

VIRGINIA ACTS OF ASSEMBLY — CHAPTER

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*An Act to amend and reenact §§ 58.1-337, 58.1-339.3, 58.1-436, and 58.1-439.5 of the Code of Virginia, relating to agricultural best management practices tax; agricultural equipment purchase tax credit; sunset date.*

[H 1015]

Approved

**Be it enacted by the General Assembly of Virginia:**  
**1. That §§ 58.1-337, 58.1-339.3, 58.1-436, and 58.1-439.5 of the Code of Virginia are amended and reenacted as follows:**

**§ 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, but before January 1, ~~2026~~ 2030, 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. Tramlane 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.

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 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 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:

- a. Sprayers for pesticides and liquid fertilizers;
- b. Pneumatic fertilizer applicators;

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

59 d. Manure applicators;

60 e. Tramline adapters; and

61 f. Starter fertilizer banding attachments for planters.

62 2. The amount of such credit under subdivision 1 shall not exceed \$3,750 or the total amount of the  
63 tax imposed by this chapter, whichever is less, in the year of purchase. If the amount of such credit  
64 exceeds the taxpayer's tax liability for such taxable year, the amount which exceeds the tax liability may  
65 be carried over for credit against the income taxes of such individual in the next five taxable years until  
66 the total amount of the tax credit has been taken.

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

72 **§ 58.1-339.3. Agricultural best management practices tax credit.**

73 A. 1. As used in this section, "agricultural best management practice" means a practice approved by  
74 the Virginia Soil and Water Conservation Board that will provide a significant improvement to water  
75 quality in the state's streams and rivers and the Chesapeake Bay and is consistent with other state and  
76 federal programs that address agricultural, nonpoint source pollution management. A detailed list of the  
77 standards and criteria for agricultural best management practices eligible for credit shall be found in the  
78 most recently approved "Virginia Agricultural BMP Manual" published annually prior to July 1 by the  
79 Department of Conservation and Recreation.

80 2. For all taxable years beginning on and after January 1, 1998, but before January 1, ~~2025~~ 2030,  
81 any individual who is engaged in agricultural production for market, or has equines that create needs for  
82 agricultural best management practices to reduce nonpoint source pollutants, and has in place a soil  
83 conservation plan approved by the local Soil And Water Conservation District (SWCD), shall be allowed  
84 a refundable credit against the tax imposed by § 58.1-320 in an amount equaling 25 percent of the first  
85 \$100,000 expended for agricultural best management practices by the individual.

86 3. For all taxable years beginning on and after January 1, 2021, but before January 1, ~~2025~~ 2030,  
87 any individual who is engaged in agricultural production for market, or who has equines that create  
88 needs for agricultural best management practices to reduce nonpoint source pollutants, and has in place a  
89 resource management plan approved by the local SWCD shall be allowed a refundable credit against the  
90 tax imposed by § 58.1-320 in an amount equaling 50 percent of the first \$100,000 expended for  
91 agricultural best management practices implemented by the individual on the acreage included in the  
92 resource management plan.

93 B. 1. Any eligible practice approved by the local Soil and Water Conservation District Board shall be  
94 completed within the taxable year in which the credit is claimed. After the practice installation has been  
95 completed, the local SWCD Board shall certify the practice as approved and completed, and eligible for  
96 credit. The applicant shall forward the certification to the Department of Taxation on forms provided by  
97 the Department. The credit shall be allowed only for expenditures made by the taxpayer from funds of  
98 his own sources.

99 2. To the extent that a taxpayer participates in the Virginia Agricultural Best Management Practices  
100 Cost-Share Program, the taxpayer may claim the credit under subdivision A 2 for any remaining liability  
101 after such cost-share, but may not claim the credit under subdivision A 3 for any such remaining  
102 liability, subject to the other provisions of this section. For purposes of this subdivision, "liability after  
103 such cost-share" means the limitation of the tax credits to the total costs incurred by the taxpayer for  
104 agricultural best management practices reduced by any funding received by participation in the Virginia  
105 Agricultural Best Management Practices Cost-Share Program.

106 C. 1. The aggregate amount of such credit claimed under subdivisions A 2 and 3 shall not exceed  
107 \$75,000 or the total amount of the tax imposed by this chapter, whichever is less, in the year the project  
108 was completed, as certified by the Board. Any taxpayer claiming a tax credit under this section shall not  
109 claim a credit under any similar Virginia law for costs related to the same eligible practices. A taxpayer  
110 may not claim credit for the same practice in the same management area under both subdivisions A 2  
111 and A 3.

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

116 D. For purposes of this section, the amount of any credit attributable to agricultural best management  
117 practices by a pass-through entity such as a partnership, limited liability company, or electing small

118 business corporation (S Corporation) shall be allocated to the individual partners, members, or  
119 shareholders in proportion to their ownership or interest in such entity.

120 E. A pass-through tax entity, such as a partnership, limited liability company or electing small  
121 business corporation (S corporation), may appoint a tax matters representative, who shall be a general  
122 partner, member-manager or shareholder, and register that representative with the Tax Commissioner.  
123 The Tax Commissioner shall be entitled to deal with the tax matters representative as representative of  
124 the taxpayers to whom credits have been allocated by the entity under this article with respect to those  
125 credits. In the event a pass-through tax entity allocates tax credits arising under this article to its  
126 partners, members or shareholders and the allocated credits shall be disallowed, in whole or in part, such  
127 that an assessment of additional tax against a taxpayer shall be made, the Tax Commissioner shall first  
128 make written demand for payment of any additional tax, together with interest and penalties, from the  
129 tax matters representative. In the event such payment demand is not satisfied, the Tax Commissioner  
130 shall proceed to collection against the taxpayers in accordance with the provisions of Chapter 18  
131 (§ 58.1-1800 et seq.).

132 **§ 58.1-436. Tax credit for purchase of conservation tillage and precision agricultural application**  
133 **equipment.**

134 A. 1. For taxable years beginning on or after January 1, 2021, but before January 1, ~~2026~~ 2030, any  
135 corporation engaged in agricultural production for market which has in place a soil conservation plan  
136 approved by the local soil and water conservation district and is implementing a nutrient management  
137 plan developed by a certified nutrient management planner in accordance with § 10.1-104.2 by the  
138 required tax return filing date of the corporation shall be allowed a refundable credit against the tax  
139 imposed by § 58.1-400 in an amount equaling 25 percent of all expenditures made by such corporation  
140 for the purchase of equipment certified by the Virginia Soil and Water Conservation Board as reducing  
141 soil compaction such as a "no-till" planter, drill, or other equipment or equipment that provides more  
142 precise pesticide and fertilizer application or injection. For purposes of this section, equipment that  
143 reduces soil compaction includes equipment utilizing guidance systems to control traffic patterns that are  
144 designed to minimize the disturbance of soil in planting crops, including such planters, drills, or other  
145 equipment that may be attached to equipment already owned by the taxpayer.

146 2. Virginia Polytechnic Institute and State University and Virginia State University shall provide at  
147 the request of the Virginia Soil and Water Conservation Board technical assistance in determining  
148 appropriate specifications for certified equipment which would provide for more precise pesticide and  
149 fertilizer application to reduce the potential for adverse environmental impacts. The equipment shall be  
150 divided into the following categories:

- 151 a. Sprayers for pesticides and liquid fertilizers;
- 152 b. Pneumatic fertilizer applicators;
- 153 c. Monitors, computer regulators, and height-adjustable booms for sprayers and liquid fertilizer  
154 applicators;
- 155 d. Manure applicators;
- 156 e. Tramline adapters; and
- 157 f. Starter fertilizer banding attachments for planters.

158 3. The amount of such credit under this subsection shall not exceed \$17,500 in the year of purchase.  
159 If the amount of the credit exceeds the taxpayer's liability for such taxable year, the excess shall be  
160 refunded by the Tax Commissioner. Tax credits shall be refunded by the Tax Commissioner on behalf  
161 of the Commonwealth for 100 percent of face value. Tax credits shall be refunded within 90 days after  
162 the filing date of the income tax return on which the taxpayer applies for the refund.

163 4. For purposes of this subsection, the amount of any credit attributable to the purchase of equipment  
164 certified by the Virginia Soil and Water Conservation Board as reducing soil compaction or providing  
165 more precise pesticide and fertilizer application or injection by a partnership or S corporation shall be  
166 allocated to the individual partners or shareholders in proportion to their ownership or interest in the  
167 partnership or S corporation.

168 B. 1. For taxable years beginning before January 1, 2021, any corporation engaged in agricultural  
169 production for market which has in place a nutrient management plan approved by the local soil and  
170 water conservation district by the required tax return filing date of the corporation shall be allowed a  
171 credit against the tax imposed by § 58.1-400 of an amount equaling 25 percent of all expenditures made  
172 by such corporation for the purchase of equipment certified by the Virginia Soil and Water Conservation  
173 Board as providing more precise pesticide and fertilizer application. Virginia Polytechnic Institute and  
174 State University and Virginia State University shall provide at the request of the Virginia Soil and Water  
175 Conservation Board technical assistance in determining appropriate specifications for certified equipment  
176 which would provide for more precise pesticide and fertilizer application to reduce the potential for  
177 adverse environmental impacts. The equipment shall be divided into the following categories:

- 178 a. Sprayers for pesticides and liquid fertilizers;

- 179 b. Pneumatic fertilizer applicators;  
 180 c. Monitors, computer regulators, and height adjustable booms for sprayers and liquid fertilizer  
 181 applicators;  
 182 d. Manure applicators;  
 183 e. Tramline adapters; and  
 184 f. Starter fertilizer banding attachments for planters.

185 2. The amount of such credit under subdivision 1 shall not exceed \$3,750 or the total amount of the  
 186 tax imposed by this chapter, whichever is less, in the year of purchase. If the amount of such credit  
 187 exceeds the taxpayer's tax liability for such taxable year, the amount which exceeds the tax liability may  
 188 be carried over for credit against the income taxes of such corporation in the next five taxable years  
 189 until the total amount of the tax credit has been taken. Credits granted to a partnership or electing small  
 190 business corporation (S corporation) shall be passed through to the partners or shareholders, respectively.

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

195 **§ 58.1-439.5. Agricultural best management practices tax credit.**

196 A. 1. As used in this section, "agricultural best management practice" means a practice approved by  
 197 the Virginia Soil and Water Conservation Board that will provide a significant improvement to water  
 198 quality in the state's streams and rivers and the Chesapeake Bay and is consistent with other state and  
 199 federal programs that address agricultural, nonpoint source pollution management.

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

203 2. For all taxable years beginning on and after January 1, 1998, but before January 1, ~~2025~~ 2030,  
 204 any corporation engaged in agricultural production for market that has in place a soil conservation plan  
 205 approved by the local Soil and Water Conservation District (SWCD) shall be allowed a refundable credit  
 206 against the tax imposed by § 58.1-400 of an amount equaling 25 percent of the first \$100,000 expended  
 207 for agricultural best management practices by the corporation.

208 3. For all taxable years beginning on and after January 1, 2021, but before January 1, ~~2025~~ 2030,  
 209 any corporation that is engaged in agricultural production for market, or that has equines that create  
 210 needs for agricultural best management practices to reduce nonpoint source pollutants, and has in place a  
 211 resource management plan approved by the local SWCD, shall be allowed a refundable credit against  
 212 the tax imposed by § 58.1-400 in an amount equaling 50 percent of the first \$100,000 expended for  
 213 agricultural best management practices implemented by the corporation on the acreage included in the  
 214 resource management plan.

215 B. 1. Any eligible practice approved by the local Soil and Water Conservation District Board shall be  
 216 completed within the taxable year in which the credit is claimed. After the practice installation has been  
 217 completed, the local SWCD Board shall certify the practice as approved and completed, and eligible for  
 218 credit. The applicant shall forward the certification to the Department of Taxation on forms provided by  
 219 the Department. The credit shall be allowed only for expenditures made by the taxpayer from funds of  
 220 his own sources.

221 2. To the extent that a taxpayer participates in the Virginia Agricultural Best Management Practices  
 222 Cost-Share Program, the taxpayer may claim the credit under subdivision A 2 for any remaining liability  
 223 after such cost-share, but may not claim the credit under subdivision A 3 for any such remaining  
 224 liability, subject to the other provisions of this section. For purposes of this subdivision, "liability after  
 225 such cost-share" means the limitation of the tax credits to the total costs incurred by the taxpayer for  
 226 agricultural best management practices reduced by any funding received by participation in the Virginia  
 227 Agricultural Best Management Practices Cost-Share Program.

228 C. 1. The aggregate amount of such credit claimed under subdivisions A 2 and 3 shall not exceed  
 229 \$75,000 or the total amount of the tax imposed by this chapter, whichever is less, in the year the project  
 230 was completed, as certified by the Board. Any taxpayer claiming a tax credit under this section shall not  
 231 claim a credit under any similar Virginia law for costs related to the same eligible practices. A taxpayer  
 232 may not claim credit for the same practice in the same management area under both subdivisions A 2  
 233 and A 3.

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

238 D. For purposes of this section, the amount of any credit attributable to agricultural best management  
 239 practices by a partnership or electing small business corporation (S Corporation) shall be allocated to the

**240** individual partners or shareholders in proportion to their ownership or interest in the partnership or S  
**241** Corporation.

**ENROLLED**

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