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### **Arkansas Department of Agriculture Looks to Partner with Landowners on Conservation Tax Credits**

Little Rock, AR – With increased interest in conservation tax credits, the Arkansas Department of Agriculture’s Natural Resources Division is looking to partner with landowners in an effort to address natural resource issues across the state. The Division offers two tax credit programs focused on conserving the quantity and quality of Arkansas’s water.

The tax credit programs are designed to encourage private landowners to implement measures that will conserve groundwater and protect, maintain, and create new wetlands and riparian zones. Wetlands include marshes and swamps, and riparian zones are areas of land adjacent to streams and rivers. Both types of resources are important to Arkansas’s ground water and surface water quality.

“Many landowners are unaware of these tax credit programs,” said Wes Ward, Arkansas Secretary of Agriculture. “Tax credits can be an excellent way to incentivize conservation practices on private lands to address important natural resource concerns to include the increasingly important topic of groundwater conservation.”

#### **Conservation Tax Credit**

The Water Resource Conservation and Development Incentives Act enacted in 1995 established a tax credit program to encourage water users to invest in (1) the construction of impoundments to use available surface water, thereby reducing their dependence on groundwater; (2) the conversion from groundwater use to surface water use; and (3) land leveling and water meters to conserve water use.

Landowners who install or restore water impoundments or water control structures of 20-acre feet or more are eligible for the conservation tax credit. Eligible structures must be designed for the purpose of storing water to be used primarily for agricultural, commercial, industrial, or recreational purposes.

The tax credit will be 50% of the cost of construction and installation or restoration. The amount of credit used for any taxable year may not exceed \$18,000 per project and may be carried over for a maximum of 15 consecutive taxable years following the first year.

An application for a conservation tax credit must be submitted to the county conservation district where the work is taking place, then submitted to the Natural Resources Division for approval. The application must be approved before a taxpayer may begin construction of a project and claim credits. All projects must be maintained for a minimum of 10 years following issuance of the Certificate of Completion, or benefits will be subject to recapture. A 3% application fee, capped at \$1,500, is required.

In 2021, there was increased demand for the conservation tax credits. Sixty-one tax credit projects were approved compared to 57 in 2020 and 51 in 2019. Chris Colclasure, Director of the Natural Resources Division, said this increase in interest is promising for Arkansas.

“We are encouraged by the increased interest in the tax credit programs. These programs allow us to partner with landowners to address important natural resource concerns such as groundwater conservation so that we have a sustainable supply of water for all uses for future generations,” said Colclasure.

### **Wetland and Riparian Tax Credit**

Established by the Arkansas legislature in 1996, the Arkansas Private Wetland Riparian Zone Creation and Restoration Incentive allows a credit against the tax imposed by the Arkansas Income Tax Act for any taxpayer engaged in the development or restoration of wetlands and riparian zones. The program is designed to encourage private landowners to restore and enhance existing wetlands and riparian zones and, when possible, create new wetlands and riparian zones. According to Colclasure, these actions benefit the landowner and the state.

“With landowners receiving tax credits for increasing and improving wetlands and riparian zones, this is a win-win for private landowners and the state of Arkansas,” Colclasure said. “These conservation measures will provide flood control, water quality improvement, fish and wildlife habitat, and ground water recharge.”

The amount of eligible credit for wetland and riparian zone creation and restoration will be equal to the project cost incurred but will not exceed \$50,000. Only actual costs to the taxpayer will be considered for tax credit, and an enrollment fee of 3% of the total approved tax credit is required. The projects must be completed within three years from the Certificate of Approval date.

Over the last three years, more than 40 landowners have taken advantage of the wetland and riparian tax credit. In 2019 and 2020, 11 individuals were approved, while in 2021 a total of 20 projects were approved. More than \$1,600,000 in tax credits were approved in the last three years.

To learn more about current tax credit programs, visit the Arkansas Department of Agriculture’s Natural Resources Division webpage at [agriculture.arkansas.gov/natural-resources/](https://agriculture.arkansas.gov/natural-resources/). Additional information is also provided on the Arkansas Department of Finance and Administrations website at [dfa.arkansas.gov/excise-tax/tax-credits-special-refunds/business-incentives-and-credits/](https://dfa.arkansas.gov/excise-tax/tax-credits-special-refunds/business-incentives-and-credits/).

The Department is dedicated to the development and implementation of policies and programs for Arkansas agriculture and forestry to keep its farmers and ranchers competitive in national and international markets while ensuring safe food, fiber, and forest products for the citizens of the state and nation.

*The Arkansas Department of Agriculture offers its programs to all eligible persons regardless of race, color, national origin, sex, age, or disability and is an Equal Opportunity Employer.*