Farmland Preservation Tax Credits

Wisconsin Working Lands Initiative

The Wisconsin Working Lands Initiative provides landowners with an opportunity to claim farmland preservation tax credits through participation in the program. These tax credits are income tax credits that are applied against tax liability.

Tax credits

There is $27 million available statewide annually to provide farmland preservation tax credits to landowners. Eligible landowners may collect one of the following per acre amounts by filing Schedule FC-A with their income tax return:

- $5.00 for farmers with a farmland preservation agreement signed after July 1, 2009 and located in an agricultural enterprise area
- $7.50 for farmers in an area zoned for farmland preservation
- $10.00 for farmers in an area zoned for farmland preservation and in an agricultural enterprise area, with a farmland preservation agreement signed after July 1, 2009

There is no cap on the amount of credit that an individual can claim or on the amount of acreage eligible for a credit. However, if the total amount of claims exceeds $27 million in a given year, the state is obligated to prorate the value of the credits available to individuals.

Eligibility Requirements

1. Acres claimed must be located in a farmland preservation area identified in a certified county farmland preservation plan. Eligible land includes agricultural land or permanent undeveloped natural resource areas or open space land that is:
   - in an area certified for farmland preservation zoning, and/or
   - located in a designated agricultural enterprise area and under a farmland preservation agreement.

2. Claimants must have $6,000 in gross farm revenue in the past year or $18,000 in the past three years. Income from rental receipts of farm acres does not count toward gross farm revenue. However, gross farm revenue produced by the renter on the landowner's farmland can be used to meet this eligibility requirement.

3. Claimants must be able to certify that all property taxes owed from the previous year have been paid.

4. Farmers claiming farmland preservation tax credits must certify on their tax form that they comply with state soil and water conservation standards. New claimants must also submit a certification of compliance with soil and water conservation standards that has been issued by the county land conservation committee.

Wisconsin Department of Agriculture, Trade and Consumer Protection
Phone: (608)224-4500
Website: http://workinglands.wi.gov
Email: DATCPWorkingLands@wisconsin.gov
ARM-Pub-205
December 2011

Farmland Preservation Tax Credits

Claiming the farmland preservation tax credit

New participants: If you are brand new to the program and haven't claimed the farmland preservation tax credit in the past, you must meet the eligibility requirements to claim the farmland preservation tax credits. In addition, you must obtain a county issued certificate of compliance with state soil and water conservation standards and submit this certificate with your income tax return. Once you have a certificate of compliance, you may continue to claim the farmland preservation tax credit as long as eligibility requirements are met. Compliance with these standards is monitored through inspection at least once every 4 years. If found out of compliance, a notice of noncompliance will be provided to DOR and the claimant is ineligible to claim a tax credit until compliance is re-established.

Current participants under existing zoning ordinances: Landowners who have continuously claimed the farmland preservation tax credit under an existing certified farmland preservation zoning ordinance from tax year 2009 forward are considered a continuous participant. As a continuous participant, you may continue to claim the tax credit as long as you obtain from the county a schedule of compliance to meet the soil and water conservation standards by December 31, 2015. Compliance with these standards is monitored through inspection at least once every 4 years. If found out of compliance, a notice of noncompliance will be provided to DOR and the claimant is ineligible to claim a tax credit until compliance is re-established. If you skip a year in filing a claim for the farmland preservation tax credit, you will be considered a new participant.

Current participants with existing agreements: Landowners with an existing agreement entered into prior to July 1, 2009 may continue to collect a tax credit until expiration of their existing agreement, regardless of whether they are located in an agricultural enterprise area. Landowners may choose to continue to calculate their credit based upon the old formula, or they may choose to calculate the credit using the per acre amount in the new statute. To change the way the credit is calculated, the agreement must be modified. If you are not in an area zoned for farmland preservation when your agreement expires, you will not be eligible to claim a credit unless you successfully petition to be located in a designated agricultural enterprise area.

Ceasing program participation

Rezoning land**:** Land may be rezoned out of farmland preservation for another use without penalty after the local government makes the following findings after a public hearing:

- The land is better suited for a use not allowed in the farmland preservation zoning district.
- The rezoning is consistent with any applicable comprehensive plan.
- The rezoning is substantially consistent with the county certified farmland preservation plans.
- The rezoning will not substantially impair or limit current or future agricultural use of surrounding parcels of land that are zoned for or legally restricted to agricultural use.

Terminating agreements**:** A landowner under a farmland preservation agreement entered into after July 1, 2009 may terminate the agreement prior to the expiration date by paying a "conversion fee" equal to 3 times the class 1 "use value" of the land. Agreements in effect prior to July 1, 2009 are subject to provisions that were in place when the agreement was signed.

Removal of land from an agricultural enterprise area (AEA)**:** Land located within a designated AEA can only be removed from the AEA through the state administrative rule process. Even if the land is sold, it remains a part of the designated AEA.