Five Financial Incentives for Conservation-Minded Agriculture Operators

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With every change in the federal executive administration, speculation rages over what changes to expect in regulation, policy, and guidance. The current transition is no different. And agricultural policy and conservation priorities are not excepted. Much of the current discussion involves the creation of carbon banks and the establishment of carbon credits. Though prudent, and likely consequential, the debate over these concepts is not likely to be settled soon. Implementation is even further down the road. Accordingly, we thought prudent to provide a refresher on what conservation and preservation incentives do exists in Arkansas to conserve water use, protect water quality, promote wildlife and aquatic life resources, and preserve ag lands. The following is a list of just a few state and federal resources:

1. Water Resource Conservation and Development Incentives

The water resource conservation development incentives allow a state income tax credit equal to 50% of the cost of construction, installation, or restoration of water impoundments or water control structures designed to store surface water (thereby conserving groundwater). Separately, the incentives also include a tax credit equal to 10% (projects outside critical groundwater areas) and 50% (projects inside critical groundwater areas) of the cost incurred for the reduction of ground water by shifting to surface water for water used for agricultural purposes.

2. Wetland and Riparian Zone Creation and Restoration Incentive

This incentive involves an income tax credit equal to the project cost incurred in the development or restoration of private wetlands and riparian zones. The project must be maintained for a minimum life of ten years after the project is completed. In 2009, the Arkansas legislature added a wetland and riparian zone conservation tax credit equal to 50% of the fair market value of qualified real property donated for a qualified conservation purpose to an eligible donee.

3. Conservation Reserve Program (CRP)

The CRP assists producers in conserving and improving soil, water and wildlife resources, restoring wetlands by converting highly erodible and other environmentally sensitive land generally devoted to the production of agricultural commodities to a long-term vegetative cover, or improving conditions of certain grasslands. The CRP is implemented on a voluntary basis by participants that enroll land under contract with USDA. CRP participants must maintain approved cover, including grasses and trees, or water cover, in

exchange for annual rental payments and financial assistance to install certain specified conservation practices. CRP contracts vary, but generally run 10-15 years.

4. Agricultural Conservation Easement Program (ACEP)

ACEP is a voluntary program to help farmers and ranchers preserve their agricultural land and restore, protect, and enhance wetlands on eligible lands. ACEP offers two easement enrollment options:

- Agricultural Land Easements (ALE): Offers matching funds to State, Tribal, and local governments, and nongovernmental organizations with farm and ranch land protection programs to purchase agricultural land easements. Agricultural land easements are permanent or for the maximum duration authorized by State law.
- Wetland Reserve Program (WRE): Authorizes NRCS to protect wetlands by purchasing an easement directly from eligible landowner; thereby, providing for the restoration, enhancement, and protection of wetlands and associated uplands. WRP easements may be permanent, 30-years, or the maximum duration authorized by State law.

5. Environmental Quality Incentives Program (EQIP)

EQIP helps agricultural producers conserve and enhance soil, water, air, plants, animals (including wildlife), energy and related natural resources on their land. Lands eligible for EQIP funds include cropland, grassland, rangeland, pasture, wetlands, nonindustrial private forest land, and other agricultural land on which agricultural or forest related products or livestock are produced and natural resource concerns may be addressed. The program, which is entirely voluntary, provides both technical and financial assistance to producers to implement conservation practices such as:

- Change tillage practices to enhance soil resources;
- Replace or improve the management of irrigation systems;
- Manage grazing to sustain plant diversity, protect rare species, and ensure adequate forage;
- Apply energy efficient practices to reduce energy consumption; and,
- Implement carbon sequestration practices.