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**SENATE BILL NO. 1163**

Offered January 13, 2021

Prefiled January 8, 2021

*A BILL to amend and reenact §§ 58.1-334, 58.1-337, 58.1-432, and 58.1-436 of the Code of Virginia, relating to tax credits of agricultural equipment.*

Patrons—Hanger; Delegate: Avoli

Referred to Committee on Finance and Appropriations

**Be it enacted by the General Assembly of Virginia:**

**1. That §§ 58.1-334, 58.1-337, 58.1-432, and 58.1-436 of the Code of Virginia are amended and reenacted as follows:**

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

A. ~~Any~~ *For taxable years beginning before January 1, 2021, 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.

**§ 58.1-337. Tax credit for purchase of conservation tillage and precision agriculture equipment.**

A. *1. For taxable years beginning on or after January 1, 2021, any individual engaged in agricultural production for market who has in place a soil conservation plan approved by the local soil and water conservation district and is implementing a nutrient management plan developed by a certified nutrient management planner in accordance with § 10.1-104.2 by the required tax return filing date of the individual shall be allowed a refundable credit against the tax imposed by § 58.1-320 of an amount equaling 25 percent of all expenditures made by such individual for the purchase of equipment certified by the Virginia Soil and Water Conservation Board as reducing soil compaction such as a "no-till" planter, drill, or other equipment or equipment that provides more precise pesticide and fertilizer application or injection. For purposes of this section, equipment that reduces soil compaction includes equipment utilizing guidance systems to control traffic patterns that are designed to minimize the disturbance of soil in planting crops, including such planters, drills, or other equipment that may be attached to equipment already owned by the taxpayer.*

*2. 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:*

*a. Sprayers for pesticides and liquid fertilizers;*

*b. Pneumatic fertilizer applicators;*

*c. Monitors, computer regulators, and height-adjustable booms for sprayers and liquid fertilizer applicators;*

*d. Manure applicators;*

*e. Tramline adapters; and*

*f. Starter fertilizer banding attachments for planters.*

*3. The amount of such credit under this subsection shall not exceed $17,500 in the year of purchase. 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.*

*4. For purposes of this subsection, the amount of any credit attributable to the purchase of equipment certified by the Virginia Soil and Water Conservation Board as reducing soil compaction or providing more precise pesticide and fertilizer application or injection 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.*

~~Any~~ *B. 1. For taxable years beginning before January 1, 2021, 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~~ *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~~ *25* 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.~~ *a.* Sprayers for pesticides and liquid fertilizers;

~~2.~~ *b.* Pneumatic fertilizer applicators;

~~3.~~ *c.* Monitors, computer regulators, and ~~height adjustable~~ *height-adjustable* booms for sprayers and liquid fertilizer applicators;

~~4.~~ *d.* Manure applicators;

~~5.~~ *e.* Tramline adapters; and

~~6.~~ *f.* Starter fertilizer banding attachments for planters.

~~B.~~ *2.* The amount of such credit *under subdivision 1* 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.~~ *3.* For purposes of this ~~section~~ *subsection*, 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.

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

A. ~~Any~~ *For taxable years beginning before January 1, 2021, 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.

**§ 58.1-436. Tax credit for purchase of conservation tillage and precision agricultural application equipment.**

A. *1. For taxable years beginning on or after January 1, 2021, any corporation engaged in agricultural production for market which has in place a soil conservation plan approved by the local soil and water conservation district and is implementing a nutrient management plan developed by a certified nutrient management planner in accordance with § 10.1-104.2 by the required tax return filing date of the corporation shall be allowed a refundable credit against the tax imposed by § 58.1-400 in an*

*amount equaling 25 percent of all expenditures made by such corporation for the purchase of equipment certified by the Virginia Soil and Water Conservation Board as reducing soil compaction such as a "no-till" planter, drill, or other equipment or equipment that provides more precise pesticide and fertilizer application or injection. For purposes of this section, equipment that reduces soil compaction includes equipment utilizing guidance systems to control traffic patterns that are designed to minimize the disturbance of soil in planting crops, including such planters, drills, or other equipment that may be attached to equipment already owned by the taxpayer.*

*2. 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:*

*a. Sprayers for pesticides and liquid fertilizers;*

*b. Pneumatic fertilizer applicators;*

*c. Monitors, computer regulators, and height-adjustable booms for sprayers and liquid fertilizer applicators;*

*d. Manure applicators;*

*e. Tramline adapters; and*

*f. Starter fertilizer banding attachments for planters.*

*3. The amount of such credit under this subsection shall not exceed $17,500 in the year of purchase. 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 taxpayer applies for the refund.*

*4. For purposes of this subsection, the amount of any credit attributable to the purchase of equipment certified by the Virginia Soil and Water Conservation Board as reducing soil compaction or providing more precise pesticide and fertilizer application or injection 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.*

~~Any~~ *B. 1. For taxable years beginning before January 1, 2021, 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~~ *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~~ *25* 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.~~ *a.* Sprayers for pesticides and liquid fertilizers;

~~2.~~ *b.* Pneumatic fertilizer applicators;

~~3.~~ *c.* Monitors, computer regulators, and height adjustable booms for sprayers and liquid fertilizer applicators;

~~4.~~ *d.* Manure applicators;

~~5.~~ *e.* Tramline adapters; and

~~6.~~ *f.* Starter fertilizer banding attachments for planters.

~~B.~~ *2.* The amount of such credit *under subdivision 1* 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.~~ *3.* For purposes of this *sub*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.

**2. That the provisions of this act shall become effective only for taxable years beginning on and after January 1, 2021.**