

Farmland Preservation Agreements in Designated Agricultural Enterprise Areas

-Frequently Asked Questions-

This factsheet provides information specific to agreements signed after July 1, 2009 that are located within an agricultural enterprise area (AEA) designated by the state.

What are the eligibility requirements for entering into a farmland preservation agreement?

Only the owners of the land are eligible to enter into a farmland preservation agreement. To enter into a farmland preservation agreement, the acres to be covered by the agreement must be located in a designated agricultural enterprise area (AEA) and included in a farmland preservation area in the certified county farmland preservation plan.

Although there is no minimum acreage requirement, claimants must have earned \$6,000 in gross farm revenue in the past year or \$18,000 in the past three years.¹ Eligible participants do not have to be the farm operator; landowners that rent out their land are eligible for the program. However, in order to be eligible for the tax credit, the land itself must produce \$6,000 in gross farm revenue in the past year or \$18,000 in the past three years, and rent cannot be included.

To claim the income tax credit on land covered by a farmland preservation agreement, the entire farm must be in compliance with the state's soil and water conservation standards.² A farm is all land under common ownership that is primarily devoted to agricultural use.

What are the benefits of having a farmland preservation agreement?

By entering into a farmland preservation agreement, you are indicating your commitment to continue farming the land that you own. In return for this commitment, you may claim the farmland preservation income tax credit. This credit is equal to \$10 per acre (\$12.50 per acre if you are also in a certified farmland preservation zoning district).³ Information on claiming the tax credit can be found on the Wisconsin Department of Revenue's website at <http://www.revenue.wi.gov/>. Search for "farmland preservation" to navigate to the most up to date instructions and form.

A farmland preservation agreement does not protect land from annexation or from the exercise of eminent domain for public works projects. However, land in agricultural use and covered by a farmland preservation agreement is exempt from special assessments levied by a political subdivision, special purpose district or other local governmental entity for sanitary sewer or water. This protection is available to a landowner within a designated AEA once they enter into a farmland preservation agreement with the state.

¹ Income from CRP contracts counts as gross farm revenue.

² The applicable soil and water conservation standards are those identified in [Chapter ATCP 50](#) of the Wisconsin Administrative Code at the time the agreement is effective.

³ Use Wisconsin Department of Revenue's Schedule FC-A.

What are the land use restrictions under a farmland preservation agreement?

Farmland preservation agreements signed after July 1, 2009 require the land to remain in the following uses for the term of the agreement:

- agricultural use,
- accessory use,
- undeveloped natural resource and open space use, or
- minor pre-existing use which is compatible with agricultural use

Remember that other local ordinances (such as zoning and land division ordinances) continue to apply to your land, regardless of whether you sign an agreement. In many instances, these local ordinances establish limits on non-farm residential or commercial development of agricultural land.

In order to claim the income tax credit on land covered by a farmland preservation agreement, you must also comply with the state soil and water conservation standards (which includes a nutrient management plan).⁴ Conservation compliance is required on the entire farm, regardless of whether all owned land is covered under an agreement. If you rent your land to an operator, the operator must follow soil and water conservation standards on rented acres.

Land covered by an agreement does not require you to allow public access.

What uses are allowed as accessory uses?

There are a number of uses that can be considered allowable “accessory” uses under an agreement. Some examples include residences such as the farm residence, or a residence occupied by an individual earning more than 50% of his or her gross income from the farm (if owned by the farm owner/operator). A residence for a child or parent of the farm owner/operator is not an allowable accessory use unless the farm owner/operator retains ownership of the residence.

An allowable accessory use may also include buildings or structures that are an integral part of, or incidental to an agricultural use. If this use, such as a building, structure, improvement, activity, or business operation, is on a farm and used for an agricultural use, then that use can be considered an allowable accessory use. Some examples of possible accessory uses that contain buildings or structures include:

- Wind turbines used to generate energy for the farm where it is located
- A grain drying or storage bin
- A dairy or food processing facility
- Waste processing facility

Other businesses or activities that are carried out by the owner or operator of the farm may also be allowed as accessory uses. These uses must not require an additional building, must not limit the agricultural use of the farm, and may not employ more than four full-time employees annually. Some examples may include a day care, an accounting office, or a portrait studio run out of the farm residence.

⁴ The applicable soil and water conservation standards are those identified in [Chapter ATCP 50](#) of the Wisconsin Administrative Code at the time the agreement is effective.

Non-metallic mining operations are not acceptable accessory uses. The land under this use would need to be excluded from coverage under the farmland preservation agreement.

How do I show compliance with the soil and water conservation standards?

Landowners show compliance with the soil and water conservation standards by receiving a certificate of compliance from the county land conservation committee. If you have not yet received a certificate of compliance, you must contact your county land conservation department to schedule a time to discuss your farm's compliance status.

How do I claim the farmland preservation tax credit?

To claim the farmland preservation tax credit once you have a farmland preservation agreement, you will need to file Schedule FC-A. Once eligible, you may claim a credit equal to \$10 per acre or \$12.50 per acre if you are also in a certified farmland preservation zoning district.

Can I sign a farmland preservation agreement for just a portion of my land?

When completing the agreement application, you may choose to exclude a portion of owned land, including a portion of a parcel, from coverage under the agreement. If you wish to exclude land from coverage, you must provide the department with a clear description of the land to be excluded from the agreement in writing and attach the description to the respective deed. The description must include the parcel number and the acreage of the excluded area. The excluded area must also be shown on an aerial photo. You may develop the description, or get assistance to develop the description.

To claim the income tax credit, you must be in compliance with state soil and water conservation standards on all owned acres, regardless of whether they are all covered by the agreement. In addition, if you choose to exclude a portion of a parcel from coverage, be aware to claim the accurate credit for those acres. For example, if 35 acres of a 40 acre parcel is covered by an agreement, then only those 35 acres are eligible for the tax credit associated with the agreement (\$10/acre or \$12.50/acre if zoned). If the parcel is in a farmland preservation zoning district, the landowner may claim the \$12.50/acre credit on the 35 acres, but may only claim the \$10/acre credit on the remaining 5 acres that were excluded from coverage under the agreement.

The department may decide not to enter into an agreement with a landowner in a case where the pattern of excluded land may indicate future land use that is inconsistent with farmland preservation.

Can I sell my land once it is under a farmland preservation agreement?

Yes. The agreement runs with the land and is recorded by the county register of deeds. Because of this, the new landowner, if eligible, may also claim the farmland preservation tax credit on the land that was purchased or transferred from you.

If you do decide to sell or transfer any portion of the land covered by the agreement contract, it is important to make a note of how much land is still eligible under your agreement contract. Remember, you may only claim the farmland preservation tax credit on the land that you still own, therefore keeping good records will make it easier to accurately complete your income tax return.

When you sell land or otherwise transfer ownership, consider providing a copy of the farmland preservation agreement to the new owner or suggest that they contact the register of deeds office for a

copy. This will help the new owner to better understand their obligations and enable them to claim the tax credit on the acres that they now own.

Can land be removed from under a farmland preservation agreement?

At the landowner's request, land can be removed from an agreement at any time prior to the expiration of the agreement. To remove an agreement, for each acre of covered land released, the landowner is required to pay a conversion fee equal to three times the per acre value of the highest value category of tillable cropland in the town in which the land is located, as specified by the Department of Revenue in the most recent *"Use-Value Guidelines for Agricultural Assessment"* found at <http://www.revenue.wi.gov/report/a.html>. The owner of the land at the time it is removed from the agreement is responsible for paying the conversion fee.

If you do decide to remove any portion of land from coverage under the agreement contract, it is important to make a note of how much land is still covered by the agreement. Remember, you may only claim the farmland preservation tax credit associated with a farmland preservation agreement on land that is still covered by an agreement. Therefore keeping good records will make it easier to accurately complete your income tax return.

When do the agreements expire?

Farmland preservation agreements expire at the end of the contract. Agreements entered into between July 1, 2009 and December 6, 2023 expire 15 years from the day the contract is signed by the state. Agreements entered into after December 6, 2023 expire 10 years from the day the contract is signed by the state. These agreements are recorded at the county register of deeds, and therefore do not terminate upon death of the operator or sale of the land. Upon expiration of an agreement, you may choose to enter into a new contract for another 10 year term.

How do we apply for a farmland preservation agreement?

To get a farmland preservation agreement, you must submit a completed application form to the county. The county must review and approve the application and forward the completed application to the Wisconsin Department of Agriculture, Trade and Consumer Protection. Once received, the department reviews the application and enters into the agreement with the landowner.

To prepare for completing the application and claiming the tax credit:

- Determine what land you want covered by the agreement
- Communicate your interest in entering into an agreement with other owners of the farm, those with a real estate interest in the farm, and any renters operating land to be covered
- Contact your county to verify eligibility. The county may be able to assist with:
 - Confirming the location of the parcels within a farmland preservation area and within a designated Agricultural Enterprise Area
 - Obtaining a legal description for the land to be covered
 - Identifying the tax identification number of any parcels to be covered
 - Obtaining an aerial map that shows the area to be covered
- Gather all required paperwork (deeds, property tax bills, map of the parcels)
- Work with the county land conservation department to determine compliance status and obtain a certificate of compliance

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