



# FACT SHEET

UNITED STATES DEPARTMENT OF AGRICULTURE  
FARM SERVICE AGENCY

January 2010

## Average Adjusted Gross Income 2009 - 2012

### Overview

The 2008 Farm Bill required the implementation of the average Adjusted Gross Income (AGI) limitations for program eligibility for the 2009 through 2012 program years. The average AGI provisions are applicable to the majority of programs administered by the Farm Service Agency (FSA) and Natural Resources Conservation Service (NRCS).

### Applicability

All persons and legal entities requesting certain program payments, either directly or indirectly, are subject to average AGI provisions. Persons or legal entities whose average AGI for the three taxable years preceding the most immediately preceding complete taxable year exceeds the qualifying limits are ineligible for the applicable payment. If the payments are issued to an entity, general partnership or a joint venture, payments are reduced in an amount that is commensurate with the direct and indirect interest of any member or interest holder who is non-compliant with average AGI.

### New Compliance and Verification Procedure

The 2008 Farm Bill required the establishment of valid procedures under which to conduct audits of persons

and legal entities determined most likely to exceed the AGI limitations. USDA and the Internal Revenue Service (IRS) have developed an electronic information exchange process strictly for the purpose of average AGI verification. This process electronically looks at certain line items on tax returns filed for the applicable three-year period; performs a series of calculations to arrive at the average amounts; and then compares these values to the average AGI limitations. USDA receives the results of these comparisons with indicators of whether the participant appears to exceed or not exceed the average AGI amounts. No actual tax data will be included. The cases that appear to exceed the average AGI limitations will be received and evaluated by FSA state office or headquarters personnel.

### Written Consent

IRS requires written consent from the individual or legal entity to provide USDA verification of the average AGI. Such written consent is given by completion of forms CCC-927, Consent to Disclosure of Tax Information - Individual; or if a legal entity, CCC-928, Consent to Disclosure of Tax Information - Legal Entity. These forms allow for the selection of the appropriate year or years and authorize IRS to perform the average AGI calculations.

These consent forms must be completed for the same year or years an individual or legal entity was required to provide an AGI certification. Failure to provide the written consent will require refund of applicable payments received from FSA and NRCS.

### Certifications

Participants in CCC programs subject to average AGI rules must annually certify their eligibility to receive benefits by either submitting a statement from a certified public accountant or an attorney, or by completing form CCC-926. This form may be obtained from local FSA and NRCS offices or online at: <http://forms.sc.egov.usda.gov/eforms/mainservlet>.

### Definitions

**Adjusted Gross Income:** AGI is the legal entity's or individual's IRS-reported adjusted gross income, or a comparable measure as determined by CCC.

**Adjusted Gross Farm Income:** Income from activities related to farming, ranching or forestry is considered adjusted gross farm income. (See Table 1).

**Adjusted Gross Nonfarm Income:** The difference between adjusted gross income and adjusted gross farm income is considered

the adjusted gross nonfarm income.

Legal Entity: The term “legal entity” includes a corporation, joint stock company, association, limited partnership, charitable organization, or similar entity, including any such entity or organization participating in the operation as a partner in a general partnership, a participant in a joint venture, a grantor in a revocable trust, or as a participant in a similar entity, including joint ventures and general partnerships.

**Multiple AGI Limitations**

Different income thresholds will be used to determine eligibility for different CCC programs as described in Table 2.

A person or legal entity with:

- Adjusted Gross Nonfarm Income exceeding \$500,000 is ineligible for all commodity program payments and benefits
- Adjusted Gross Farm Income exceeding \$750,000 is ineligible for Direct and Counter-cyclical Program (DCP) Direct Payments
- Adjusted Gross Nonfarm Income exceeding \$1 million is ineligible for conservation programs, unless at least 66.66% of total AGI was farm income. (Note: This limitation may be waived on a case-by-case basis for the protection of environmentally sensitive land of special significance.)

**Base Period for Determining Average AGI**

A 3-year average AGI will be used to determine whether an individual or legal entity qualifies to receive program benefits subject to AGI rules. Base years for computing average AGI are:

Crop year:	AGI base years are:
2009	2005, 2006, 2007
2010	2006, 2007, 2008
2011	2007, 2008, 2009
2012	2008, 2009, 2010

**Annual Certification**

Annual certifications of AGI compliance are required from each individual and legal entity requesting CCC payments either directly or indirectly. Annual certifications are made on form CCC-926, or by a statement from a certified public accountant or an attorney.

**Tracking of AGI Through Entity Ownership**

If the participant is a general partnership or a joint venture, AGI certifications are required from each member who is an individual or entity, and from each embedded interest holder.

If the participant is an entity, AGI certifications are required from the participating entity and from each interest holder who is an individual or entity and from each embedded

interest holder.

Compliance with AGI rules will be tracked through four levels of legal entity ownership. If individuals or entities within those four levels do not comply with average AGI provisions, payments will be reduced by an amount commensurate with the ineligible share.

**Definition of Farm Income**

General farm income includes income derived from the production of crops and livestock, from ranching and forestry, and other income reported on Schedule F of the IRS tax forms. See Table 1 for more information.

**Additional information**

This fact sheet provides general guidelines only. Please contact your local USDA Service Center for further details and information on average AGI provisions.

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**Table 1. Source of Adjusted Gross Farm Income.**

INCOME RELATED TO LIVESTOCK AND CROPS	OTHER TYPES OF INCOME
Production of livestock, including but not limited to: <ul style="list-style-type: none"> <li>• Cattle, sheep, goats, swine</li> <li>• Elk, reindeer, bison, deer</li> <li>• Horses</li> <li>• Poultry</li> <li>• Fish and other aquaculture products for food</li> <li>• Honey bees</li> </ul>	The sale of land that has been used in agriculture The sale of, or sale of easements and development rights to: <ul style="list-style-type: none"> <li>• Farm land, ranch land, or forestry land</li> <li>• Water or hunting rights</li> <li>• Environmental benefits</li> </ul>
The feeding, rearing, or finishing of livestock	The rental or lease of land or equipment used for farming, ranching, or forestry operations, including water or hunting rights.
Products produced by or derived from livestock	Any payment or benefit, including benefits from risk management practices, crop insurance indemnities, and catastrophic risk protection plans.
Production of crops, specialty crops and unfinished raw forestry products	Payments and benefits authorized under any program made applicable to payment eligibility and payment limitation rules
The processing, packing, storing, shedding and transporting of farm, ranch and forestry commodities, including renewable energy	Production of farm-based renewable energy
Any other activity related to farming, ranching or forestry as determined by the Deputy Administrator.	
Any income reported on Schedule F of other schedule used by the person or legal entity to report income from farming, ranching, or forestry operations to the Internal Revenue Service.	
In addition to all of the above, and specifically when the average adjusted gross farm income is at least 66.66 percent of the average AGI: <ul style="list-style-type: none"> <li>• The sale of equipment to conduct farm, ranch, or forestry operations</li> <li>• The provision of production inputs and services to farmers, ranchers, foresters and farming operations.</li> </ul>	

**Table 2. Applicability of AGI Thresholds to Various CCC Programs**

PROGRAM	APPLICABLE AGI LIMITATION
Commodity and Disaster programs including, DCP, ACRE, SURE, ELAP, LFP, LIP, TAP, NAP	The three-year average Nonfarm AGI shall not exceed \$500,000.
DCP Direct Payments	The three-year average Nonfarm AGI shall not exceed \$500,000 and the three-year average Farm AGI shall not exceed \$750,000.
Price Support benefits including Market Gains, Loan Deficiency Payments, and MILC payments.	The three-year average Nonfarm AGI shall not exceed \$500,000.
All Conservation Programs administered by FSA and NRCE including: CRP, AMA, AWEP, CSTP, CCPI, EQIP, FRPP, CRP, WRP, WHIP	The three-year average Nonfarm AGI shall not exceed \$1 million, unless at least 66.66% of the total AGI was adjusted gross farm income.  Note: This limitation may be waived on a case-by-case basis for environmental sensitive land of special significance.
All other programs	As determined by federal regulation for each program.