

TAX PREPARERS: BE AWARE OF FARMLAND PRESERVATION TAX CREDIT CHANGES DUE TO THE WORKING LANDS INITIATIVE

Wisconsin Department of Agriculture, Trade and Consumer Protection Working Lands Initiative – Farmland Preservation

Income tax season is fast approaching and questions are coming from farmers and tax preparers related to the farmland preservation tax credits that are available as a result of the Working Lands Initiative legislation. Farmers are eligible for Wisconsin income tax credits in exchange for keeping land in agricultural use and complying with state soil and water conservation requirements. The new per acre tax credit is available for farmers to claim on their 2011 income tax return.

Secretary Ben Brancel, Wisconsin Department of Agriculture, Trade and Consumer Protection (DATCP), encourages tax preparers to work with farmers to participate in the Farmland Preservation program to accomplish the goals of preserving farmland and implementing the state's soil and water conservation standards, also known as agricultural performance standards, that are meant to protect water resources and soil productivity.

Tax Credit Eligibility

To receive the Farmland Preservation Tax Credit, land must be located in a state certified farmland preservation zoning district, farmers must have entered into a farmland preservation agreement, or both. And, farmers must also meet gross farm revenue requirements.

Gross farm revenue: Farmers are eligible for the tax credits if the land produces \$6,000 in gross farm revenue the previous year or \$18,000 over the previous three years. Gross farm revenue must result from agricultural use of the land. If the land is rented out, the owner can claim the tax credits based on gross farm revenue produced by the renter. The actual rent received by the landowner is not counted toward gross farm revenue. However, other payments received, such as payments for enrolling land in the federal conservation reserve program (CRP), and other state and federal programs, can be used to meet the gross farm revenue requirement.

Zoning and/or Agreements: Eligible farmers must have land located in a state-certified farmland preservation zoning district or have entered into a farmland preservation agreement or their land can be covered by both.

To determine if a farmer's land is in a farmland preservation zoning district or covered by an agreement, the landowner should contact their town or county zoning office. It may be helpful to have parcel number(s) available that can be found on the property tax bill.

Farmers in Farmland Preservation Zoning

- Use Schedule FC-A with their 2011 WI income tax return.
- Do not need to attach a zoning certificate to their 2011 income tax return.

- Are eligible for a \$7.50 per acre tax credit on all land that is zoned for farmland preservation in a certified ordinance, including cropland, pastureland, farmstead, woodland, wetlands, grasslands, etc.
- Certificate of Compliance
 - Farmers under farmland preservation zoning that *did not* collect a farmland preservation tax credit in the previous year must obtain a Certificate of Compliance from the County Land Conservation Committee to be eligible to receive the tax credit. This certificate must be included with the tax return to be eligible for the credit.
 - Farmers under zoning that *did* collect a tax credit in the previous year should also contact their county land conservation department. If these farmers have not already received a certificate of compliance, they will have to agree to be placed on a schedule of compliance to ensure they will meet the soil and water conservation requirements within a specific period of time, but before December 31, 2015.

Farmers with a Farmland Preservation Agreement

Farmers with farmland preservation agreements entered into prior to July 1, 2009 (unless the agreements are modified) are eligible for the previous tax credits under the old formula (pre-tax year 2010 formula) that are applied for using the Schedule FC. There are about 3,500 farms covered by old farmland preservation agreements currently in effect. These old agreements may be modified to claim the tax credit under the new per acre credit (Schedule FC-A). Currently the department has modified about 50 agreements. More information on modifying agreements is available on the DATCP website at http://datcp.wi.gov/Environment/Working_Lands_Initiative/Farmland_Preservation_Agreements/index.aspx

- Farmers with modified farmland preservation agreements or agreements entered into after July 1, 2009, are eligible for a \$5.00 per acre tax credit and must use Schedule FC-A with their 2011 income tax return.

Farmers with both Farmland Preservation Zoning and Farmland Preservation Agreements:

- Farmers may have to use both Schedule FC and FC-A if they have land that is under a farmland preservation agreement and other land under farmland preservation zoning.
- There is a \$10.00 per acre tax credit available for farmers that have land under farmland preservation zoning and land that also has a farmland preservation agreement. This credit will only be available in the 2011 tax year on land entered into farmland preservation agreements within the new Agricultural Enterprise Areas (AEA) that are entered into prior to December 31, 2011. The new AEAs covering about 200,000 acres went into effect on January 1, 2011 and so were not in effect during tax year 2010. Farmers modifying an old agreement or that signed a new agreement in 2011 will be eligible for the \$10 per acre credit if their land is both under an agreement and under zoning. If these modified agreements are not also under zoning, the farmer is eligible only for a \$5.00 per acre per year credit for the 2011 tax year.

Other Commonly Asked Questions

What are the Soil and Water Conservation Standards?

The soil and water conservation requirements (agricultural performance standards) include those listed in [ATCP 50, WI Adm. Code](#), which includes requirements for soil erosion control, nutrient management plan, clean water diversion, manure storage facilities meeting standards, and the manure management prohibitions. These are required for all farmers participating under farmland preservation zoning, and farmland preservation agreements applied for after 2004. Farmers with agreements applied for previous to 2004 are subject to the soil and water conservation standards applicable when they applied for the agreement, generally meeting soil erosion standards. Contact your county land conservation department for more information.

Is land under the Managed Forest Law eligible for the tax credit?

Land that is under the Managed Forest Law (MFL) is eligible for the tax credit if the other minimum requirements, including the gross farm revenue, are met.

Can a farmer receive a tax credit if they also apply for the Homestead Tax Credit?

A farmer is not eligible for the farmland preservation tax credit if they choose to apply for the Homestead Tax Credit on any of their land.

Are there enough state funds to cover the tax credits?

The new law places a cap of about \$27 million on overall farmland preservation program tax credits. If claims for the credits exceed that amount, the excess claims shall be paid in the succeeding fiscal year (after July 1). If that occurs, the Department of Revenue must prorate the per acre amounts based on the estimated amount of eligible claims for that fiscal year and the excess claims from the previous fiscal year. It does not appear that the claims from this past fiscal year for tax year 2010 will approach the cap.

For more information on the FPP tax credits, contact Coreen Fallat, DATCP, (608) 224-4625 or Elaine Kroeger, Wisconsin Department of Revenue, (608) 266-2442.

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