

# REAP Sponsorship Case Study #2

## Background

This precision grazing project consisted of the installation of water supply and fencing on a pastured livestock farm bundled with soil health testing. Working with a conservation organization, the project applied for Research Enhancement and Protection (REAP) tax credits. A grazing plan was developed with NRCS that the Farmer adapted and developed through working with other local farmers.

The project included over 12 acres of fenced pasture and reseeding of approximately 60 acres. Soil health testing was also done as part of the conservation organization's soil health monitoring program. The project goal was to renovate ground that had been growing corn and convert it to pasture in combination with installing fencing and watering areas for livestock. The fencing, the largest cost associated with the project, allowed the farmer to move animals to different areas to control where and how the grass grows.



## The Benefits

- **REAP is flexible.** REAP tax credit can be used toward a variety of different conservation practices, including planning, BMP installation, and equipment purchases. For a list of REAP-eligible Best Management Practices (BMPs) refer to Attachment 1 of the [REAP Guidelines](#).
- **Easier application.** The application process is easier than other funding programs and does not require engineering plans. Also, the money is received more quickly. For this project, the conservation organization prepared the one-page narrative and the grazing plan was developed with NRCS.
- **REAP provides tax credits.** In this example, the total project cost was \$16,500, and REAP provided a \$13,100 tax credit. The sponsorship option was critical because this small farm did not have a high enough tax liability to benefit from the full tax credit. To see more about the tax credit structure of REAP, refer to page 5 of the [REAP application](#).

- **REAP Sponsorship provides cash for farmers and tax credits to sponsors.** Through sponsorship, farmers get money for eligible REAP practices faster because they don't have to wait a year to sell their tax credit (*as the tax credit goes directly to the sponsor*) The sponsor can then utilize the tax credit over 15 years (*as compared to buying tax credits which need to be used within the year the credits are bought*).

## The Opportunities

- **Sponsors can also help farms by making up-front payments.** The Sponsorship option of REAP is advantageous to the farmer because the sponsor, instead of the farmer, can pay up-front for project costs. In this example, the farmer was interested in this project for some time but was unable to implement it due to the substantial up-front capital costs. While the farm could take out a loan, there is additional risk and additional fees associated with loans.



**Farmer**

- with an eligible conservation project
- Conservation Organization can help



**Business**

- wants to Sponsor a project
- Tax Consultant can help



**Agreement**

- Defines the Tax Credit Amount
- Sponsorship Payment Price
- Sponsorship Payment Schedule

- **Partnerships.** Involving a conservation organization, or an intermediary, is beneficial, especially to farmers who are new to the program. An intermediary can introduce farmers to and integrate conservation practices into larger priority farm-based conservation projects and help to address questions while exploring options to connect sponsors to farmers with projects.

- **Finding a Sponsor.** Because finding a sponsor can be difficult, the REAP program coordinator, conservation organizations, or other farmers who have worked with a REAP sponsor might help connect farmers and sponsors. In this project, the conservation organization ultimately found a sponsor through its board. Furthermore, a REAP application can be submitted with without a sponsor during the beginning stages of a project and a sponsor identified later as the project progresses. This allows a farmer to apply and be approved, reserving the REAP credits. A project can ben switched to sponsorship up until the time of issuing the credit.