

# AG CONSERVATION LEASING FINANCIAL INCENTIVES

The FSA administers the U.S. Department of Agriculture's conservation practice funding programs with technical assistance from the Natural Resource Conservation Service (NRCS). Generally, a landowner can enter into an agreement related to conservation funding independently or jointly with a farmer. Parties entering into funding agreements will agree to be responsible for the maintenance of the practice.

## THE FARM SERVICE AGENCY

To find your local FSA county office, visit [offices.usda.gov](https://www.offices.usda.gov). To learn more about FSA conservation programs, visit [www.fsa.usda.gov/conservation](https://www.fsa.usda.gov/conservation).

## MD AGRICULTURAL COST-SHARE PROGRAM (MACS)

- Administered by MD Dept. of Ag
- Grants to cover up to 87.5% of the installation cost
- Landowners and farmers are eligible to enroll

- The landowner must always sign the MACS agreement and agree to its terms
- MACS funding exceeding \$5,000 must be secured by a lien on the property

For more information, visit [mda.maryland.gov/resource\\_conservation/pages/macs.aspx](https://mda.maryland.gov/resource_conservation/pages/macs.aspx)

## MD INCOME TAX MODIFICATION FOR CONSERVATION EQUIPMENT

The Maryland Income Tax Subtraction Modification may offset costs associated with buying and installing certain types of conservation equipment. Eligible costs are subtracted from taxable income on Maryland individual and corporate tax returns. Percent of cost available for subtraction varies depending on the type of equipment.

For more information, visit [mda.maryland.gov/resource\\_conservation/Documents/taxsubtraction.pdf](https://mda.maryland.gov/resource_conservation/Documents/taxsubtraction.pdf)

- Conservation Tillage Equipment
- Liquid Manure Injection Equipment
- Poultry or Livestock Manure Spreading Equipment
- Deep No-Till Rippers
- Global Positioning Devices
- Optical Sensing and Nutrient Application Systems
- Vertical Tillage Equipment

## FEDERAL TAX DEDUCTIONS FOR CONSERVATION PRACTICES

Those engaged in farming may be eligible to deduct expenses for conservation practices consistent with an approved NRCS conservation plan (26 U.S. Code Section 175). A landowner who receives a rental rate (either in cash or in kind) which is based upon farm production is engaged in the business of farming for purposes of the conservation deduction. However, a landowner who receives a fixed rental rate (not related to production) is engaged in the business of farming only if he participates to a material extent in the operation or management of the farm. The limit for deductions is 25% of the gross farm income. For more information, check out IRS Publication 225 (2020) [www.irs.gov/pub/irs-pdf/p225.pdf](https://www.irs.gov/pub/irs-pdf/p225.pdf). Anyone interested in taking advantage of this deduction should consult a qualified tax professional.

## FOR MORE INFORMATION:

Download the Agricultural Conservation Guide at [umaglaw.org](https://umaglaw.org)  
Watch the "Structuring Cost-Share for Conservation on Leased Land Webinar: [vimeo.com/340514160](https://vimeo.com/340514160)

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