax matters representative. In the event such payment demand is not satisfied, the Tax Commissioner shall proceed to collection against the taxpayers in accordance with the provisions of Chapter 18 (§ [58.1-1800](#) et seq.).

§ 58.1-439.5. Agricultural best management practices tax credit.

A. For all taxable years beginning on and after January 1, 1998, any corporation engaged in agricultural production for market who has in place a soil conservation plan approved by the local Soil and Water Conservation District (SWCD) shall be allowed a credit against the tax imposed by § [58.1-400](#) of an amount equaling twenty-five percent of the first \$70,000 expended for agricultural best management practices by the corporation. As used in this section, "agricultural best management practice" means a practice approved by the Virginia Soil and Water Conservation Board (VSWCB)

which will provide a significant improvement to water quality in the state's streams and rivers and the Chesapeake Bay and is consistent with other state and federal programs that address agricultural, nonpoint-source-pollution management. Eligible practices shall include, but are not limited to, the following:

1. Livestock-waste and poultry-waste management;
2. Soil erosion control;
3. Nutrient and sediment filtration and detention;
4. Nutrient management; and
5. Pest management and pesticide handling.

A detailed list of the standards and criteria for practices eligible for credit shall be found in the most recently approved "Virginia Agricultural BMP Implementation Manual" published by the Department of Conservation and Recreation.

B. Any practice approved by the local Soil and Water Conservation District Board shall be completed within the taxable year in which the credit is claimed. After the practice installation has been completed, the local SWCD Board shall certify the practice as approved and completed, and eligible for credit. The applicant shall forward the certification to the Department of Taxation on forms provided by the Department. The credit shall be allowed only for expenditures made by the taxpayer from funds of his own sources.

C. 1. The amount of such credit shall not exceed \$17,500 or the total amount of the tax imposed by this chapter, whichever is less, in the year the project was completed, as certified by the Board. Any taxpayer claiming a tax credit under this section shall not claim a credit under any similar Virginia law for costs related to the same eligible practices.

2. If the amount of the credit exceeds the taxpayer's liability for such taxable year, the excess shall be refunded by the Tax Commissioner. Tax credits shall be refunded by the Tax Commissioner on behalf of the Commonwealth for 100 percent of face value. Tax credits shall be refunded within 90 days after the filing date of the income tax return on which the individual applies for the refund.

D. For purposes of this section, the amount of any credit attributable to agricultural best management practices by a partnership or electing small business corporation (S Corporation) shall be allocated to the individual partners or shareholders in proportion to their ownership or interest in the partnership or S Corporation.

Definition of Applicants

All individuals engaged in the production of agricultural products for market or owners of equines that create needs for agricultural best management practices to reduce non-point source pollutants within the boundaries of the Commonwealth of Virginia are eligible to participate in the Virginia Agricultural BMP Tax Credit Program. When an individual operates land not within the jurisdiction of a Soil and Water Conservation District, the District that has the landowner's hydrologic unit listed in the Virginia Agricultural Best Management Practices Cost-share Program Guidelines section of this manual will administer the program to the landowner.

Agricultural fields may cross county borders and a field may exist in more than one District. For the purposes of this tax credit program only, Districts are urged to utilize the county boundary layer available in the AgBMP Tracking Module to determine the District that will administer the Agricultural BMP Tax Credit Program. Absent clarity of cost-share oversight authority for a given field from the revised boundary layer map, the District having the largest amount of acreage within its boundaries should administer the tax credit program for the entire field. However, alternatively, if neighboring Districts can cooperatively agree to utilize other existing boundary determination methodologies, those sources may be utilized.

Tax credits are made to the applicant (by social security number or federal tax ID number) who signs the request form. An applicant can be a landowner, agent, or operator of record as long as the individual has control of the property. An applicant also means any corporation, association or partnership, or one or more individuals. Various companies, corporations, and partnership arrangements exist for farm ownership. Farm corporations (signing under Federal Tax Identification number) or partnerships operating under a farm name are classified as a single "applicant."

Lands located outside the state are not eligible; unless a portion of the field or site in need of treatment lies within Virginia's boundary, in which case the entire field or site in need of treatment is eligible.

Pass-through Entity

Section 58.1-339 E of the Code of Virginia states "a pass-through tax entity, such as a partnership, limited liability company or electing small business corporation (S corporation), may appoint a tax matters representative, who shall be a general partner, member-manager or shareholder, and register that representative with the Tax Commissioner. The Tax Commissioner shall be entitled to deal with the tax matters representative as representative of the taxpayers to whom credits have been allocated by the entity under this article with respect to those credits. In the event a pass-through tax entity allocates tax credits arising under this article to its partners, members or shareholders and the allocated credits shall be disallowed, in whole or in part, such that an assessment of additional tax against a taxpayer shall be made, the Tax Commissioner shall first make written demand for payment of any additional tax, together with interest and penalties, from the tax matters representative. In the event such payment demand is not satisfied, the Tax Commissioner shall proceed to collection against the taxpayers in accordance with the provisions of Chapter 18 (§ 58.1-1800 et seq.)".



INSTRUCTIONS: Use this form to allocate a tax credit to the taxpayers listed in Section II. All businesses in Section II should be registered with the Department before completing Form PTE. If you are not registered, use iReg online or complete Form R-1. The information in Section II may be submitted as an attachment provided that the attachment lists only the required information. Any pass-through entity listed in Section II must complete a separate Form PTE. Allocations must be shown in whole dollars and the total allocations listed in Section II must equal the amount shown in Section I, H. To avoid delays at the time of annual return processing, Form PTE should be filed within 30 days of certification, but at least 90 days prior to the participants (listed in Section II) filing their income tax returns. Please ensure that the information provided on this form is accurate. Documentation will be required for any changes. All credits must be allocated by percentage of ownership or participation in the pass-through entity except for the Historic Rehabilitation Credit, Qualified Equity and Subordinated Debt Investments Tax Credit, Research and Development Expenses Tax Credit, Major Research and Development Expenses Tax Credit, and Enterprise Zone Act Credit.

Mail Form To:
Virginia Department of Taxation
Tax Credit Unit
P.O. Box 715
Richmond, VA 23218-0715
or
Fax to (804) 774-3902
For assistance, call
(804) 786-2992.

You must attach a copy of your certificate. A separate Form PTE must be completed for each certificate.

Section 1 - Credit Information					
A) Pass-Through Entity FEIN		B) Pass-Through Entity (Entity Filing Form) Name			C) If Subsidiary, Enter Parent's FEIN
D) Type of Filer <input type="checkbox"/> Fiscal <input type="checkbox"/> Calendar	E) Form Type <input type="checkbox"/> Original <input type="checkbox"/> Amended	F) Disregarded Entity <input type="checkbox"/> Yes <input type="checkbox"/> No	G) Tax Year	H) Amount Granted/Allocated .00	I) Certificate Number, if Applicable
J) Credit Type - Check One					
<input type="checkbox"/> (AB) Agricultural Best Management	<input type="checkbox"/> (FC) Food Crop Donations	<input type="checkbox"/> (MR) Major Research & Development	<input type="checkbox"/> (RD) Research & Development		
<input type="checkbox"/> (BR) Barge & Rail Usage	<input type="checkbox"/> (GJ) Green Job Creation	<input type="checkbox"/> (MP) Motion Picture	<input type="checkbox"/> (RB) Riparian Buffer		
<input type="checkbox"/> (CO) Community of Opportunity Program	<input type="checkbox"/> (HR) Historic Rehabilitation	<input type="checkbox"/> (NA) Neighborhood Assistance	<input type="checkbox"/> (TE) Telework		
<input type="checkbox"/> (ES) Educational Scholarship	<input type="checkbox"/> (IT) International Trade Facility	<input type="checkbox"/> (PV) Port Volume Increase	<input type="checkbox"/> (WR) Worker Retraining		
<input type="checkbox"/> (EZ) Enterprise Zone (nonrefundable)	<input type="checkbox"/> (LV) Livable Home	<input type="checkbox"/> (ED) Qualified Business	<input type="checkbox"/> (OT) Other _____		
<input type="checkbox"/> (WV) Farm Wineries & Vineyards	<input type="checkbox"/> (MB) Major Business	<input type="checkbox"/> (RM) Recyclable Materials			
Section II - Credit Allocation - ALL BUSINESSES MUST BE REGISTERED					
1	SSN/FEIN	Name		Amount	.00
	Street Address or P.O. Box		City, State, ZIP		
2	SSN/FEIN	Name		Amount	.00
	Street Address or P.O. Box		City, State, ZIP		
3	SSN/FEIN	Name		Amount	.00
	Street Address or P.O. Box		City, State, ZIP		
4	SSN/FEIN	Name		Amount	.00
	Street Address or P.O. Box		City, State, ZIP		
5	SSN/FEIN	Name		Amount	.00
	Street Address or P.O. Box		City, State, ZIP		
TOTAL					.00
Must equal the amount shown in Section I, H					
Section III - Authorized Signature - Must be signed by an authorized representative of the entity.					
Authorized Signature of Representative			Title	Date	
Print Name		Telephone Number		Fax Number	
Email					

BMP Sign-up

Districts will conduct sign-up for the tax credit program on a continuous basis. Sign-up will be recorded in the AgBMP Tracking Module. **In accordance with Code requirements, applicants must have a District approved soil conservation plan to receive an Agricultural BMP Tax Credit.**

Other types of professionally developed conservation planning documents as itemized below may be used to meet this requirement. The conservation plan must include the implementation of the BMP that is eligible to receive a tax credit.

Technical information for the requested BMP, including a total estimated cost, must be completed by the District before the request is submitted to the District Board for consideration. Each District should establish a local schedule and deadlines for BMP completion for the Tax Credit Program to allow time for paper work and field work to be completed prior to the authorization of the tax credit. The Code of Virginia requires that the BMP be completed within the taxable year in which the tax credit is claimed. The completion date of the BMP, as documented by the Contract Part III Technical Practice Installation Certification date, must be in the same calendar year as the tax credit certification date in order for the producer to be eligible to participate in the Tax Credit Program. For example, if the BMP is certified as complete on Dec 31, 2017 and the tax credit was certified on Dec 31, 2017, the producer would be eligible to submit for the Agricultural BMP tax credit when filing 2017 state taxes.

Plan Requirements

Individuals wanting to participate in the Tax Credit Program must have a soil conservation plan approved by the local District Board of Directors prior to BMP installation. For the Tax Credit Program, the following types of conservation plans are acceptable as long as the plan includes the practice to be installed and an installation schedule for the specific practice.

- Soil Erosion Plans (NRCS standards, including plans for EQIP, WHIP, Food Security Act, Conservation Reserve Program)
- Nutrient Management Plans (DCR standards)
- Pest Management Plan (VCE standards)
- Department of Forestry Cost-Share Plan (VDOF standards)
- Ag Stewardship Plan (VDACS standards)
- Chesapeake Bay Preservation Act Plan for agricultural lands (DEQ standards)
- Resource Management Plan (DCR standards)

Conservation plans should be written by an individual certified to write that type of conservation plan and should meet current conservation planning standards. Comprehensive conservation planning for the tract is always encouraged. For those localities that are within the Chesapeake Bay Preservation Act area, agricultural lands as defined by local governments....

“shall have a soil and water quality conservation assessment conducted that evaluates the effectiveness of existing practices pertaining to soil erosion and sediment control, nutrient management, and management of pesticides, and, where necessary, results in a plan that outlines additional practices needed to ensure that water quality protection is being accomplished consistent with the Act and this chapter.” [Chesapeake Bay Preservation Area Designation and Management Regulations].

At a minimum, a conservation plan must contain the BMP and an implementation schedule for the specific field or site. A private planner, technical service provider, or other professional conservation staff of an appropriate federal, state or local agency can prepare the plan.

Pre-approval of Tax credits BMPs

Final approval of practices for tax credit is the responsibility of the local Soil and Water Conservation District Board of Directors. District Boards of Directors should approve BMPs for tax credits based on the total estimated cost of the BMP before installation. Any cost over runs that may impact the amount of the approved tax credit may be approved as a separate action after the BMP is certified.

Documentation

For any practice receiving a tax credit, the District will require a signed landowner application and certification forms (DCR Cost Share Contract Form # 199-071 Parts 1, 2 and 3), a copy of a map showing field location and exact acreage, and bills for all eligible practice components to determine total installation cost. Authorizing personnel will examine supporting data to determine eligible components and proper rates.

Districts will retain all billings and supporting data in their applicant files for a minimum of three years after the life span of the practice has expired. Districts must file their copy of all tax credit related forms by program year. Conservation plans and practice design sheets should be kept with individual case files according to cost-share program policy. Minimum document retention for authorized tax credit application forms will be three (3) years beyond the life span of the practice if the practice is installed. Canceled applications may be discarded after the initial (3) year period if not needed for future reference by the District.

DCR Agricultural BMP Engineering Services

This program provides engineering assistance to the 47 Soil and Water Conservation Districts across the Commonwealth. Engineering assistance includes: engineering support with designs, training of District staff, and the implementation of various quality control mechanisms. The most notable of these quality control mechanisms is the implementation of DCR's Engineering Job Approval Authority (EJAA) Program. Please see Section II (Guidelines) and the Glossary of this manual for further information about the EJAA Program.

Tax Credit Practice Components Requiring EJAA or PE Review and Approval

VACS Practice Code	VACS Practice Name	NRCS Practice Code	NRCS Practice Name	Professional Engineer (PE) or Engineering Job Approval Authority (EJAA) Required as indicated below
SE-2	Shoreline Stabilization	580	Streambank and Shoreline Protection	PE
SL-6A	Small Acreage Grazing System	362	Diversion	EJAA
		376	Roofs and Covers	PE
		412	Grassed Waterway	EJAA
		516	Livestock Pipeline	EJAA
		558	Roof Runoff Structures	EJAA
		561	Heavy Use Area Protection	EJAA
		574	Spring Development	EJAA
		575	Trails and Walkways	EJAA
		614	Watering Facility	EJAA
SL-6B	Alternative Water System	642	Water Well	EJAA
		516	Livestock Pipeline	EJAA
		533	Pumping Plant	EJAA
		561	Heavy Use Area Protection	EJAA
		574	Spring Development	EJAA
		575	Trails and Walkways	EJAA
		578	Stream Crossing	EJAA
		614	Watering Facility	EJAA
SL-11B	Farm Road, Animal Travel Lane, Heavy Use Area Stabilization	642	Water Well	EJAA
		560	Access Road	EJAA
		561	Heavy Use Area Protection	EJAA
WP-2B	Stream Crossing & Hardened Access	575	Trails and Walkways	EJAA
		560	Access Road	EJAA
		575	Trails and Walkways	EJAA
		578	Stream Crossing	EJAA
WP-2C	Stream Channel Stabilization	584	Channel Bed Stabilization	EJAA
		584	Channel Bed Stabilization	EJAA

WP-4E	Animal Waste Structure Pumping Equipment	533	Pumping Plant	EJAA
		634	Waste Transfer	PE
WP-5	Stormwater Retention Pond	350	Sediment Basin	PE
		362	Diversion	EJAA
		378	Pond	PE
WP-7	Surface Water Runoff Impoundment for Water Quality	350	Sediment Basin	PE
		362	Diversion	EJAA
		378	Pond	PE
WP-8	Relocation of Confined Feeding Operations from Environmentally Sensitive Areas	313	Waste Storage Facility	PE
		350	Sediment Basin	PE
		356	Dike	EJAA
		359	Waste Treatment Lagoon	PE
		362	Diversion	EJAA
		412	Grassed Waterway	EJAA
		516	Livestock Pipeline	EJAA
		558	Roof Runoff Structure	EJAA
		560	Access Road	EJAA
		561	Heavy Use Area Protection	EJAA
		574	Spring Development	EJAA
		587	Structure for Water Control	PE
		614	Watering Facility	EJAA
		633	Waste Recycling	PE
642	Water Well	EJAA		
WQ-6	Constructed Wetlands	356	Dike	EJAA
		587	Structure for Water Control	PE
		634	Waste Transfer	PE
		658	Wetland Creation	EJAA
WQ-6B	Wetland Restoration	356	Dike	EJAA
		587	Structure for Water Control	PE
		657	Wetland Restoration	EJAA
		659	Wetland Enhancement	EJAA

WQ-7	Irrigation Water Recycling System	350	Sediment Basin	PE
		356	Dike	EJAA
		362	Diversion	EJAA
		393	Filter Strip	EJAA
		410	Grade Stabilization Structure	PE
		412	Grassed Waterway	EJAA
		430	Irrigation Pipeline	EJAA
		436	Irrigation Reservoir	PE
		441	Irrigation System-Micro irrigation	EJAA
		442	Sprinkler System	EJAA
		447	Irrigation System, Tailwater Recovery	EJAA
		449	Irrigation Water Management	EJAA
		466	Land Smoothing	EJAA
		468	Lined Waterway or Outlet	EJAA
		533	Pumping Plant	EJAA
		572	Spoil Spreading	EJAA
		582	Open Channel	EJAA
		607	Surface Drain, Field Ditch	EJAA
		608	Surface Drain, Main or Lateral	EJAA
620	Underground Outlet	EJAA		
638	Water and Sediment Control Basin	PE		
WQ-9	Capping/ Plugging of Abandoned Wells	351	Water Well Decommissioning	EJAA

Data Reporting

In order to accurately record and report tax credits provided to producers, it is vital that all data requested be entered into the AgBMP Tracking Module. Tax credit data is captured on the Programs tab of the AgBMP Tracking Module and should be entered using the following guidelines:

- The Estimated Instance Cost and Actual Instance Cost should be entered for BMPs that receive both cost share and a tax credit, as well as for BMPs that are only eligible to receive tax credits.
- The Tax Credit Amount Taken On value is the amount on which the Tax Credit Approved is based.
- Tax Credit Approved is the amount approved by the District Board and is used to validate the Tax Credit Issued amount. The Tax Credit Board Approval Date field is the date that the Board approved the Tax Credit. While this date can be the same as the date the Board approved the BMP itself, it can be different especially if there is an additional or second Tax Credit approved.
- If a Technical Certification Date has not been entered on the General tab, the Tax Credit Issued and the Tax Credit Certification Signature Date fields are not available for entry. Until a BMP is certified as complete, a Tax Credit cannot be issued.

- The Tax Credit Approved amount and the Tax Credit Board Approval Date fields must also be entered before the Tax Credit Issued and the Tax Credit Certification Signature Date fields are available for entry.
- The Tax Credit Issued amount and the Tax Credit Certification Signature Date are entered when the Tax Credit is issued. The Tax Credit Issued amount cannot be greater than the Tax Credit Approved amount and cannot be greater than 25% of the amount that the Tax Credit was taken on. The Tax Credit Certification Signature Date cannot be before either the Tax Credit Board Approval Date or the Technical Certification Date.
- At the bottom of the Programs tab, the Sum of Approved Tax Credits and the Sum of Issued Tax Credits are provided for cases when more than one Tax Credit has been issued.
- If a second or additional tax credit is approved by the District Board, a second tax credit record should be added instead of modifying the original tax credit record. The system automatically sums multiple tax credits when the Tax Credit Certificate is generated.

Inspections and Verification

All approved tax credit BMPs are subject to inspection for program compliance during the life span of the practice. Technical inspection and certification are the responsibility of designated technically responsible personnel (NRCS, District, DOF, and DCR). Random verification inspections will be conducted annually by the District Conservation Specialist/Technician under the guidance of the Conservation District Coordinator to determine that the individual practice is still viable. Practices to be verified or spot checked will be identified and inspected based upon Chesapeake Bay Program Office (CBPO) approved verification procedures and the Department's procedures for all practices outside of the Chesapeake Bay area.

Verification forms should be retained by the District and filed by program year. A copy of each spot check report should be made and forwarded to the Conservation District Coordinator and to any other agency providing cost-share for that project.

Practice Failure

When an applicant agrees to maintain the approved BMP for the specified life span, the applicant is responsible regardless of changes in the control of the land including the sale of the property or any change in farm lease arrangements. Maintenance agreements between the involved parties can be encouraged but the ultimate responsibility still rests with the applicant. Upon the transfer of ownership or leasehold of the property, the original applicant must present to the District either an executed copy of the "Agricultural Best Management Practice Maintenance Agreement Transferring Responsibility for Best Management Practice" transferring legal responsibility for maintenance of the practice to the new property owner/lessee or a pro-rated return of tax credit funds directly to the Department of Taxation.

A participant that fails to maintain the practice for the specified life span will be required to refund all or part of the tax credit amount to the Department of Taxation. Practice failures or damage that results from other than weather related causes are not eligible for additional tax credit. Practices that are damaged or destroyed before certification are also the responsibility of the applicant and only the original authorized tax credit amount can be used to establish the practice.

Practice failures may occur due to unusual weather conditions, such as drought or severe storms that are beyond the control of the participant. If the practice has been certified and fails due to weather during the life span requirement, the participant may be entitled to additional tax credit in future sign-up periods. Re-application for practice failure can be authorized only once for the specific practice on the specified acreage (except where not eligible as stated in the practice specification). Re-applications will be subject to the life span requirement of the second application request.

Commonwealth of Virginia
 Agricultural Best Management Practice Maintenance
 AGREEMENT TRANSFERRING MAINTENANCE RESPONSIBILITY FOR
 BEST MANAGEMENT PRACTICE

This agreement is intended to designate the transfer of maintenance responsibility for a Best Management Practice that received cost-share or tax credit. The present participant (owner or operator) of the property has received funding from the Commonwealth of Virginia to implement a Best Management Practice on the below-referenced land unit. In return he/she has agreed to maintain the practice until _____. Completion of this agreement acknowledges assumption of this responsibility by the new participant, including the requirement to repay cost-share and tax credit received by the present participant if the BMP is not maintained according to state specifications.

Farm No. _____ Tract No. _____ Field No. (s) _____

VACS specification number _____ Extent Installed _____

Or

Contract No. _____

PRESENT PARTICIPANT-NAME AND ADDRESS

NEW PARTICIPANT-NAME AND ADDRESS

Phone No. _____

Phone No. _____

The undersigned hereby certify that the present participant has transferred to the new participant his or her right and interest in the land unit described above. In consideration of this transfer of ownership or leasehold, it is hereby agreed:

1. The new participant hereby assumes the duties and obligations of the present participant under Contract No. _____ to maintain the above BMP for its lifespan in accordance with state specifications, and to refund all or part of the cost-share assistance or tax credit if the practice is found not to meet state specifications, or if the practice is removed or not properly maintained during its lifespan. The new participant agrees to allow District personnel access to his property for the purpose of verifying maintenance of the BMP.
2. The _____ District acknowledges the transfer of the maintenance responsibility. Any cost-sharing or assistance provided under this transfer agreement shall be in accordance with applicable program rules and regulations of the Virginia Agricultural BMP Manual.

 (SIGNATURE OF PRESENT PARTICIPANT)

 (SIGNATURE OF NEW PARTICIPANT)

 DATE

 DATE

 SSN or Federal Tax ID #

 SSN or Federal Tax ID #

APPROVED BY: _____
 (District Board member)

DATE: _____
 (Board Approval Date)

Participants found, at any time of year, to have practices not meeting specifications or practices that have been destroyed during the designated life span will be contacted by the District and informed of the nature of the deficiency and the repayment requirements if not corrected. This should initially be a verbal notice (with the date documented in a case file). Verbal notice should be followed with a written notice (by certified mail) within two weeks. This notice must indicate the observed nature of the problem and allow the individual the opportunity to respond within two weeks.

Participants may be given a maximum grace period of six months from date of the written notification for practice compliance. At the end of the grace period, the practice will be re-inspected. The District will notify participants found with practices still not in compliance in writing that repayment of tax credit is required.

The partial or full return of tax credit funds will be calculated on a straight-line prorated basis. This should be calculated on a monthly basis. For Example: XYZ District authorized a \$1,200 tax credit for a SL-6B BMP to Farmer Green on October 10, 2004. Tax credit program guidelines stipulate that the lifespan of the practice begins on January 1 of the calendar year following the issuance of the tax credit. This practice is spot checked in August of 2007 and it is discovered that the land was sold in June 2007 for development and the practice has been destroyed. The District should calculate the landowner's pro-rata share as follows:

- Installation date: Oct. 10, 2004
- Lifespan of practice: 10 Years- Jan 1, 2005 through Dec 31, 2014 = 120 months
- Spot Check Date: Aug. 2007
- Practice in Compliance: Jan 2005 through June 2007: 30 months
- Tax Credit to Landowner: \$1,200
\$1,200 divided by 120 months = \$10/month
- Repayment Calculation: 120 months – 30 months = 90 months
- Landowner re-payment to the Department of Taxation: 90 months X \$10/mo. = \$900.00

If a participant is requested to return a tax credit, the District will notify the Department of Taxation of the landowner's name, social security number or tax ID number that the tax credit was issued to, the year that the tax credit was issued, contract number, instance number, the DCR specification code that the tax credit was authorized for, and the calculated re-payment amount. Upon receiving a response from the Department of Taxation regarding the verified repayment amount due, the District will provide the amount, in writing, to the participant. Participants will have 60 days from the date of notification to refund the Department of Taxation the tax credit funds. The District will direct the participant to send a check directly to the Virginia Department of Taxation, P. O. Box 715, Richmond, VA 23218-0715 with a letter identifying the participant's name, address, social security or tax identification number, and year that the tax credit was utilized. The participant should provide the District with a copy of the letter sent to the Department of Taxation for verification.

Granting of the Tax Credit

Final approval of practices for tax credit is the responsibility of the local Soil and Water Conservation District Board of Directors. District Boards of Directors approve BMPs for tax credits based on the total estimated cost of the BMP before installation. If a calculation of twenty-five percent of the participant's out of pocket expenditures is less than the Board approved estimated tax credit when the

practice is certified as complete, then no further Board action is required. If the requested tax credit amount is larger than the Board approved estimated tax credit, the Board must approve the increased tax credit amount as a separate action. District Directors must vote on all actions taken and record the outcome in the minutes of the meeting that such action is approved.

When calculating a tax credit on a BMP that allows both a percentage cost-share payment and a flat rate payment, both the flat rate and the percentage based cost-share amount should be included in the calculation of the tax credit; both the flat rate and the percentage based-cost share amount should be deducted from the participant's out of pocket expenses to calculate the Agricultural BMP tax credit amount.

After the practice has been completed and certified, the local District Board must approve the tax credit amount based on the original total estimated cost or total actual cost, whichever is less. Any tax credit amount granted above the amount approved prior to BMP installation due to cost overruns above the total estimated cost must be legitimate costs and must be approved by the District Board and recorded in the meeting minutes.

Districts must send the applicant an **AGRICULTURAL BEST MANAGEMENT PRACTICES TAX CREDIT CERTIFICATE** on District letterhead along with a signed copy of the VIRGINIA BMP INCENTIVES PROGRAMS CONTRACT Parts I, II and III. The **AGRICULTURAL BEST MANAGEMENT PRACTICES TAX CREDIT CERTIFICATE** notification must follow the format of the example on page III - 11.

The applicant must use the **AGRICULTURAL BEST MANAGEMENT PRACTICES TAX CREDIT CERTIFICATE** and/or a copy of the certificate of completion for documentation when filing a tax return.

EXAMPLE
Soil and Water Conservation District
Letterhead
**AGRICULTURAL BEST MANAGEMENT PRACTICES
TAX CREDIT CERTIFICATE**

NAME OF APPLICANT:

ADDRESS:

SSN or TAX ID NUMBER:

BMP INSTALLED: SL-6, Stream Exclusion with Grazing Management

CONTRACT NUMBER: 01-12-1111

INSTANCE NUMBER: 012121

COMPLETION DATE: 05/05/2012

CONSERVATION PLAN WRITTEN DATE: 01/15/2012

TOTAL APPROVED ESTIMATED COST: \$10,000.00

TOTAL ACTUAL COST OF BMP: \$11,075.00

COST-SHARE RECEIVED: \$7,500.00

AMOUNT TAX CREDIT IS TAKEN ON: \$2,500.00

Under the provisions of Title 58.1, Chapter 3, Article 3, of the Code of Virginia, Application for the tax credit is hereby made.

CERTIFICATION OF TAX CREDIT

Approved Tax Credit: \$625.00

Reason for Tax Credit: Agricultural BMP

Approving Soil and Water Conservation District: (District name)

District Director Signature: _____ Date: _____

Neither the local Soil and Water Conservation District nor the Virginia Department of Conservation and Recreation is providing tax advice; the program participant may wish to consult with an independent tax advisor regarding potential tax consequences.

Questions

Questions concerning any aspect of the tax credit program that are not addressed in this manual should be directed to the appropriate DCR Conservation District Coordinator or Agricultural Incentives Program Manager.

Other Agricultural Tax Credits

The General Assembly has authorized other tax credits to encourage the purchase and usage of certain agricultural equipment in support of soil and water conservation. The usage of these tax credits by an agricultural producer does not require issuance of a Tax Credit Certification Letter or approval of the equipment by the District. As with any tax credit usage, the taxpayer is ultimately responsible for determining that they are eligible to utilize the tax credit in compliance with instructions and regulations from the Virginia Department of Taxation. Excerpts from the Code of Virginia are provided below for reference only.

Tax Credit for Purchase of Conservation Tillage Equipment

The Department of Taxation has authority over the administration of the conservation tillage tax credit; DCR does not have an administrative role in this particular conservation tillage tax credit

§ 58.1-334. Tax credit for purchase of conservation tillage equipment.

A. Any individual shall be allowed a credit against the tax imposed by § [58.1-320](#) of an amount equaling 25 percent of all expenditures made for the purchase and installation of conservation tillage equipment used in agricultural production by the purchaser. As used in this section the term "conservation tillage equipment" means a planter, drill, or other equipment used to reduce soil compaction commonly known as a "no-till" planter, drill, or other equipment used to reduce soil compaction including guidance systems to control traffic patterns that are designed to minimize disturbance of the soil in planting crops, including such planters, drills, or other equipment designed to reduce soil compaction which may be attached to equipment already owned by the taxpayer.

B. The amount of such credit shall not exceed \$4,000 or the total amount of tax imposed by this chapter, whichever is less, in the year of purchase. If the amount of such credit exceeds the taxpayer's tax liability for such tax year, the amount which exceeds the tax liability may be carried over for credit against the income taxes of such individual in the next five taxable years until the total amount of the tax credit has been taken.

C. For purposes of this section, the amount of any credit attributable to the purchase and installation of conservation tillage equipment by a partnership or electing small business corporation (S corporation) shall be allocated to the individual partners or shareholders in proportion to their ownership or interest in the partnership or S corporation.

§ 58.1-432. Tax credit for purchase of conservation tillage equipment.

A. Any corporation shall be allowed a credit against the tax imposed by § [58.1-400](#) of an amount equaling 25 percent of all expenditures made for the purchase and installation of conservation tillage equipment used in agricultural production by the purchaser. As used in this section, the term "conservation tillage equipment" means a planter, drill, or other equipment used to reduce soil compaction commonly known as a "no-till" planter, drill, or other equipment used to reduce soil compaction including guidance systems to control traffic patterns that are designed to minimize disturbance of the soil in planting crops, including such planters, drills, or other equipment used to reduce soil compaction which may be attached to equipment already owned by the taxpayer.

B. The amount of such credit shall not exceed \$4,000 or the total amount of tax imposed by this chapter, whichever is less, in the year of purchase. If the amount of such credit exceeds the taxpayer's tax liability for such tax year, the amount which exceeds such tax liability may be carried over for credit against income taxes in the next five taxable years until the total amount of the tax credit has been taken.

C. For purposes of this section, the amount of any credit attributable to the purchase and installation of conservation tillage equipment by a partnership or electing small business corporation (S corporation) shall be allocated to the individual partners or shareholders in proportion to their ownership or interest in the partnership or S corporation.

Tax Credit for Purchase of Advanced Technology Pesticide and Fertilizer Application Equipment

§ 58.1-337. Tax credit for purchase of advanced technology pesticide and fertilizer application equipment.

A. Any individual engaged in agricultural production for market who has in place a nutrient management plan approved by the local Soil and Water Conservation District by the required tax return filing date of the individual shall be allowed a credit against the tax imposed by § [58.1-320](#) of an amount equaling twenty-five percent of all expenditures made by such individual for the purchase of equipment certified by the Virginia Soil and Water Conservation Board as providing more precise pesticide and fertilizer application. Virginia Polytechnic Institute and State University and Virginia State University shall provide at the request of the Virginia Soil and Water Conservation Board technical assistance in determining appropriate specifications for certified equipment, which would provide for more precise pesticide and fertilizer application to reduce the potential for adverse environmental impacts. The equipment shall be divided into the following categories:

1. Sprayers for pesticides and liquid fertilizers;
2. Pneumatic fertilizer applicators;
3. Monitors, computer regulators, and height adjustable booms for sprayers and liquid fertilizer applicators;
4. Manure applicators;

5. Tramline adapters; and
6. Starter fertilizer banding attachments for planters.

B. The amount of such credit shall not exceed \$3,750 or the total amount of the tax imposed by this chapter, whichever is less, in the year of purchase. If the amount of such credit exceeds the taxpayer's tax liability for such taxable year, the amount which exceeds the tax liability may be carried over for credit against the income taxes of such individual in the next five taxable years until the total amount of the tax credit has been taken.

C. For purposes of this section, the amount of any credit attributable to the purchase of equipment certified by the Virginia Soil and Water Conservation Board as providing more precise pesticide and fertilizer application by a partnership or electing small business corporation (S corporation) shall be allocated to the individual partners or shareholders in proportion to their ownership or interest in the partnership or S corporation.

§ 58.1-436. Tax credit for purchase of advanced technology pesticide and fertilizer application equipment.

A. Any corporation engaged in agricultural production for market which has in place a nutrient management plan approved by the local Soil and Water Conservation District by the required tax return filing date of the corporation shall be allowed a credit against the tax imposed by § 58.1-400 of an amount equaling twenty-five percent of all expenditures made by such corporation for the purchase of equipment certified by the Virginia Soil and Water Conservation Board as providing more precise pesticide and fertilizer application. Virginia Polytechnic Institute and State University and Virginia State University shall provide at the request of the Virginia Soil and Water Conservation Board technical assistance in determining appropriate specifications for certified equipment which would provide for more precise pesticide and fertilizer application to reduce the potential for adverse environmental impacts. The equipment shall be divided into the following categories:

1. Sprayers for pesticides and liquid fertilizers;
2. Pneumatic fertilizer applicators;
3. Monitors, computer regulators, and height adjustable booms for sprayers and liquid fertilizer applicators;
4. Manure applicators;
5. Tramline adapters; and
6. Starter fertilizer banding attachments for planters.

B. The amount of such credit shall not exceed \$3,750 or the total amount of the tax imposed by this chapter, whichever is less, in the year of purchase. If the amount of such credit exceeds the taxpayer's tax liability for such taxable year, the amount which exceeds the tax liability may be carried over for credit against the income taxes of such corporation in the next five taxable years until the total amount of the tax credit has been taken. Credits granted to a partnership or electing small business corporation (S corporation) shall be passed through to the partners or shareholders, respectively.

C. For purposes of this section, the amount of any credit attributable to the purchase of equipment certified by the Virginia Soil and Water Conservation Board as providing more precise pesticide and fertilizer application by a partnership or S corporation shall be allocated to the individual partners or shareholders in proportion to their ownership or interest in the partnership or S corporation.

Agricultural Production

Equipment qualifying for this credit must be used in "agricultural production". Section 15.2-4302 of the Code of Virginia defines "agricultural production" as the production for commercial purposes of crops, livestock and livestock products and shall include the processing or retail sales by the producer of crops, livestock and livestock products which are produced on the parcel or in the district."

Nutrient Management Plans

Both §§ 58.1-337 and 58.1-436 require the individual or corporation requesting a tax credit to have in place a nutrient management plan that has been prepared and certified by a Virginia certified nutrient management planner. The key components of the nutrient management plan include:

- Field maps indicating field locations and environmentally sensitive areas;
- Soil productivity information;
- Nutrient management recommendations by field or rotation based upon soil and/or manure tests as applicable; and
- Plan narrative.

Plan approval is a onetime requirement fulfilled only for the year in which the tax credit is taken.

Equipment Certification

To receive the tax credit, a piece of equipment must meet all the specifications for its category in Section IV of this document. It will be the responsibility of the purchaser to determine if the equipment meets these specifications. It is not the responsibility of the Soil and Water Conservation District (District) or any other agency staff to determine or advise the purchaser if the equipment qualifies. It is solely the responsibility of the individual to pursue the development of a nutrient management plan.

Filing the Commonwealth of Virginia Tax Return

The individual filer must complete a Schedule CR, Part VI; corporate filers must complete Form 500 CR, Part VI. The Virginia Department of Taxation will require as certification a copy of the letter from the local District indicating that the nutrient management plan has been approved. This letter, along with a confirmation of purchase of the qualifying equipment, must be attached to the Schedule CR or Form 500 with the state tax return when it is filed to receive the credit.

Nutrient management plans must be written and approved prior to the required filing date of the individual's or corporation's tax return for that year. The tax credit will not be approved without the nutrient management plan approval letter provided by the District (example provided in Appendix 2).

Additional questions regarding tax policy should be directed to either a qualified tax consultant or the Virginia Department of Taxation, Office Services Division, Taxpayer Assistance Section.

Equipment Categories and Specifications:

The categories of equipment covered include:

- A. Spray systems for pesticides and liquid fertilizers;
- B. Pneumatic fertilizer applicators;
- C. Monitors and flow regulators for pesticide and liquid fertilizer applicators;
- D. Manure application equipment;
- E. Tramline adapters;
- F. Starter fertilizer banding and in-furrow attachments for planters;
- G. Variable rate application equipment using spatial positioning systems; and
- H. Other equipment.

The certification criteria for equipment eligible to receive this income tax credit are as follows:

A. Spray systems for pesticides and liquid fertilizers

Required features for newly purchased spray systems:

Newly purchased sprayers, to qualify for the credit, must have all of the following features.

1. Quick change nozzles to enable operators to select and position the correct nozzle for each type of pesticide and/or liquid fertilizer application. These must also be "anti-drip" type nozzles.
2. Adequate pump capacity to maintain required pressures at all nozzles on the boom and to ensure complete mixing at all times of the spray solution by recirculating at least 40% of the pumped volume.
3. Sectioned boom "cutoffs" for boom widths greater than 20 feet that enable the operator to reduce spray width and thus reduce overlaps and applications to non-field areas when finishing irregularly shaped areas of fields.
4. Pressure gauges or monitors on each boom section to ensure adequate pressure for even applications rates across the boom.
5. Steps and a platform or other means where applicable to safely and easily add materials to the spray tank. The spray tank opening must be large enough for the safe addition of materials to the tank and have a lid that seals.
6. Calibration kits for all new sprayers.

Optional features for new spray systems:

The following components are optional for new spray systems but considered desirable. Both these items and those listed above, when purchased as components for addition to an existing sprayer will qualify for the tax credit.

7. Spray tank drain that can be opened and closed without exposure of the operator to the solutions.

8. Mechanical or hydraulic boom height adjustment to enable operators to select the appropriate height for each spraying situation.
9. Marker systems which allow the applicator to more precisely locate previously sprayed areas to prevent over application in the overlap between sprayer passes.
10. Clean water rinse systems which provide the ability to rinse spray tanks or pesticide containers in the field at the time the application is being made.
11. Self-leveling booms which minimize boom movement and assure accurate spray patterns across the width of the boom.
12. Multiple nozzle body systems or multiple boom systems which allow for a rapid change between previously selected nozzles to allow for appropriate changes in the field without leakages.
13. Chemical injection metering systems which eliminate the need for tank mixing.
14. Air carrying sprayers.
15. GPS guidance and auto-steer systems.
16. Pesticide application systems incorporating electrostatic charging technology to improve spray deposition.

Required features for upgraded existing spray systems:

Items added to upgrade an existing spray system qualify if the resultant sprayer meets the following criteria also:

1. Spray systems must have the essential features previously stated for new spray systems in items 1-6 above.

Optional features for upgraded existing spray systems:

Both these items and those listed above, when purchased as components for addition to an existing sprayer will qualify for the tax credit.

2. Spray systems may have the essential features previously stated for new spray systems in items 7-16 above.

Required features for air assist spray systems:

Newly purchased air assist application equipment must have the following features.

1. Air assist spray systems must have the essential features previously stated for spray systems in items 2-6 above. Nozzles need not be “quick change” but must be “anti-drip” for the system to qualify.
2. Manifold sections must have separate cutoff or actuator valves.
3. There must be top deflectors, guide vanes, or other means to adjust the direction of the flow of air.
4. The equipment must be capable of variable air volume (i.e. a variable pitch fan, variable slot width, etc....)

Optional features for air assist spray systems:

5. Multiple nozzles.
6. Powder mixers or pre-mixers.

7. Optical or electronic sensing system to control sprayer application by providing spray shut off to the whole nozzle bank or to individual nozzles when no target is present.
8. Equipment which permits the recovery of excess spray for reuse.
9. Shields or deflectors to contain or direct the spray.

B. Pneumatic fertilizer applicators

Pneumatic applicators are capable of uniformly applying materials that vary in particle size on non-uniform terrain. They must possess the following characteristics to qualify for the tax credit:

Required features:

1. Provide uniform division of the fertilizer materials from the central hopper to each distribution device on the boom.
2. Allow infinitely variable rates of application within the range of application rates for the particular applicator.
3. Have a spread pattern coefficient of variation of less than 15% for the entire boom width.

Optional features:

4. Be equipped for "static" and/or moving calibration prior to field use.
5. Have monitoring equipment which indicates the actual application rate for boom sections during field operation.
6. Be equipped to vary the rate of application during field operation.

C. Monitors and flow regulators for pesticide and liquid fertilizer applicators

These are defined as electronic and mechanical devices which provide operators with an accurate indication of any of the following:

1. True ground speed;
2. Nozzle pressure;
3. Flow rates of the spray solution;
4. Air flow in air assist spray systems;
5. Blocked nozzles or distribution devices;
6. Actual application rates;
7. Allows for the accurate adjustment of application rates while spraying;
8. Metering for injected liquid fertilizer application at or post planting; or
9. Monitor boom height and adjust to appropriate height for each spraying situation to assure accurate spray patterns across the width of the boom.

D. Manure application equipment

Newly purchased manure application equipment must have the following features. Items added to upgrade an existing applicator qualify if the resultant spreader meets the following criteria also.

1. Dry Manure Spreaders

Required features:

- a. Constructed so as to prevent leakage during transport and include a litter/slurry pan or a hydraulic end gate.
- b. Capable of spreading manure at 2.5 tons/acre or less in a uniform swath.
- c. Box spreaders (flat bottom) having a beater spreader mechanism shall be equipped with an upper beater and a gear reduction unit (slow down kit) to provide chain speeds of no more than 2.5 feet/minute.

Optional features:

- d. Spreaders having an adjustable discharge gate/door may be equipped with an indicator to display the position of the gate/door.
- e. Spreaders used to apply poultry manure and litter less than 50% moisture content may have cupped beaters.

2. Liquid Manure Spreaders

Required features:

- a. Constructed so as to prevent leakage during equipment transport.
- b. Capable of spreading manure at 1,000 gallons/acre or less in a uniform swath behind the spreader.
- c. Have an application swath width of 20 feet or greater. The applicator must be driven by a positive discharge system.

Optional features:

- d. Equipment to inject the manure directly into the soil. The application swath width requirements are waived for this option.

3. Manure Irrigation System

Required features:

- a. Designed for a maximum application rate of 0.30"/hour. The nutrient management plan must address the issues of infiltration rates and environmentally sensitive areas.
- b. Components submitted for the tax credit must meet the IRS "equipment" definition requirements of Federal Tax Regulation 1.48-1(c). Pipe installation in the ground is defined as real property and does not qualify.
- c. Be purchased and utilized primarily for waste application.

E. Tramline Adapters

A tramline adapter alters a grain drill to leave certain rows unplanted. This allows for later access (traffic patterns) to the growing crop for split application of fertilizers and pesticides without damage to the crop. For the purposes of these criteria, the adapter is defined as the following components necessary for the adoption of the system:

1. The tramline mechanism for the drill.
2. As a set, the tires and associated rims, not to exceed 13.6" wide, necessary to adapt tractors for use in tramline systems.

F. Starter fertilizer banding and in-furrow attachments for planters

Starter fertilizer attachments for planters, drills and transplanters include appropriate soil opening components and allow for accurate band applications of fertilizers near the root zone when planting or transplanting a crop. Fertilizer hoppers or liquid fertilizer tanks attached or connected by hoses to the planter during field operation are an integral component of this equipment. The starter fertilizer banding or in-furrow attachment may be purchased as part of a new planter or purchased for installation on an existing planter. For newly purchased planters, only the cost of the starter fertilizer banding or in-furrow attachment is eligible for this tax credit. The start fertilizer banding or in-furrow attachment must meet the following criteria:

1. Constructed to place fertilizer in a band below the soil surface and within the root zone of seedlings or transplants.
2. Capable of accurately metering a range of application rates.

G. Variable rate application equipment using spatial positioning systems

This equipment combines the use of spatial positioning systems, such as global positioning using satellite technology, with variable rate application equipment for nutrients or pesticides, to result in more precise applications. To qualify for the tax credit, the equipment must:

1. Be used in conjunction with pesticide, manure, and fertilizer application equipment.
2. Result in automated variable nutrient or pesticide application rates using:
 - a. Spatial positioning systems;
 - b. Variable application rate controllers; and
 - c. Other input data such as, but not limited to, grid or management zone soil analysis results, soil types, expected yields, or weed maps.

H. Other equipment

Application systems which incorporate entirely new technology or application technology not covered by these criteria will be considered by the Board on a case-by-case basis upon request.

- a. Pesticide application systems incorporating electrostatic charging technology to improve spray deposition shall qualify for the tax credit.
- b. Equipment added to irrigation systems which provide more precise pesticide or nutrient application will qualify for the tax credit. Eligible necessary components include:
 - i. Accessories to protect the water source by preventing back flow or back siphoning.

- ii. A flow sensor to monitor water flow and adjust the injection rate of pesticide or fertilizer to achieve the appropriate application rate.

Sample approval letter from District.

Date

Farm Name or Producer's Name

c/o Producer's Name

Address

City, State, Zip

RE: Nutrient Management Plan Approval for Tax Credit of Precision Application Fertilizer and/or Pesticide Equipment

Dear Mr. /Ms. Last Name:

The (insert District name) Soil & Water Conservation District has received a copy of your Nutrient Management Plan, which was prepared by a Virginia certified Nutrient Management Planner, and is valid from XX/XX/XXXX to XX/XX/XXXX. **This letter verifies that your Nutrient Management Plan has been approved by the (insert District name) Soil & Water Conservation District.**

Your tax preparer must submit this letter with your tax return in order to apply for the Virginia Fertilizer and Pesticide Application Equipment Tax Credit in accordance with §§ 58.1-337 or 58.1-436 of the *Code of Virginia*. This tax credit is available for equipment purchased to provide more precise fertilizer and/or pesticide application. You and your tax preparer are responsible for determining your eligibility for this tax credit.

With regards,

Name

Position title

(insert District name) SWCD

Name

District Director

(insert District name) SWCD

TAX CREDIT BMPs

Practice Number	Practice Name	Available for Cost-Share	Units Installed	S&R Erosion Reduction TONS/AC/YR)	Gross Erosion Reduction (TONS/YR)	Units Benefited	Acres Benefited	Life Span	Tech. Respon.
			Average Buffer Width						
CRSL-6°	CREP Stream Exclusion with Grazing Land Management	Yes	Lin. Ft. of Stream bank Protected Av. Buffer Width	X	X	Acres	Acreege of stream bank protected and grazing improved	Length of CREP contract	District
CRWP-2	CREP Stream Protection	Yes	Lin. Ft. of Stream bank Protected Av. Buffer Width	X	X	Linear Feet	Acres of stream bank protected	Length of CREP contract	District
CRWQ-1	CREP Herbaceous Riparian Buffers	Yes	Acres Av. Width	X (from strip area)	X (filter action)	Acres	Acres Planted plus contributing field acreage	Length of CREP contract	District
CRWQ-6B	CREP Wetland Restoration	Yes	Acres	X	X	Acres	Acres converted back to wetlands	Length of CREP contract	District
CRWQ-11	CREP Agricultural Sinkhole Protection	Yes	Acres	X	X	Acres	Acres Protected around sinkhole(s) and area draining into sinkhole(s)	Length of CREP contract	District
FR-1	Afforestation of Crop, Hay and Pasture Land	Yes	Acres	X		Acres	Acreege planted in trees.	10 or 15 yrs.	District
FR-3	Woodland Buffer Filter Area	Yes	Acres Av. Buffer Width	X		Acres	Acreege planted to buffer.	10 or 15 yrs.	District
FR-4	Woodland Erosion Stabilization	Yes	Acres	X	X	Acres	Acreege Treated	5 years	District

Practice Number	Practice Name	Available for Cost-Share	Units Installed	S&R Erosion Reduction TONS/AC/YR)	Gross Erosion Reduction (TONS/YR)	Units Benefited	Acres Benefited	Life Span	Tech. Respon.
			Average Buffer Width						
LE-2	Livestock Exclusion with Reduced Setback	Yes	Lin. Ft. of Stream bank Protected w/10' fence AND Lin. Ft. of Stream bank Protected w/35' fence	X	X	Acres	Acres where grazing is improved and the stream bank is protected behind 10' & 35' setback fence.	10 yrs.	District
NM-3C	Split Application of Nitrogen on Corn using Pre-sidedress Nitrate Test	Only if participant refuses tax credit in writing	Acres			Acres	Acres Treated	1 year	District
NM-4	Late Winter Split Application of Nitrogen on Small Grains	Only if participant refuses tax credit in writing	Acres			Acres	Acres Treated	1 year	District
NM-5N	Precision Nitrogen Management on Cropland – Nitrogen Application	Only if participant refuses tax credit in writing	Acres and/or Tests	N/A	N/A	Acres	Acres receiving variable rate application and/or number of Test	1Year	District
NM-5P	Precision Phosphorous Management on Cropland – Phosphorus Application	Only if participant refuses tax credit in writing	Acres applied	N/A	N/A	Acres	Acres receiving variable rate application	1Year	District
SE-1	Vegetative Stabilization of Marsh Fringe Areas	Yes	Acres		X	Acres	Acres Treated	5 years	District
SE-2	Shoreline Stabilization	No	Acres		X	Acres	Acres Treated	10 yrs.	District
SL-1 (State)	Long Term Vegetative Cover on Cropland	Yes	Acres	X		Acres	Acres in planted crop	5 yrs. to 10 yrs.	District

SL-3	Stripcropping Systems	Yes	Acres	X	X	Acres	Acreage in strips *(only if Subsurface drainage installed)	5 years (*10 yrs.)	District
SL-3B	Buffer Stripcropping	Yes	Acres	X	X	Acres	Acreage in field from the top of the slope to the lowest buffer strip.	5 years	District
SL-4	Terrace Systems	Yes	Ft.	X	X	Acres	Acreage in field where active erosion is reduced	10 years	District
SL-5	Diversions	Yes	Ft.	X	X	Acres	Acreage in field where the diversion reduces active erosion	10 years	District
SL-6	Stream Exclusion with Grazing Land Management (No tax credit available when 100% reimbursed)	Yes	Lin. Ft. of Stream bank Protected	X	X	Acres	Acreage where grazing is improved and the stream bank is protected.	10 years	District
			Av. Buffer Width						
SL-6A	Small Acreage Grazing Systems	No	Lin. Ft. of Stream bank Protected	X	X	X	Acreage where grazing is improved and stream bank is protected.	10 years	District
			Av. Buffer Width						
SL-6B	Alternative Water System	No	Acres	X		Acres	Acreage where grazing is improved	10 years	District
SL-7	Extension of CREP Watering Systems	Yes	Acres	X		Acres	Acreage where grazing is improved	10 years	District

SL-8	Protective Cover for Specialty Crops	Only if participant refuses tax credit in writing	Acres	X		Acres	Acreage in planted cover crop	1 year	District
SL-8B	Small Grain Cover Crop for Nutrient Management and Residue Management	Only if participant refuses tax credit in writing	Acres	X		Acres	Acreage in planted cover crop	1 year	District
SL-8H	Harvestable Cover Crop	Only if participant refuses tax credit in writing	Acres	X		Acres	Acreage in contract	1 year	District
SL-9	Grazing Land Management	Yes	Acres	X	X	Acres	Acreage treated	1 year	District
SL-11	Permanent Vegetative Cover on Critical Areas	Yes	Acres	X	X	Acres	Acreage treated	5 years	District
SL-11B	Farm Road, Animal Travel Lane, Heavy Use Area Stabilization	No	Acres	X	X	Acres	Acreage treated	5 years	District
SL-15A	Continuous High Residue Minimal Soil Disturbance Tillage System	Only if participant refuses tax credit in writing	Acres	X		Acres	Acreage treated	5 years	District
SL-15B	Continuous No-till Forage Production System	Only if participant refuses tax credit in writing	Acres	X		Acres	Acreage treated	5 years	District
WP-1	Sediment Retention, Erosion or Water Control Structures	Yes	# of Systems	X	X (Sediment trapped or Erosion Reduced)	Acres	Acres of site	10 years	District

WP-2	Stream Protection (fencing)	Yes	Ft.		X	Acres	Acreage of stream bank treated	5 years	District
			Av. Buffer Width						
WP-2A	Streambank Stabilization	Yes	Ft.	X	X	Acres	Acreage of stream bank treated	5 years	District
WP-2B	Stream Crossings & Hardened Access	No	# of Structures		X	Acres	Acreage of field accessing structures	5 years	District
WP-2C	Stream Channel Stabilization	No	Acres of Channel Stabilized.		X	Acres	Area of stream channel stabilized	5 years	District
WP-2D	Maintenance of Stream Exclusion Fencing	No	Ft.		X	Acres	Acreage between stream and fence	5 years	District
			Av Buffer Width						
WP-3	Sod Waterway	Yes	Acres	X	X	Acres	Acreage in waterway	10 years	District
WP-4	Animal Waste Control Facilities	Yes	# of Systems	N/A	N/A	N/A	N/A	10 years	District
WP-4B	Loafing Lot Management System	Yes	# of Systems	X	X	Acres	Acreage in planned system	10 years	District
WP-4C	Composter Facilities	Yes (swine & poultry)	# of Systems	N/A	N/A	N/A	N/A	10 years	District
WP-4D	Soil Test in Support of Nutrient Management Plan	No	# of soil test	N/A	N/A	Acres	Acres being soil tested.	Life of nut. mgt. plan	District
WP-4E	Animal Waste Structure Pumping Equipment	No	# of each	N/A	N/A	# of pumps	N/A	10 years	District
WP-4F	Animal Mortality Incinerator Facilities	Yes	# of Facilities	N/A	N/A	N/A	N/A	10 years	District

WP-5	Stormwater Retention Pond	No	# of Structures	N/A	N/A	# of Structures	Watershed drainage acreage above structure	10 years	District
WP-6	Agricultural Chemical & Fertilizer Handling Facility	Yes	# of Structures	N/A	N/A	N/A	N/A	10 years	District
WP-7	Surface Water Runoff Impoundment for Water Quality	No	# of Structures	X	X	Acres	Watershed drainage acreage above structure	10 years	District
WP-8	Relocation of Confined Feeding Operations From Environmental Sensitive Areas	No	# of Structures	X	X	Acres	Acreage of operation that was relocated	10 years	District
WQ-1	Grass Filter Strips	Yes	Acres	X (Strip Area)	X (Filter Action)	Acres	Acreage of filter area plus contributing field acreage as determined by maximum slope length	5 years	District
			Av. Buffer Width						
WQ-4	Legume Based Cover Crop	Only if participant refuses tax credit in writing	Acres	X		Acres	Acreage in planted cover crop	Annual	District
WQ-5	Water Table Control Structures	Yes	# of Structures	N/A	N/A	Acres	Watershed drainage acreage above structure	10 years	District
WQ-6	Constructed Wetlands	No	Acres		X	Acres	Watershed drainage acreage above structure	10 years	District

WQ-6B	Wetland Restoration	No	Acres	X	X	Acres	Acreage converted back to wetlands	10 years	District
WQ-7	Irrigation Water Recycling System	No	# of Systems Installed	X	X	Acres	Watershed drainage acreage above system	10 years	District
WQ-9	Capping/Plugging of Abandoned Wells	No	# of Wells Capped or Plugged	N/A	N/A	Wells	N/A	10 years	District
WQ-10	Integrated Pest Management	No	Acres	N/A	N/A	Acres	Acres being scouted	1 year	District
WQ-11	Agricultural Sinkhole Protection	Yes	Acres			Acres	Acreage protected around sinkhole and any area draining into the sinkhole	10 years	District
WQ-12	Roof Runoff Management	Yes	Linear feet of gutter	N/A	N/A	Sq. ft. of roof guttered	Acreage Treated	10 years	District
			N/A						

*If a CREP buffer is not planted but left to naturally re-generate based upon DOF recommendations, the number of acres of buffer should be reported.

° No tax credit is available for CRFR-3 and CRSL-6 when 100% cost-share payment is provided by federal and/or state cost-share payments.

Revised April, 2018