



United States Department of Agriculture
Farm Service Agency

Beginning in 2009, there will be three qualifying levels for Adjusted Gross Income (AGI) provisions. The levels are as follows:

- 1) **\$500,000 Nonfarm Income** – if a person or legal entity has average adjusted gross nonfarm income that exceeds \$500,000, the person or legal entity is ineligible for all commodity* program payments and benefits,
- 2) **\$750,000 Farm Income** – if a person or legal entity has average adjusted gross farm income that exceeds \$750,000, the person or legal entity is ineligible for Direct and Countercyclical Program (DCP) direct payments only,
- 3) **\$1,000,000 Nonfarm Income** – if a person or legal entity has average adjusted gross nonfarm income that exceeds \$1,000,000 the person or legal entity is ineligible for all conservation program benefits unless at least 66.66% of total AGI is average adjusted gross **farm** income.

There is a special rule for determining the average AGI which provides if at least 66.66 percent of a person's or legal entity's average AGI is derived from certain sources of farm income, then income from the following shall also be considered as farm income:

- sale of equipment to conduct farm, ranch and forestry operations
- provision of production inputs and services to farmers, ranchers, foresters, and farm operations.

These examples show how the special rule affects payment eligibility:

Example 1:

Jake has requested 2009 DCP benefits. Jake's total average AGI was \$900,000. His farm AGI was \$650,000 from the production of crops and livestock. His nonfarm AGI was comprised of \$150,000 from his aerial spraying service and \$100,000 from oil and gas royalties.

Facts and figures: Over 66.66 percent of Jake's total AGI was from the production of crops (\$650,000 divided by \$900,000 multiplied times 100 equals 72.22%). Jake also has **nonfarm** AGI from his aerial spraying; a custom service to farmers and ranchers, that now **must** be considered **farm** AGI for the purposes of determining AGI for payment eligibility.

The result: Jake's farm AGI is now \$800,000 (the total of \$650,000 and \$150,000); **nonfarm** AGI is \$100,000. Jake's **farm** AGI exceeds \$750,000. Jake is eligible for 2009 DCP benefits, **except** for direct payments.

Example 2:

Wanda has requested 2009 DCP, NAP, and Environmental Quality Incentive Program benefits. Wanda's total AGI was \$3 million. Her **farm** AGI was \$2.25 million from the production of crops and livestock. Her **nonfarm** AGI was \$750,000; comprised of \$500,000 for livestock equipment sales and \$250,000 from commercial real estate rental.

Facts and figures: Over 66.66 percent of Wanda's total AGI was from the production of crops and livestock (\$2.25 million divided by \$3 million multiplied times 100 equals 75%). Wanda also has **nonfarm** AGI of \$500,000 from livestock equipment sales that now **must** be considered **farm** AGI for the purposes of determining AGI for payment eligibility.



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The result: Wanda's **farm** AGI is now \$2.75 million (\$2.25 million and \$500,000); nonfarm AGI is \$250,000. Wanda's **farm** AGI still exceeds \$750,000, but her **nonfarm** AGI is now less than \$500,000. Wanda is eligible for all program benefits requested, **except** for 2009 DCP direct payments.

***Commodity Programs include the following:**

DCP – Direct and Countercyclical Payment
ACRE – Average Crop Revenue Election
SURE – Supplemental Revenue Assistance Payments
ELAP – Emergency Livestock Assistance Program
LFP – Livestock Feed Program
LIP – Livestock Indemnity Program
TAP – Tree Assistance Program
NAP – Non-insured Crop Disaster Assistance Program
MILC – Milk Income Loss Contract
LDP – Loan Deficiency Program
MLG – Marketing Loan Gain
FSFL – Farm Stored Facility Loan