

DRAFT FORM — NOT FOR FILING

This draft form has been updated to include the most recent changes effective for Tax Year 2026 Virginia returns. If legislative changes or issues arise, we will post a new version of this draft form.

Please continue to monitor tax.virginia.gov/early-release-forms for future drafts of this form. Once forms are final, we will post them on our website at tax.virginia.gov/forms.

Virginia Agricultural Best Management
Practices Tax Credit Application
See the instructions for details on how to complete.

Tax Year _____

Mail form and SWCD Certification to:
Virginia Department of Taxation
Tax Credit Unit
P.O. Box 715
Richmond, VA 23218-0715

Section I – Taxpayer Information

Business or Individual Name		FEIN / SSN
Trading As		Contact Name
Street Address	City, State, ZIP Code	
Phone Number	Fax Number	Email Address (Optional)

Entity Type (Choose One): ☐ Individual ☐ Corporation ☐ Partnership ☐ Other _____

Eligible Activities: ☐ Engaged in agricultural production for market.
☐ Have equines that create needs for agricultural best management practices to reduce nonpoint source pollutants.

Section II – Agricultural Best Management Practices Information

Program Type(s): ☐ Soil Conservation Plan (Regular Credit). Check this box and complete Part I below.
☐ Resource Management Plan (Enhanced Credit). Check this box and complete Part II below.

Part I – Soil Conservation Plan Area Information

Complete this part if you are claiming the credit based on a Soil Conservation Plan. These expenses are the basis of the Regular Credit computed in Section III, Part I.

SWCD District	Conservation Plan Approval Date	Contract Completion Date
Contract Numbers		
BMP Category: ☐ Nutrient Management ☐ Cover Crop ☐ Livestock Stream Exclusion ☐ Animal Waste ☐ Other _____		

Part II – Resource Management Plan Area Information

Complete this part if you are claiming the credit based on a Resource Management Plan. These expenses are the basis of the Enhanced Credit computed in Section III, Part II.

SWCD District	Resource Mgmt. Plan Approval Date	Contract Completion Date
Contract Numbers		

Virginia Agricultural Best Management
Practices Tax Credit Application

Tax Year _____

Business or Individual Name	FEIN / SSN
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Section III – Credit Computation

INSTRUCTIONS FOR SECTION III:

Complete Part I – Regular Credit Calculation if you are claiming the credit on the basis of a **Soil Conservation Plan**.

Complete Part II – Enhanced Credit Calculation if you are claiming the credit on the basis of a **Resource Management Plan**.

All applicants must complete **Part III** to calculate the total credit for the taxable year.

Note: A taxpayer is not allowed to use expenses incurred for the same practice in the same management area as the basis for claiming the regular and enhanced credit.

Part I – Regular Credit Calculation	
1. Total Eligible Expenses. Enter eligible expenses or \$100,000, whichever is less	.00
2. Allowable Credit Amount Computation. Multiply Line 1 by 25%	.00
3. Credit Requested. Enter Line 2 or \$25,000, whichever is less	.00
Part II – Enhanced Credit Calculation	
1. Total Eligible Expenses. Enter eligible expenses or \$100,000, whichever is less.	.00
2. Allowable Credit Amount Computation. Multiply Line 1 by 50%.	.00
3. Credit Requested. Enter Line 2 or \$50,000, whichever is less	.00
Part III – Total Requested Credits	
1. Total Requested Credits. Add Part I, Line 3 and Part II, Line 3, not to exceed \$75,000	.00

Section IV – Declaration and Signature

I (we) the undersigned declare, under the penalties provided by law, that this form (including any accompanying schedules, statements, and enclosures) has been examined by me (us) and is, to the best of my (our) knowledge and belief, a true, correct, and complete application, made in good faith pursuant to the income tax laws of the Commonwealth of Virginia. If a person other than the taxpayer prepares this application, such declaration is based on all information of which they have knowledge.

Signature	Title	Date
Printed Name	Phone Number	Fax Number

Instructions for Form ABM

Virginia Agricultural Best Management Practices Tax Credit Application

General Information

Individual Tax Credit

Regular Credit for Individuals

For taxable years beginning on and after January 1, 2021, but before January 1, 2030, any individual who is engaged in agricultural production for market, or has equines that create needs for agricultural best management practices to reduce nonpoint source pollutants, and has in place a soil conservation plan approved by the local Soil And Water Conservation District (SWCD), is allowed a refundable credit against individual income tax.

The credit is equal to 25% of the first \$100,000 expended for agricultural best management practices implemented by the individual on the acreage included in the resource management plan. The regular credit is limited to \$25,000 per taxable year.

Enhanced Credit for Individuals

For taxable years beginning on and after January 1, 2021, but before January 1, 2030, any individual who is engaged in agricultural production for market, or who has equines that create needs for agricultural best management practices to reduce nonpoint source pollutants, and has in place a resource management plan approved by the local SWCD is allowed a refundable credit against individual income tax.

The credit is equal to 50% of the first \$100,000 expended for agricultural best management practices implemented by the individual on the acreage included in the resource management plan. The enhanced credit is limited to \$50,000 per taxable year.

Corporate Tax Credit

Regular Credit for Corporations

For taxable years beginning on and after January 1, 2021, but before January 1, 2030, any corporation engaged in agricultural production for market that has in place a soil conservation plan approved by the local Soil and Water Conservation District (SWCD) shall be allowed a refundable credit against corporate income tax.

The credit is equal to 25% of the first \$100,000 expended for agricultural best management practices by the corporation. The regular credit is limited to \$25,000 per taxable year.

Enhanced Credit for Corporations

For taxable years beginning on and after January 1, 2021, but before January 1, 2030, any corporation that is engaged in agricultural production for market, or that has equines that create needs for agricultural best management practices to reduce nonpoint source pollutants, and has in place a resource management plan approved by the local SWCD, may be allowed a refundable credit against corporate

income tax. The enhanced credit is equal to 50% of the first \$100,000 expended for agricultural best management practices implemented by the corporation on the acreage included in the resource management plan.

Credit Limitations

The aggregate amount of credit cannot exceed \$75,000 per taxable year. The total credit granted to all taxpayers is limited to \$2 million for each fiscal year. The credits will be issued on a first come, first served basis. Corporations and individuals must apply by filing Form ABM with the Department of Taxation. Notification of the authorized credit amount must be received before the credit may be claimed on the tax return. A taxpayer is not allowed to use expenses incurred for the same practice in the same management area as the basis for claiming the regular and expanded credit.

Definitions

Agricultural best management practice means a practice approved by the Virginia Soil and Water Conservation Board that will provide a significant improvement to water quality in the state's streams and rivers and the Chesapeake Bay and is consistent with other state and federal programs that address agricultural, nonpoint source pollution management. A detailed list of the standards and criteria for agricultural best management practices eligible for credit shall be found in the most recently approved "Virginia Agricultural BMP Manual" published annually prior to July 1 by the Department of Conservation and Recreation (DCR). See the DCR website at www.dcr.virginia.gov/soil-and-water/costshare for more information.

Line Instructions

Any lines not mentioned below are self-explanatory.

NOTE: By providing an email address on the form, the taxpayer consents to allow emailed communications from the Virginia Department of Taxation related to this tax credit application. If the taxpayer does not wish to receive electronic communications, do not enter an email address in the space provided on the form.

Section II – Agricultural Best Management Practices Information

After checking the appropriate box(es), complete the Part(s) that correspond with the practices for which you are claiming the credit.

Program Type Checkboxes

Check the box next to the agricultural best management program for which you are claiming the credit. If you are claiming the credit based on a soil conservation plan, complete Part I. These expenses are the basis for the

regular credit. If you are claiming the expanded credit based on a resource management plan, complete Part II. These expenses are the basis of the enhanced credit.

Part I – Soil Conservation Plan Information

Complete each field in Part I if you are claiming the regular credit based on expenses incurred from an approved Soil Conservation Plan. You must check the box that describes the Best Management Practices Category for which you are requesting the credit. If none of the categories provided adequately describe the BMP, check the “Other” box and provide a detailed description. You must complete Section III, Part I to calculate the allowable regular credit associated with this plan.

Part II – Resource Management Plan Information

Complete each field in Part II if you are claiming the enhanced credit based on expenses incurred from an approved Resource Management Plan. You must complete Section III, Part II to calculate the allowable expanded credit associated with this plan.

Section III – Credit Computation

Complete Part I if you are claiming the regular credit on the basis of a soil conservation plan and/or Part II if you are claiming the enhanced credit on the basis of a resource management plan. You are permitted to claim both the regular and enhanced credits, however you may not use expenses related to the same practice in the same management area to claim both portions of the credit.

Part I – Regular Credit Computation

Complete Part I, Lines 1-3 for expenses incurred as a result of the approved Soil Conservation Plan listed in Section II, Part I. The amount on Line 1 is limited to the actual eligible expenses or \$100,000, whichever is less. Line 3 is the total allowable regular credit for the taxable year, not to exceed 25% of the expenses or \$25,000, whichever is less. This amount will be included in the aggregate allowable credit in Part III, Line 1.

Part II – Enhanced Credit Computation

Complete Part II, Lines 1-3 for expenses incurred as a result of the approved Resource Management Plan listed in Section II, Part II. The amount on Line 1 is limited to the actual eligible expenses or \$100,000, whichever is less. Line 3 is the total allowable expanded credit for the taxable year not to exceed 50% of the expenses or \$50,000, whichever is less. This amount will be included in the aggregate allowable credit in Part III, Line 1.

Part III – Total Requested Credits

Taxpayers are permitted to claim both the regular and enhanced credits. Add Part I, Line 3 and Part II, Line 3 to calculate the aggregate Agricultural Best Management Credit amount requested for the taxable year. The aggregate amount of credits cannot exceed \$75,000 for the taxable year.

What to Enclose

The following documentation must be submitted with Form ABM:

- A statement showing the purchase date and materials needed to implement or install the best management practice (such as fencing wire, pipeline, posts, or seeds) or professional services needed to develop or design the practice including services provided by a Virginia certified nutrient management planner, RMP developer, or engineer.
- **If applying for the Regular Credit on the basis of a Soil Conservation Plan:** A copy of the letter from the local Soil and Water Conservation District stating that the producer has a soil conservation plan that has been approved by the District.
- **If applying for the Enhanced Credit on the basis of a Resource Management Plan:** A copy of the letter from the local Soil and Water Conservation District stating that the producer has a resource management plan that has been approved by the District.
- A copy of the credit certification letter issued by the local Soil and Water Conservation District. See the “Certification Letter” section below for more information.

Application Process

Applying for the Agricultural Best Management Tax Credit is a two-step process.

Step 1: Local Soil and Water Conservation District Application

All applicants must receive an eligibility certificate from their local Soil and Water Conservation District prior to applying with the Department of Taxation. All requests to receive tax credit certifications must be filed with the local SWCD by January 1 for expenditures made during the preceding taxable year. For assistance, contact information for each local Soil and Water Conservation district is available at www.dcr.virginia.gov/soil-and-water/swcdlist.

Step 2: Department of Taxation Application

File Form ABM with the Department of Taxation for expenditures made during the preceding taxable year in order for the qualification process to be completed. You must receive certification of the allowable credit amount before the credit can be claimed on your income tax return.

Form ABM should be sent to the **Virginia Department of Taxation, ATTN: Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715** or you may fax it to **(804) 774-3902**. **Do not do both.**

Certification Letter Information

You will receive certification letters from both the local Soil and Water Conservation District and the Department of Taxation. The local Soil and Water Conservation District

approval letter will be sent to you first and must be submitted to the Department of Taxation with Form ABM. The Department of Taxation will send a credit certification letter after the credit has been approved.

Soil and Water Conservation District Eligibility Certification Letter

Prior to completing the Form ABM, you must receive an eligibility certificate from the local Soil and Water Conservation District. The certificate provides eligibility information that will be used to calculate the allowable credit for the taxable year.

After the eligibility certificate is received, complete the Form ABM and enclose all documentation you have received from the local Soil and Water Conservation District. The Form ABM and all supporting information is due to the Department of Taxation for expenditures made during the preceding taxable year.

Department of Taxation Credit Certification Letter

Upon receiving notification of the allowable credit amount, taxpayers may claim the allowable credit amount on the applicable Virginia income tax return. Taxpayers who do not receive notification of allowable credit amounts before their Virginia income tax return due date may file during the extension period or file their regular return without the credit and then file an amended tax return after receipt of notification of the allowable credit amount to claim the tax credit. As an enclosure with their return, a corporation must file Schedule 500CR; an individual must file Schedule CR; and a pass-through entity must file Schedule 502ADJ.

Pass-Through Entities

The Department of Taxation will issue a credit certification letter specifying the amount of credit authorized to each partnership, S corporation, or limited liability company qualifying to claim a portion of this credit.

Each pass-through entity must file **Form TCA** with the Department when allocating this credit to its participants. Form TCA should be filed within 30 days after the credit is granted, but at least 90 days prior to the participants filing their income tax returns. Failure to file Form TCA may result in the credit claim being disallowed and/or a delay in processing the participant's return. Form TCA should be sent to the **Virginia Department of Taxation, ATTN: Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715** or you may fax it to **(804) 774-3902**. **Do not do both.**

All pass-through entities distributing this credit to its participants, including owners, shareholders, partners, or members must give each such participant a Schedule VK-1, Owner's Share of Income and Virginia Modifications and Credits.

Where to Get Help

Contact either the local Soil and Water Conservation District or the Department of Taxation, depending on the type of information you wish to discuss.

Local Soil and Water Conservation District

Contact the local Soil and Water Conservation District for information about eligible BMPs. Contact information for each local Soil and Water Conservation District is available at **www.dcr.virginia.gov/soil-and-water/swcdlist**. For the most recent "Virginia Agricultural BMP Manual," see the DCR website at **www.dcr.virginia.gov/soil-and-water/costshar**.

Virginia Department of Taxation

Contact the Department of Taxation for information about Form ABM and the credit application process. Write to the **Virginia Department of Taxation, Tax Credit Unit, P.O. Box 715, Richmond, VA 23218-0715** or call **(804) 786-2992**. Visit **www.tax.virginia.gov** for additional information.