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 and are available for the 2010 tax year (paid in 2011) and beyond.

New tax credits

There is $27 million available statewide annually to provide farmland preservation tax credits to landowners beginning in tax year 2010. Eligible landowners may collect one of the following per acre amounts:

- $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

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Claiming a tax credit under the new program

New participants: Landowners wishing to participate in the new program must meet the eligibility requirements. New participants include:

- Landowners located in a farmland preservation area under an existing certified zoning ordinance who did not participate in the program during the previous year
- Landowners located in an area certified for farmland preservation under a new zoning ordinance
- Landowners who have entered into a farmland preservation agreement after July 1, 2009. Only landowners located in a designated agricultural enterprise area (AEA) may enter into such an agreement.

If eligible, landowners who wish to participate must claim the credit on the annual tax form. It is required that a county issued certificate of compliance with state soil and water standards be submitted with the tax form. 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 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.

Current participants under existing zoning ordinances: Landowners who collected a tax credit for the previous year under an existing zoning ordinance certified prior to July 1, 2009 will be eligible to collect the new tax credit beginning in tax year 2010. Tax credit eligibility continues if the ordinance is updated and certified in compliance with the new standards and the landowner meets eligibility requirements.

Ceasing program participation

Rezoning land: An entity wishing to rezone land out of farmland preservation for another use may only do so with local government approval and by paying a "conversion fee" equal to 3 times the class 1 "use value" of the land. This conversion fee applies to areas with a certified farmland preservation zoning ordinance regardless of whether the landowner received a tax credit under the state program. Existing zoning maps apply under the new program until an amended zoning map is adopted or the ordinance expires, whichever occurs first. Local governments may charge a supplemental fee.

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.