

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
Form AEC**

**Conservation Tillage and Precision Agricultural
Equipment Tax Credit Application**

Tax Year

**This credit must be approved before being claimed on your return.
See the instructions for details, including required enclosures.**

Section I – Taxpayer Information

Name of Business or Individual Engaged in Agricultural Production for Market		FEIN / SSN
Trading As	Contact Name	
Street Address	City, State, ZIP Code	
Telephone Number	Fax Number	Email Address (Optional)

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

Section II – Soil Conservation and Nutrient Management Plan Information

SWCD District
Soil Conservation Plan Number

Section III – Category of Equipment

Check the type(s) of equipment expenses for which the credit will be claimed:

- | | |
|--|--|
| ☐ Equipment that reduces soil compaction | ☐ Manure applicators |
| ☐ Sprayers for pesticides and liquid fertilizers | ☐ Tramline adapters |
| ☐ Pneumatic fertilizer applicators | ☐ Starter fertilizer banding attachments for planters |
| ☐ Monitors, computer regulators, and height-adjustable booms for sprayers and liquid fertilizer applicators | |

Section IV – Credit Calculation

1. Total eligible qualified equipment expenses for the taxable year	.00
2. Allowable Credit Amount Computation. Multiply Line 1 by 25% (0.25)	.00
3. Credit Requested. Enter the amount on Line 2 or \$17,500, whichever is less.	.00

Section V – 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 he or she has knowledge.

Signature	Title	Date
Printed Name	Phone Number	Fax Number

Instructions for Form AEC

Conservation Tillage and Precision Agricultural Equipment Tax Credit Application

General Information

For taxable years beginning on or after January 1, 2021, but before January 1, 2030, a refundable tax credit is available to individuals and corporations that purchase certain types of conservation tillage and precision agricultural application equipment. This credit replaces two nonrefundable tax credits that taxpayers may no longer apply for: the Conservation Tillage Equipment Tax Credit and the Pesticide and Fertilizer Application Equipment Tax Credit. Both of these expired nonrefundable credits may be carried over for 5 years or until the credit is fully used, whichever is first.

The Conservation Tillage and Precision Agricultural Equipment Tax Credit equals 25% of all expenditures made by the taxpayer 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 credit, equipment that reduces soil compaction includes equipment using guidance systems to control traffic patterns that are designed to minimize the disturbance of soil in planting crops, including planters, drills, or other equipment that may be attached to equipment already owned by the taxpayer. The credit amount cannot exceed \$17,500 in the year of purchase. If the amount of allowable credit exceeds the taxpayer’s liability for the taxable year, the excess will be refunded at 100% of face value within 90 days after the filing date of the income tax return on which the taxpayer applies for the refund.

The following categories of equipment are eligible for the credit:

- Equipment that reduces soil compaction;
- Sprayers for pesticides and liquid fertilizers;
- Pneumatic fertilizer applicators;
- Monitors, computer regulators, and height-adjustable booms for sprayers and liquid fertilizer applicators;
- Manure applicators;
- Tramline adapters; and
- Starter fertilizer banding attachments for planters.

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.

What to Enclose

The following documentation must be submitted with Form AEC:

- A statement showing the purchase date and expenditures for eligible equipment.
- A copy of the certified statement signed by the producer, as well as the individual who prepared the nutrient management plan, stating that the nutrient management plan is being implemented.
- A letter from the local SWCD providing proof that the producer has an approved soil conservation plan.

Application Process

File Form AEC and supporting documentation with the Department of Taxation at least 90 days before the return upon which the tax credit will be claimed is due.

Enclose a statement with your application showing purchase date, purchase price, description and credit computation when claiming this credit. Form AEC 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.**

This credit requires certification prior to being claimed. If the tax return upon which this credit will be claimed is due on or before the certification is received, you may need to either submit an extension payment for any tax due or file an amended return once you have received the credit certification.

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.

What Does the Taxpayer Need to Do

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.

IMPORTANT: All businesses must be registered with the Virginia Department of Taxation prior to submitting Form AEC. To start the online registration process, visit tax.virginia.gov/register. If unable to register online, download and complete Virginia Tax Form R-1.

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

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.

For information about eligible equipment, contact the local Soil and Water Conservation District Office. Contact information for each local SWCD is available at www.dcr.virginia.gov/soil-and-water/swcdlist.

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