FSA
HANDBOOK

Payment Limitations

To access the transmittal page click on the short reference.

For State and County Offices

SHORT REFERENCE

1-PL
(Revision 1)

UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington, DC 20250

UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington, DC 20250

Payment Limitations 1-PL (Revision 1)	Amendment 44

Approved by: Acting Deputy Administrator, Farm Programs

Bradley Karmen

Amendment Transmittal

A Background

This amendment includes:

- clarifications for consistency with regulation
- additional examples for the application of current provisions.

B Reasons for Amendment

Subparagraph 35 B has been amended to clarify the information to be provided in the annual notice to producers.

Subparagraph 52 D has been amended to clarify that lease information includes both land and equipment.

Paragraph 70 has been amended to clarify the meaning and applicability of custom farming.

Subparagraph 71 E has been amended to clarify that fraudulent intent is not required for a determination of scheme or device.

Paragraph 93 has been amended to:

- clarify substantive and nonsubstantive changes to a farming operation
- provide examples.

Subparagraphs 95 K and L have been added to illustrate the application of the substantive change provision for joint operations.

Subparagraph 132 B has been amended for the:

- clarification of the landowner exemption
- application of this provision to revocable trusts.

B Reasons for Amendment (Continued)

Subparagraph 151 C has been amended for consistency with regulation.

Subparagraphs 173 B through E have been added to illustrate the application of the cash-rent tenant rule.

Subparagraph 258 B has been amended to emphasize the existing procedure on “person” determinations for charitable organizations.

Subparagraph 258 C has been added to include an example of a “person” determination for a charitable organization.

Subparagraph 397 A has been amended to reference 7-CP instead of 4-CP.

Subparagraph 631 A has been amended to clarify that foreign individuals and entities are included.

C Complete Section and Part Reprint

This handbook has been converted to the revised format. Even though every page of the sections and parts being included in this amendment have **not** been changed, because it has been converted, it is being released for reprint. The major changes are listed in subparagraph B.

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Part 1 Introduction

1 Overview

A Handbook Purpose

This handbook provides instructions and uniform methods for State and County Offices to determine:

- "persons" for payment limitation purposes
- payment eligibility for each producer.

The provisions of this handbook apply to various programs operated by State and County Offices.

* * *

2 Sources of Authority

A
Statutory Reference

Authority for the administration of the payment limitation and payment eligibility ***--**provisions is provided by Sections 1001, 1001A, 1001B, 1001C, and 1001D**--*** of the Food Security Act of 1985, as amended.

B
Regulatory Reference

Authority for the administration of the payment limitation and payment eligibility provisions is provided by 7 CFR Part 1400. References from CFR applicable to each paragraph will be provided and updated through amendments.

3 Legislative History of Payment Limitation and Payment Eligibility Provisions

A Introduction

Since established in 1970, the payment limitation provisions have been expanded to:

- apply to more programs
- include provisions for payment eligibility based on whether a producer is "actively engaged in farming" and the number of permitted entities through which the producer is receiving benefits.

Because County Offices are asked questions about the background of the payment limitation provisions, information on the legislative history of the payment limitation and payment eligibility provisions is provided in subparagraphs B through K.

B Agricultural Act of 1970

The Agricultural Act of 1970:

- established the first payment limitation provisions
- provided that the amount of payments that a person could be entitled to receive under each of the annual programs for the 1971, 1972, or 1973 crop shall not exceed $55,000
- required the Secretary to reduce the amount of set-aside acreage required on farms when the total amount of payments that would have been earned would be reduced by the payment limitation
- required the Secretary to issue regulations defining the term "person"
- provided that payment limitation would not apply to lands owned by States, political subdivision, or agencies thereof so long as such lands are farmed primarily in the direct furtherance of a public function.

Continued on the next page

3 Legislative History of Payment Limitation and Payment Eligibility Provisions (Continued)

C
7 CFR Part 795

7 CFR Part 795 provided:

- the definition of the term "person"
- the provisions for determining whether multiple individuals or other entities constitute 1 or separate persons
- the provisions for changes in farming operations
- the provisions for determining whether an agreement is a share lease or a cash lease
- the custom farming rules
- provisions for scheme or device
- computation of reduction in set-aside acreage because of the limitation.

D
Agriculture and Consumer Protection Act of 1973

The Agricultural and Consumer Protection Act of 1973 extended and amended the Agricultural Act of 1970, as it relates to payment limitation, to provide that:

- the amount of payments that a person could be entitled to receive under each of the annual programs for the 1974 through 1977 crops shall not exceed $20,000
- the rules for determining whether corporations and their stockholders may be considered as separate shall be based on ownership of more than 50 percent of the stock of the corporation.

Continued on the next page

3 Legislative History of Payment Limitation and Payment Eligibility Provisions (Continued)

E
Food and Agriculture Act of 1977

The Food and Agricultural Act of 1977 extended and amended the payment limitation provisions to require that the amount of payments that a person could be entitled to receive under:

- the 1978 wheat, feed grains, and upland cotton programs shall not exceed $40,000
- the 1978 rice programs shall not exceed $52,250
- the 1979 wheat, feed grains, and upland cotton programs shall not exceed $45,000
- the 1979 rice program shall not exceed $50,000
- the 1980 and 1981 wheat, feed grains, upland cotton, and rice programs shall not exceed $50,000.

F
Agriculture and Food Act of 1981

The Agricultural and Food Act of 1981 extended and amended the payment limitation provisions to require that:

- the amount of payments that a person could be entitled to receive under the 1982 through 1985 wheat, feed grains, upland cotton, and rice programs shall not exceed $50,000
- the total amount of disaster payments that a person shall be entitled to receive for wheat, feed grains, upland cotton, and rice shall not exceed $100,000 for each of the 1982 through 1985 crops.

Continued on the next page

3 Legislative History of Payment Limitation and Payment Eligibility Provisions (Continued)

G
Food Security Act of 1985

The Food Security Act of 1985:

- extended and amended the payment limitation provisions
- required that the term "payments" not include the following:
  - marketing loans
  - loan deficiency payments
  - NL ("Findley") payments.

H
Omnibus Budget Reconciliation Act of 1987

The Omnibus Budget Reconciliation Act of 1987 amended the Food Security Act of 1985 to:

- define the term "person"
- provide that a State, political subdivision, and agencies thereof are considered 1 "person"
- provide that a husband and wife may be separate "persons" if the husband and wife can show that each spouse brought separate farming operations into the marriage and have maintained separate farming operations throughout the marriage
- include "cash-rent tenant" provisions that combined the cash-rent tenant with the landowner in certain situations
- require that producers be "actively engaged in farming"
- limit payment to foreign persons
- limit the creation of entities to qualify as separate persons for payments.

Continued on the next page

3 Legislative History of Payment Limitation and Payment Eligibility Provisions (Continued)

I
Disaster Assistance Act of 1988

The Disaster Assistance Act of 1988 established payment limitation provisions for LFP.

J
Pub. L. 99-198

Pub. L. 99-198, dated November 13, 1989, amended the cash-rent tenant provisions of the Food Security Act of 1985:

- for 1989, to provide relief in cases where the cash-rent tenant provisions had been violated and the landowner did not consent to or knowingly participate in the cash-rent tenant's failure to meet the cash-rent tenant provisions

- for 1990, to no longer require that the landowner and cash-rent tenant be combined.

  Note: Instead, the cash-rent tenant is determined ineligible for payment if the cash-rent tenant provisions are not met.

Continued on the next page

K
The Food, Agriculture, Conservation, and Trade Act of 1990

The Food, Agricultural, Conservation, and Trade Act of 1990 extended and amended the provisions of the Omnibus Budget Reconciliation Act of 1987 to provide:

- a total $75,000 limitation on "Findley" payments, marketing loan gains, and loan deficiency payments, excluding honey
- a $200,000 limitation on honey marketing loan gains and honey loan deficiency payments
- a $200,000 limitation on honey loan forfeiture
- separate limitations for wool and mohair payments of:
  - $200,000 for the 1991 marketing year
  - $175,000 for the 1992 marketing year
  - $150,000 for the 1993 marketing year
  - $125,000 for the 1994 and subsequent marketing years
- the Secretary discretionary authority to implement a rule allowing husbands and wives to be considered separate "persons" if certain requirements are met
- greater scrutiny of irrevocable trusts
- initial determinations be made by State Offices for farm operations consisting of 6 or more persons.

Continued on the next page

L
The Federal Agriculture Improvement and Reform Act of 1996

The Federal Agriculture Improvement and Reform Act of 1996 amended the provisions of the Food Security Act of 1985 to:

- provide a $40,000 limitation per FY on the total of SL payments made to a person under 1 or more production flexibility contracts
- provide a $50,000 limitation on the total of NL payments made to a person under 1 or more production flexibility contracts (this limitation applies to the 7-year life of the contract)
- provide a $75,000 limitation on the amount of marketing loan gains and loan deficiency payments a person may receive
- apply the payment limitation and payment eligibility requirements and restrictions of the 1985 Act to payments made under a production flexibility contract, marketing loan gains, and loan deficiency payments.

***--M**
The Farm Security and Rural Investment Act of 2002

The Farm Security and Rural Investment Act of 2002 amended the provisions of the Food Security Act of 1985 to provide a:

- $40,000 limitation per crop year on the total direct payments made to a person under 1 or more DCP contracts on covered commodities

  Note: This does not include peanuts.

- separate $40,000 limitation per crop year on the total direct payments for peanuts made to a person under 1 or more DCP contracts
- $65,000 limitation per crop year on the total counter-cyclical payments made to a person under 1 or more DCP contracts on covered commodities
- separate $65,000 limitation per crop year on the total counter-cyclical payments for peanuts made to a person under 1 or more DCP contracts**--***

Continued on the next page

***--M**
The Farm Security and Rural Investment Act of 2002 (Continued)

- $75,000 limitation per crop year on the amount of marketing loan gains and LDP's a person may receive on loan commodities

  Note: This does not include peanuts, wool, mohair, and honey.

- separate $75,000 limitation per crop year on the amount of marketing loan gains and LDP's a person may receive on peanuts, wool, mohair, and honey

- $2.5 million average adjusted gross income limitation as an eligibility requirement for an individual and entity to receive any benefits listed above and benefits from all conservation programs administered by USDA.--*****

4 Related References

A
Related FSA Handbooks

*--FSA handbooks related to payment eligibility and payment limitations include:

- 1-APP for appeals--*
- 1-CM for approved abbreviations
- 5-CM for "person" determinations subject to 7 CFR 795
- 7-CN and 19-CN for cotton program
- 1-CRP for Conservation Reserve Program
- 2-CRP for Conservation Reserve Program
- *--1-DCP for direct and counter-cyclical payments
- 58-FI for claims and withholdings
- 6-LP for commodity loans
- 2-PL for subsidiary files.--*

* * *

5-13 (Reserved)

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Part 2 General Provisions

14 Overview

A Introduction

This part includes rules, provisions, and determinations with general application.

B In This Part

The following sections are included in this part.

Section	Title	Page
1	Program Applicability	2-2
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3	Producer Filing Requirements	2-51
4	General Application Rules	2-81
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Section 1 Program Applicability

15 Overview

A Introduction

This section provides details on the:

- programs for which the provisions in this handbook apply
- payment limit amount for each applicable program.

* * *

16 Applicable Programs

A Introduction

The payment limitation and payment eligibility provisions in this handbook apply to multiple programs. This paragraph includes the current programs that are affected by the payment limitation and payment eligibility provisions.

B General Applicability

[7 CFR 1400.1 (a) and (b)] This table provides the rules in this handbook that apply to USDA-administered programs.

Program or Payment	Applicable Rules					
	Person	**Actively Engaged in Farming**	**Cash-Rent Tenant**	**Permitted Entity**	**Foreign Person**	**Adjusted Gross Income**
DCP Payment	X	X	X	X	X	X
Marketing Assistance						
Loans					X	
Marketing Loan Gains	X	X	X	X	X	X
LDP's	X	X	X	X	X	X
Other Programs						
EQIP 1/						X
CRP	X	X	X	X	X	X
ECP	X					
NAP	X					
AMA	X					
***--**TAA	X					X
TAP	X**--***					

1/ Payments are limited by attributing payments to individuals and entities based on their share in the payment recipient.

16 Applicable Programs (Continued)

C Programs Not Requiring Determination of "Actively Engaged"

[7 CFR 1400.1 (b) and 1400.6] If a program requires a determination of "persons" but not a determination of "actively engaged in farming", *** * *** the following is also required to be eligible for payments or benefits:

- the claimed share of the profits or losses of the farming operation must be commensurate with the contributions to the farming operation
- contributions at risk.

D Specific Rules for Marketing Assistance Loans

[7 CFR 1400.1 (a) (2)] Regular marketing assistance loans are denied if the producer does not meet the foreign person requirements in Part 3.

Marketing loan gains and LDP's are subject to all the provisions of this handbook.

17 Specific Rules for CRP

A Applicability

The provisions in this handbook apply to participants with CRP contracts initially approved after July 31, 1988.

Note: Individuals and entities with CRP contracts that are not subject to the provisions of this handbook are subject to the "person" rules in 5-CM.

B Option to Select Use of These Rules

The producer may choose to have the CRP contract governed by the provisions of this handbook if the CRP contract was approved before August 1, 1988. For this conversion to be effective, the farm operator must provide COC with a written statement from each producer on the CRP contract, agreeing that:

- payment limitation determinations for the CRP contract will be subject
--**to the rules in 7 CFR Part 1400**--

- the conversion is irrevocable.

C Rules When Producers Convert to 1-PL Provisions

When CRP participants choose to convert to the provisions of this handbook, instead of using the provisions of 5-CM:

- the date of the conversion request shall be considered as the effective date of the conversion

- the conversion shall be effective for FY in which the effective date of the conversion occurs

17 Specific Rules for CRP (Continued)

C Rules When Producers Convert to 1-PL Provisions (Continued)

- the payment limitation determinations for CRP participants shall be based on the crop year corresponding with FY for which the conversion is effective

  Example: For a conversion that was effective September 30, 1990:

  - make payment limitation determinations according to this handbook before the 1990 payment is issued

  - the status date for the determination was April 13, 1990.

- applicable payment limitation forms and related data for converted contracts must be filed by the later of the following:

  - the applicable date for filing in this handbook
  - within 15 calendar days of the date of conversion.

D Status Date

See paragraph 74 to determine the status date applicable to an initial contract or succession-in-interest contract.

If there has been a revision or violation of CRP-1 that requires the producer to file a new or updated CCC-502 *** * ***, the applicable status date shall be the date the revision or violation occurred if an earlier status date is not applicable to the producer according to paragraph 74.

17 Specific Rules for CRP (Continued)

E Inheritance Provision

A producer who becomes the owner of land enrolled in CRP by way of inheritance and succeeds to the CRP contract may receive payments for that contract without regard to the amount of payments received under any other contract executed before the inheritance.

Note: This provision also applies to an ownership interest in an entity received by way of inheritance if the entity was the owner of the land enrolled in CRP.

F Inheritance Provision, Example 1

Situation: Individual Y receives $50,000 in annual payments from CRP contracts. Individual Z, the sole heir of Individual Y, also receives $50,000 in annual payments from CRP contracts. Individual Y dies and Individual Z inherits Individual Y's land and becomes successor-in-interest to Individual Y's CRP contract.

Determination: Because the land transfer occurred by inheritance, Individual Z may receive $50,000 in annual payments from the contracts previously in the name of Individual Y as well as the $50,000 from the contracts executed by Individual Z before the inheritance.

Note: If the inheritance occurred before November 28, 1990, Individual Z could receive the $50,000 in annual payments from the contracts previously in the name of Individual Y for 1991 and subsequent years. Individual Z may not retroactively receive annual payments for years before implementation of the 1990 Act.

G Inheritance Provision, Example 2

Situation: Individual Q indirectly receives CRP payments through Corporations R, S, and T. Individual A, an old friend of Individual Q, wills a 500-acre farm that had land enrolled in CRP to Individual Q. Individual Q becomes successor-in-interest to Individual A's CRP contract.

Determination: Because the land transfer occurred by inheritance, Individual Q may receive the amount of CRP annual payment to which Individual A was entitled without regard to permitted entities.

17 Specific Rules for CRP (Continued)

H Inheritance Provision, Example 3

Situation: Son B receives $40,000 in CRP annual payments. Father D receives $15,000 in CRP annual payments. Father D transfers the land enrolled in CRP to Son B. Son B becomes successor-in-interest to Father D's CRP contract.

Determination: Son B may only receive an additional $10,000 in CRP annual payments. Because the land transfer did not occur by inheritance, Father D did not die, the limitation is applicable.

I Inheritance Provision, Example 4

Situation: Individual K receives $30,000 in CRP annual payments. Individual L receives $50,000 in CRP annual payments. Individual L dies. Individual K inherits the land from Individual L and becomes successor-in-interest to Individual L's CRP contract. Individual K bids additional land into CRP following the transfer of land by inheritance.

Determination: In this situation, Individual K may not receive CRP annual payments exceeding $80,000. Although Individual K may receive the $50,000 from the land that was inherited from Individual L, Individual K may not receive additional CRP annual payments in excess of the limitation from contracts executed after the inheritance unless such payments are also received because of a land transfer by inheritance.

J Husbands and Wives

A determination of separate "persons" made according to paragraph 253 shall not increase the value of an existing CRP-1.

*--K Adjusted Gross Income

The $2.5 million adjusted gross income limitation provisions do not apply to CRP contracts that were effective before October 1, 2002.**--***

*--18 Specific Rules for 2002 Peanut Direct and Counter-Cyclical Payments

A 2002 Peanut DCP

For 2002 peanut DCP payment purposes only, determinations made according to this handbook for historic peanut producers who were:

- producers in 2002, will be based on the producer's 2002 farming operation
- not producers in 2002, will be based on the producer's last year in farming during the 1998 through 2001 crop years.**--***

*** * ***

18.5 (Withdrawn--Amend. 22)

19-21 (Withdrawn--Amend. 32)

22 Payment Limits

A Introduction

This paragraph provides the current dollar amounts of payment limitation for each applicable program.

B Payment Limits

[7 CFR 1400.1] This table contains the applicable limitation for programs that are subject to provisions of this handbook.

Payment Type	Limitation (In Dollars)					
	2002	2003	2004	2005	2006	2007
direct payments on covered commodities except peanuts	40,000					
direct payments on peanuts	40,000					
counter-cyclical payments on covered commodities except peanuts	65,000					
counter-cyclical payments on peanuts	65,000					
Total of the following for all loan commodities except wool, peanuts, mohair, and honey: • gains from marketing loans • LDP's	75,000					
CRP annual rental payment	50,000					
Total of: • wool • peanuts • mohair • honey	75,000					
AMA	50,000					
EQIP cost-share **Note:** Applies to an individual and entity in aggregate for all contracts for FY 2002 through 2007, regardless of the number of contracts.	450,000					
NAP	100,000					
*--TAA	10,000 1/					
TAP	75,000 2/					

1/ TAA payments and counter-cyclical payments for the same year are limited to a combined total of:

- $65,000 if counter-cyclical payments are received for covered commodities or peanuts, but not both
- $130,000 if counter-cyclical payments are received for both covered commodities and peanuts.

2/ For 2004 through 2007.--*

Note: See Exhibit 5 for additional information on specific payment limitations.

23-33 (Reserved)

Section 2 General Administration

34 Overview

A Introduction

This section provides details on general payment limitation administration.

B In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
35	Annual Notice to Producers	2-32
36	Public Information	2-35
37	Casual Advice	2-36

35 Annual Notice to Producers

A When to Provide Information

Annually advise all producers of the payment limitation and payment eligibility requirements in this paragraph. Use a newsletter and all other practical means available.

Note: It may be appropriate to provide this information more than once during a calendar year if there is more than 1 program operating in the county for which these rules apply.

B What Information to Provide

Notify producers of the following:

•*****--payments and benefits under certain programs are subject to some or all of the following:

- payment limitation

  Note: Notify producers of the payment limitation amounts for the applicable programs.

- "actively engaged in farming" requirements

- cash-rent tenant rule

- permitted entity restrictions

- foreign person rule

- average adjusted gross income limitation

- no program benefits subject to limitation will be provided until:

  - all required forms for the specific situation are provided
  - necessary payment limitation and payment eligibility determinations are made

- payment limitation and payment eligibility determinations may be initiated by COC or requested by the producer

- a farm operating plan is not required to be filed annually if the farming operation continues to be conducted as reflected on the farm operating plan and supporting documents are on file in the County Office. However, if any changes occur that could affect a "person," "actively engaged in farming," "cash-rent tenant," "foreign person," or "average adjusted gross income" determination, producers must timely notify the County Office by filing revised farm operating plans and/or supporting documentation, as applicable. Failure to do so may adversely affect payment eligibility.**--***

35 Annual Notice to Producers (Continued)

B What Information to Provide (Continued)

- there are statutory provisions that require entities earning program benefits that are subject to limitation to:

  - provide the names, addresses, and ID numbers of the entities' members to COC

  - inform the entities' members of the requirements for designating "permitted entities"

- ***--**all CCC-501's, CCC-502's, and CCC-526's submitted by producers are subject to**--***
  spot check through the end-of-year review process

  Note: Explain what information the producer must provide to COC.

- spouses may be considered separate "persons" for payment limitation purposes if this determination is requested and the applicable requirements are met

- a determination of not "actively engaged in farming" results in the producer being ineligible for any payment or benefit requiring a determination of "actively engaged in farming"

- ***--**noncompliance with the adjusted gross income provisions, either by exceeding the $2.5 million limitation or by failure to submit the applicable certification statement, will result in the determination of ineligibility for all program benefits subject to the adjusted gross income provisions; program benefits shall be reduced in an amount that is commensurate with the direct and indirect interest held by an ineligible individual or entity in any entity, general partnership, or joint operation that receives benefits subject to the average adjusted gross income limitation.**--***

36 Public Information

A Providing Information to the Public

Provide the following to any producer who requests such information:

- copy of this handbook according to 12-DS
- any other program provisions pertaining to payment limitations, payment eligibility, or "person" determinations.

Note: State Offices are encouraged to keep handbook copies on hand for this purpose.

37 Casual Advice

A Rule

Casual advice shall not be given on:

- possible determinations
- how to set up a farming operation to obtain additional payments.

38-48 (Reserved)

Section 3 Producer Filing Requirements

49 Overview

A Introduction

This section provides requirements for filing CCC-502's for applicable programs.

B In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
50	Filing Requirements	2-53
51	Withdrawn--Amend. 5	
52	Documentation	2-55
53	Withdrawn--Amend. 34	
54	Withdrawn--Amend. 31	
55	General Forms' Requirements	2-63
56-68	Reserved	

50 Filing Requirements

A Initial CCC-502 Filing Requirements

[7 CFR 1400.2 (e)] There is no specific deadline for filing CCC-502, CCC-526, and related forms unless otherwise provided in specific program procedure. However, before a producer can be considered eligible for benefits subject to the provisions of this handbook, the producer must have filed the appropriate forms and documentation, and determinations must have been made according to Part 5.

50 Filing Requirements (Continued)

B If 1 or More Producers Fail to File

[7 CFR 1400.2 (e)] If 1 or more producers on a contract or application for benefits fail to file the applicable CCC-502, CCC-526, and related forms, the producers not filing the applicable forms will be ineligible to receive program benefits subject to eligibility and limitation from that contract or application.

This failure to file will not effect the eligibility of other producers who meet all filing requirements.

Note: Shares cannot be adjusted to circumvent the ineligibility of the producer who failed to file the applicable forms and related documentation.

C Required Updates

[7 CFR 1400.2 (e)] If the producer filed a new or updated CCC-502 and CC-526 for 2003 or a later year, the producer is not required to file or update the information or certification unless there is a change in the farming operation that would affect a determination. Changes that may affect a determination include, but are not limited to, a change:

- of contract shares of a contract, which **may** reflect:
  - change of land lease from cash rent to share rent
  - change of a land lease from share rent to cash rent

    Note: The producer would be subject to the cash rent tenant rule.
  - modification of a variable/fixed bushel rent arrangement
- ***--**in the size of the producer's farming operation by the addition or reduction of cropland that may affect the application of a cropland factor**--***
- in the structure of the farming operation, including any change in the member's shares
- of contributions of farm inputs of capital, equipment, active personal labor, or active personal management
- acquisition of farming interests not previously disclosed on CCC-502 or update, including the farming interests of a spouse or minor child

50 Filing Requirements (Continued)

C Required Updates (Continued)

- increase in income that may affect the 3-year average for the determination of average adjusted gross income or other change that affects eligibility under the average adjusted income limitation.

D Documenting Changes

Changes to a farming operation may be documented on 1 of the following, depending upon the nature and extent of the changes:

- a photocopy of the previously filed CCC-502

  Note: The producer should initial and date any changes.

- CCC-502 Continuation

  Note: CCC-502 Continuation may be used to document changes affecting owned or leased land in the producer's farming operation.

- a new CCC-502.

  Note: A new CCC-502 to document changes to the farming operation shall only be obtained if the extent of changes makes it impractical to record the changes by updating the previously filed CCC-502.

If changes are documented using CCC-502 photocopy or CCC-502 Continuation, CCC-502U shall also be completed, signed, and dated by the producer. See paragraph 55.

***--Note:** If a new CCC-502 is submitted:

- applicable determinations must be made and the producer notified according to Part 5

- flag the producer as "pending" according to 2-PL, subparagraph 44 C until all determinations are finalized.**--***

51 (Withdrawn--Amend. 5)

52 Documentation

A Introduction

This paragraph provides guidelines on documentation needed to support COC determination.

B Adequate Documentation

***--**COC shall require adequate documentation to support the applicable CCC-502 and CCC-526.

Definition: Adequate documentation is whatever documentation is required by the reviewing authority to make proper "actively engaged in farming", "person" determinations, and the determination of average adjusted gross income compliance.

C Documentation Not Required

The reviewing authority should avoid requiring documents that are extremely personal if the determination can reasonably be made without the documents.

- COC may accept income tax returns to make the determination if **voluntarily** provided by the producer

- COC may request income tax returns, if necessary, to verify compliance with all payment eligibility requirements.**--***

It is not anticipated that amounts paid for land leases or equipment leases will be needed unless the equipment or land is leased from another member having an interest in the farming operation.

52 Documentation (Continued)

D Documentation That May Be Used

Supporting documents may include legal documentation concerning:

- land ownership
- corporations

  Note: Copies of articles of incorporation, corporate meeting minutes, and stock certificates must be provided by a corporation to determine signature authority and corporate shares.

- trusts

  Note: A copy of the trust agreement must be provided by the trust unless the trust is revocable.

- partnerships
- operating agreements
- ***--**land and equipment leases**--***
- financial agreements, including letters of credit
- any other information, including income tax returns, needed to apply the payment eligibility and payment limitation rules.

E Scrutiny of Trusts

All trusts that receive payments shall be carefully scrutinized to ensure that the trusts are legitimate entities and have not been created solely for evading payment limitation provisions.

County Offices shall:

- require trusts to provide a copy of the trust agreement unless the trust is a revocable trust
- determine whether provisions are included in the trust agreement that would require the trust to be considered a revocable trust according to paragraph 362.

52 Documentation (Continued)

F Determination Deadline

Additional information may be requested at COC's option. However, this will not extend the 60-day period for making a determination. If the file, as submitted by the producer, does not support a favorable finding, COC shall make a determination based on the file as it exists.

G Returning Documentation

Any legal documentation obtained should be returned to the producer as soon as possible. Keep photocopies for the payment limitation file if needed to support COC's determination.

*--52.5 FLP Participants

A Information Exchange

FLM or appropriate farm loan staff shall be provided copies of the following information on any program participant that is also an FLP borrower:

- new or updated CCC-502 A, B, C, or D and supporting documentation submitted
- CCC-501 A and B submitted
- the resultant CCC-503 A
- written notice of determination for payment eligibility and payment limitation purposes
- written notice of selection for End of Year Review for payment eligibility and payment limitation compliance purposes
- written notice of any determination that may adversely affect payment eligibility and payment limitation.

Note: This includes all farming interests of the FLP borrower, whether as an individual, or member of, or interest holder in an entity or joint operation.**--***

***--52.5 FLP Participants (Continued)**

B Discrepancies

If representations made for program payment eligibility/limitation purposes and those made for FLP purposes are found to be different, **and** have the appearance of adversely affecting payment eligibility or the application of any determination previously made, the discrepancies shall be resolved:

- by the program participant/FLP borrower to the satisfaction of COC and FLP reviewing authority

- before any further disbursement of any program benefits subject to the regulations at 7 CFR Part 1400 and provisions of this handbook.**--***

53 (Withdrawn--Amend. 34)

54 (Withdrawn--Amend. 31)

55 General Forms' Requirements

A Introduction

This paragraph provides a guide of forms that are required to be filed by a producer.

B CCC-502 Requirements

This table provides an overview of CCC-502 requirements.

IF the participating producer is...	THEN require...	Paragraph Reference
an individual	CCC-502A or CCC-502EZ.	277 and 278
a general partnership or joint venture	CCC-502B.	297
a corporation, limited partnership, limited liability company, association, or any other similar entity	CCC-502C.	316
an estate or trust	CCC-502D.	335

*--C CCC-502 Continuation and CCC-502U

CCC-502 Continuation may be used:

- as a continuation sheet for leased or owned land
- to update a previously filed CCC-502 according to paragraph 50
- with CCC-502A, CCC-502B, CCC-502C, CCC-502D, or CCC-502EZ.

CCC-502U is used to update a previously filed CCC-502 according to paragraph 50.--*

55 General Forms' Requirements (Continued)

D Example of CCC-502 Continuation

This is an example of CCC-502 Continuation.

*--

CCC-502 Continuation U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation
(02-27-91)

CONTINUATION SHEET FOR LEASED OR OWNED LAND
(Use with CCC-502A, CCC-502B, CCC-502C, CCC-502D, CCC-502EZ)
Attach to Form CCC-502_____

County: Hamilton
State: IA
Program Year: 199X
Producer's Name: Daniel Hughes

Land

Enter the following information for **ALL** land you own and/or lease. If **ALL** land in this farming operation is owned and operated by you, enter the farm number, County and State, check "Owned," and enter the cropland acres. If this CCC-502 Continuation is attached to CCC-502B, indicate whether the land is leased or contributed by the joint operation or a member.

FARM NO.	County(ies) and State(s) Where Farm is Located	Enter "√"			Name of Person Whom Land is Leased To and/or From	CROPLAND ACRES	RENTAL RATE $PER ACRE/ % CROP SHARE	Enter "√" if you had the same land interest last year
		OWNED	LEASED TO	LEASED FROM				
1148	Hamilton, IA	√			Oscar Gamble	40.0	Cash	√
1912	Hardin, IA	√			Craig Phillips	140.0	Cash	√
2076	Hardin, IA	√			Steven Olsen	85.0	Cash	√

★U.S.GPO:1992-0-656-586/40163

--*

55 General Forms' Requirements (Continued)

E Example of CCC-502U

This is an example of CCC-502U.

*--

This form is available electronically. Form Approved-OMB No. 0560-0096

CCC-502U
(10-09-02)

U.S. DEPARTMENT OF AGRICULTURE
Commodity Credit Corporation

Update for
CCC-502, Farm Operating Plan For Payment Eligibility Review

NOTE: *The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The authority for requesting the following information is the Food Security Act of 1985 (Pub. L. 99-198), as amended, and the regulations promulgated under 7 CFR Part 1400 for Payment Eligibility Review requirements. The information will be used to determine eligibility for program benefits and other financial assistance administered by USDA agencies. Furnishing the requested information is voluntary. Failure to furnish the requested information will result in a determination of ineligibility for certain program benefits and other financial assistance administered by USDA agencies. This information maybe provided to other agencies, IRS, Department of Justice or other State and Federal Law enforcement agencies and in response to a court magistrate or administrative tribunal. The provisions of criminal and civil fraud statutes, including 18 USC 286, 287, 371, 651, 1001, 15 USC 714m; and 31 USC 3729, may be applicable to the information provided.*

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0096. The time required to complete this information collection is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. ***RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.***

1. Name of Producer	2. Identification Number	3. Program Year
John Public	333-44-9999	2003

4. Producer Multi-County Control County and State *(Name, return address and telephone number including Area code)*

5. Update for Payment Eligibility Review (Form CCC-502 A, B, C, D, or EZ)

I certify that I have reviewed the CCC-502- A Farm Operating Plan for Payment Eligibility Review, that I filed in 1999 (year) and the previous year notification of the "person," "actively engaged in farming" and cash-rent tenant rule determinations. I certify that all items for the current year are exactly as recorded on the amended document and accompanying documents. I agree that the "person," "actively engaged in farming," and cash-rent tenant determinations made in a previous year will remain in effect for the current and subsequent years unless a change occurs which would affect these determinations. I understand I will receive no additional notification of these determinations unless the noted changes result in a different payment eligibility/person determination. I will promptly notify the County FSA Office of any change which would affect these determinations.

NOTE: *Changes that may affect the determination include but are not limited to a change in the structure of the farming operation, such as shares or members; a change in lease arrangements; significant changes in inputs to the farming operation.*

6. Producer(s) Sign Below: **NOTE:** If joint operation, ALL members must sign.

Producer(s) Signature	Date *(MM-DD-YYYY)*	Producer(s) Signature	Date *(MM-DD-YYYY)*
/s/ John Public	03-31-2003		

7. For County Office Use Employee Initials: _____

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

--*

55 General Forms' Requirements (Continued)

* * *

F Other Forms Required

This table provides an overview of other forms that are required.

IF...	THEN require...	Paragraph Reference
an entity files a contract to participate or application for benefits, subject to "permitted entities" **Note:** A general partnership or joint venture is not an entity.	CCC-501A, unless all of the first level members are individuals.	200 and 201
an individual has substantial beneficial interest in an entity receiving payment, subject to "permitted entities" **Note:** A general partnership or joint venture is not an entity.	CCC-501B.	16 and 215 through 221

56-68 (Reserved)

Section 4 General Application Rules

69 Overview

A Introduction

This section describes rules that have general application.

B In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
70	Custom Farming	2-82
71	Scheme or Device	2-83
72	Joint and Several Liability	2-86
73	Withdrawn--Amend. 34	
74	Status Date	2-89
75	Two or More Rules Apply	2-92

70 Custom Farming

*--A Meaning of Custom Farming

Custom farming is the performance of any field work, crop production handling, or related activity (such as crop harvesting, land preparation, or chemical application) for a producer on a fee for service basis (such as by the hour or per acre basis).

B Applicability

If an individual, joint operation, or entity receives custom farming services:

- make "person" and "actively engaged in farming" determinations according to Part 4
- the ability to meet the cash-rent tenant provisions may be adversely affected on land that is cash-rented in the farming operation.

Note: The equipment used in the performance of the custom farming service cannot be considered a significant contribution of equipment toward meeting the "actively engaged in farming" requirements because the individual, joint operation, or entity does not exercise complete control over this equipment.**--***

71 Scheme or Device

A Introduction

To ensure producer compliance with the intent of payment limitation and payment eligibility provisions, scheme or device detection is essential.

This paragraph provides guidelines and rules for determining and detecting a scheme or device.

B Statutory Background

The Omnibus Budget Reconciliation Act of 1987 amended the Food Security Act of 1985 to require that when the Secretary determines that a person has adopted a scheme or device to evade, or that has the purpose of evading, the provisions of this handbook, the person shall be ineligible to receive farm program payments subject to limitation for the crop year for which the scheme or device was adopted and the succeeding crop year.

Before implementation of the Omnibus Budget Reconciliation Act of 1987, rules for determining a scheme or device were in 7 CFR Part 795.

C Scheme or Device Rule

Any producer who has adopted or participates in adopting a scheme or device that is designed to evade, or has the effect of evading, the rules of the payment limitation and payment eligibility provisions shall be ineligible to receive payments under the programs
*--covered by this handbook for all farms in which the “person” and scheme or device
participant, as applicable, have an interest for the year in which the scheme or device was--*
adopted and the succeeding year.

71 Scheme or Device (Continued)

*--D Scheme or Device Detection

State and County Office personnel shall be aware of their responsibilities in detecting and reviewing suspected schemes or devices. To assist in scheme or device detection, State and County Offices, as appropriate, shall:

- compare automated multi-County producer files with information reported on CCC-502's to identify unreported farming interests
- use other system-generated reports and queries to identify possible schemes or devices
- closely scrutinize joint operations having individual members who are also stockholders, members, etc., of a member entity
- request OIG's assistance through the State Office, as appropriate.--*

71 Scheme or Device (Continued)

E Acts That May Be a Scheme or Device

[7 CFR 1400.5 (a)] Acts, such as the following, shall be considered a scheme or device:

- concealing information that affects the application of the payment limitation provisions
- submitting false or erroneous information
- creating fictitious entities for the purpose of concealing the interest of a "person" in a farming operation.

--Note:** Fraudulent intent is not required for the determination of scheme or device.**--

F COC or STC Determination

This table provides required action after COC or STC determination.

IF COC or State Office determines...	THEN...
a scheme or device was adopted to evade, or that had the purpose of evading, the provisions of this handbook	the State or County Office, as appropriate, shall: • obtain DD concurrence of COC's determination **Note:** DD shall initial the determination in COC minutes. • notify all County Offices in which the scheme or device participant or "person" has an interest of the determination • notify the scheme or device participant or "person" of the determination • obtain a refund of all payments received by the scheme or device participant or "person" for the year in which the scheme or device was adopted • **not** make payments to the scheme or device participant or "person" in the succeeding year.
the producer or "person" did not adopt or participate in adopting a scheme or device	the producer or "person" is eligible to receive program benefits.

72 Joint and Several Liability

A Rule

If 2 or more individuals or entities that are considered 1 “person” receive payments totaling more than the limitation, the individuals or legal entities are jointly and severally liable for the refund.

The amount of liability shall not exceed the total amount due under any contract to which an individual or entity is a party. See 58-FI *** * ***.

Note: This liability is in addition to any liability that may arise under a criminal or civil statute.

73 (Withdrawn--Amend. 34)

74 Status Date

*--A Application of Status Date

[7 CFR 1400.100 (a)] The status of an individual or entity on April 1 of the applicable crop, program, or fiscal year is the basis on which "person" determinations are made for the applicable crop, program, or fiscal year.

Actions taken by an individual or entity after April 1 of the applicable crop, program, or fiscal year shall:

- not increase the number of "persons" for the applicable crop, program, or fiscal year
- be used to determine whether there has been a decrease in the number of "persons" for the applicable program or fiscal year.

B Examples of Application of Status Date

Situation: As of April 1, two individuals are married and their status as husband and wife results in them being combined as 1 "person". Later in the same year, the individual divorce.

Application of Status Date: The 2 individuals shall be combined as 1 "person" for the applicable crop, program, or fiscal year even if they subsequently divorce during the year.

Situation: As of April 1, an individual was a minor and was combined as 1 "person" with his/her parents. Later in the same year, the individual reaches the age of majority.

Application of Status Date: The individual shall be combined 1 "person" with his/her parents for the applicable crop, program, or fiscal year even through the age of majority is reached during the year.

Situation: As of April 1, Individual A held a majority interest in Corporation X. Later in the same year, Individual A's interest in Corporation X is reduced to 50 percent or less. Individual B acquires a majority interest in Corporation X.

Application of Status Date: Individual A shall be combined as 1 "person" with Corporation X for the applicable crop, program, or FY. Individual B shall also be combined as 1 "person" with Corporation X for the applicable crop, program, or fiscal year.**--***

75 Two or More Rules Apply

*** * ***

A Rule

If 2 or more rules seem to be applicable, apply the rule that is most restrictive.

76-88 (Reserved)

Section 5 Farming Operations

89 Overview

A In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
90	Determining Farming Operations	2-112
91	Interest in a Farming Operation	2-116
92	Total Value of a Farming Operation	2-118
93	Determining Bona Fide and Substantive Change	2-125
94	Substantive Change Rule for Individuals	2-128
95	Substantive Change Rule for Joint Operations	2-130
96	Substantive Change Rule for Entities	2-136
97	Two or More Rules Apply	2-139

90 Determining Farming Operations

A Definition of Farming Operation

A farming operation is a business enterprise engaged in the production of agricultural products.

B Description

An individual's, entity's, or joint operation's farming operation consists of the acreage on all farms in all counties in which the individual, entity, or joint operation has an interest in the agricultural products or proceeds from the agricultural products produced. This includes all acreage in which the individual, entity, or joint operation is a producer, regardless of whether the acreage is:

- rented on a crop-share basis
- rented on a cash-lease basis
- owned by the producer.

Note: Exclude the owned acreage that has been cash rented to a cash-rent tenant if the landowner has no interest in any crop or crop proceeds from the acreage for the year.

***--Exception:** The farming operation of a landowner includes only the acreage owned by the landowner if both of the following apply:

- land owned by different landowners is combined into 1 farm with other tracts so that crops can be rotated anywhere on the entire acreage and the claimed share of the crops or crop proceeds is proportionate to size and value of the land and CAB's contributed

- the landowner is not also a tenant on the farm.--*

C Multiple Farming Operations

An individual or entity may have more than 1 farming operation if the individual or entity has an interest in 1 or more joint operations. Each interest in a joint operation will be an additional farming operation for the individual or entity.

90 Determining Farming Operations (Continued)

D Example 1, Showing Farms Operated

This table shows the farms operated by Sam Brown.

Farm 1 Owner-Sam Brown Rental-None	**Farm 2** Owner-Pete Smith Rental-Crop share
Farm 3 Owner-Henry Black Rental-Crop share	**Farm 4** Owner-Two Buddies Partnership Partners: • Pete Smith • Henry Black Rental-Crop share

E Example 1, Defining Farming Operation

This table defines the farming operation of each of the individuals involved in this example.

IF the determination is for...	THEN the farming operation consists of...
Sam Brown	all farms.
Pete Smith	Farm 2.
Henry Black	Farm 3.
Two Buddies Partnership	Farm 4. **Note:** This is a second farming operation for Pete Smith and Henry Black.

Note: None of the individuals or entities have any other farming interests.

90 Determining Farming Operations (Continued)

F Example 2, Showing Tracts Operated

This table shows the tracts operated by Sam Brown.

Farm 9 **Tract 1** Owner-Sam Brown Rental-None	**Farm 9** **Tract 2** Owner-Pete Smith Rental-Cash lease
Farm 9 **Tract 3** Owner-Henry Black Rental-Cash lease	**Farm 9** **Tract 4** Owner-Two Buddies Partnership Partners: • Pete Smith • Henry Black Rental-Cash lease

G Example 2, Defining Farming Operation

This table defines the farming operation of each of the individuals involved in this example.

IF the determination is for...	THEN the farming operation consists of...
Sam Brown	all of the land in Farm 9.
Pete Smith	none of the land in Farm 9. **Note:** Pete Smith has no farming operation.
Henry Black	none of the land in Farm 9. **Note:** Henry Black has no farming operation.
Two Buddies Partnership	none of the land in Farm 9. **Note:** Two Buddies Partnership has no farming operation.

Note: None of the individuals or entities have any other farming interests. All ownership tracts are combined as 1 farm, Farm 9.

90 Determining Farming Operations (Continued)

*--H Example 2.5, Showing Tracts Operated

This table shows the tracts operated by Brown and Black Partnership. Both tracts have 100 acres of corn base.

Farm 10 **Tract 1**	**Farm 10** **Tract 2**
Owner-Sam Brown Rental-Crop Share Operator-Brown and Black Partnership	Owner-Brown and Black Partnership Rental-N/A

Sam Brown receives a pro rata crop share regardless of where the crop is planted.

I Example 2.5, Defining Farming Operation

This table defines the farming operation of each of the individuals involved in this example.

IF the determination is for...	**THEN the farming operation consists of...**
Sam Brown	the acreage in tract 1 of Farm 10.
Brown and Black Partnership	Farm 10.

Note: None of the individuals or entities have any other farming interests. Both ownership tracts are combined as 1 farm, Farm 10.--*

90 Determining Farming Operations (Continued)

J Example 3, Showing Tracts and Farms Operated or Leased

This table shows the tracts and farms operated or subleased by Sam Brown.

Farm 18 **Tract 5** Operator-Sam Brown Owner-Sam Brown Rental-N/A	**Farm 18** **Tract 6** Subleased to Bill Jones for cash Owner-Pete Smith Rental-Cash lease to Sam Brown
Farm 18 **Tract 7** Subleased to Richard Alexander for cash Owner-Henry Black Rental-Cash lease to Sam Brown	**Farm 19** Operator-Sam Brown Owner-Two Buddies Partnership Partners: • Pete Smith • Henry Black Rental-Crop share

K Example 3, Defining Farming Operation

This table defines the farming operation of each of the individuals involved in this example.

IF the determination is for...	THEN the farming operation consists of...
Sam Brown	the acreage in tract 5 of Farm 18 and all of Farm 19.
Bill Jones	the acreage in tract 6 of Farm 18.
Richard Alexander	the acreage in tract 7 of Farm 18.
Two Buddies Partnership	Farm 19.

Note: None of the individuals or entities have any other farming interests. Pete Smith and Henry Black have no individual farming operation.

91 Interest in a Farming Operation

A Examples of Interest in a Farming Operation

The following are considered interests in a farming operation:

- any producer who shares in the production or proceeds of the production from the farming operation

- *****--landowners have an interest in the farming operation containing the land owned, whether or not the landowner has an interest in the production or proceeds from the production--*****

- landlords, including landowners, have an interest in the farming operation containing the acreage owned or leased, whether or not the landlord has an interest in the production or proceeds from the production

- *****--a member of a joint operation when the joint operation is a producer in the farming operation--*****

- general partner of a limited partnership when the limited partnership is a producer in the farming operation

- grantor of a revocable trust when the trust is a producer in the farming operation.

B Examples of No Interest in a Farming Operation

The following are not considered interests in a farming operation:

- stockholders in a corporation when the corporation is a producer in the farming operation

- limited partners of a limited partnership when the limited partnership is a producer in the farming operation

- members of an association when the association is a producer in the farming operation

91 Interest in a Farming Operation (Continued)

B Examples of No Interest in a Farming Operation (Continued)

- heirs to an estate when the estate is a producer in the farming operation
- beneficiaries of a trust when the trust is a producer in the farming operation
- grantors of an irrevocable trust when the trust is a producer in the farming operation
- trustees and personal representatives of a trust or estate when the trust or estate, respectively, is a producer in the farming operation.

C Most Restrictive Rule

The application of a more restrictive rule may apply if an individual has an interest in another person's farming operation.

92 Total Value of a Farming Operation

A Introduction

The total value of a farming operation must be computed when determining whether:

- the contributions made by the individual or entity are significant
- contributions are commensurate with the claimed share of profits or losses from the farming operation.

B Definition

The total value of a farming operation is the total of the costs, excluding the value of active personal labor and active personal management that is contributed by a member of the farming operation, needed to carry out the farming operation for the year for which the determination is made.

92 Total Value of a Farming Operation (Continued)

C Example 1, Scenario

Partnership ABC has 3 equal partners, A, B, and C. Partnership ABC farms 2,000 acres of cropland growing corn and various vegetables. All of the land that Partnership ABC farms has a rental value equal to $42 per acre.

Partner A contributes land with a total rental value of $24,000 to the partnership. Partner A cash rents this land from a landowner with no interest in Partnership ABC's farming operation. Partner A's contributions to Partnership ABC also include equipment with a rental value of $12,000 and $12,000 of capital. None of Partner A's contributions are acquired as the result of a loan.

Partner B contributes land with a total rental value of $12,000 to the partnership. Partner B cash rents this land from a landowner with no interest in Partnership ABC's farming operation. Partner B's contributions to Partnership ABC also include equipment with a rental value of $12,000 and $24,000 of capital. None of Partner B's contribution are acquired as the result of a loan.

Partner C contributes land with a total rental value of $12,000 to the partnership. Partner C owns this land. Partner C's contributions to Partnership ABC also include equipment with a rental value of $12,000 and $24,000 of capital. None of Partner C's contributions are acquired as the result of a loan.

--**Partnership ABC rents land from other landowners for a one-third share of the crop with a value of $36,000. Partnership ABC contributes owned equipment with a rental value of**-- $21,000 and $99,000 of capital to the farming operation.

Each of the partners share equally in the labor and management of this farming operation and no additional labor or management is hired.

92 Total Value of a Farming Operation (Continued)

D Example 1, Contributions

--This table shows the contributions made by the partners and Partnership ABC and the total value of the farming operation.--

	Land	Capital	Equipment	Labor	Management	Total
Partner A	24,000	12,000	12,000	Active	Active	48,000
Partner B	12,000	24,000	12,000	Active	Active	48,000
Partner C	12,000	24,000	12,000	Active	Active	48,000
Partnership ABC	* * *	99,000	21,000			120,000
Total	84,000 1/	159,000	57,000	0	0	300,000

--1/ Includes the rental value of the land contributed by the share-rent landlord. Crop-share rent for the land is valued at $36,000.--

E Example 1, Determination

The rental value of all the land involved in this farming operation is $84,000. This rental value is derived by the following inputs:

- Partner A's contribution of cash-rented land with a value of $24,000
- Partner B's contribution of cash-rented land with a value of $12,000
- Partner C's contribution of owned land with a rental value of $12,000
- *--share-rented land with a value of $36,000 that is not attributed to any 1 partner or to the partnership.--*

Note: If land is owned, a rental value that is normal for the area must be used when determining its value.

92 Total Value of a Farming Operation (Continued)

E Example 1, Determination (Continued)

The total amount of capital needed by this farming operation is equal to $159,000. This figure is arrived at by taking the total expenditures necessary to conduct this farming operation and subtracting any equipment and land costs that will be expended by the partnership. The capital is derived by the following inputs:

- Partner A's contribution of $12,000 of capital
- Partner B's contribution of $24,000 of capital
- Partner C's contribution of $24,000 of capital
- Partnership ABC's contribution of $99,000 of capital.

The rental value of all of the equipment used on this farming operation is $57,000. This rental value is derived by the following inputs:

- Partner A's contribution of owned equipment with a rental value of $12,000
- Partner B's contribution of leased equipment with a rental value of $12,000
- Partner C's contribution of owned equipment with a rental value of $12,000
- Partnership ABC's contribution of owned equipment with a rental value of $21,000.

Note: If equipment is owned, a rental value that is normal for the area must be used when determining its value.

Each partner is equally providing active personal labor and active personal management; therefore, no value is affixed to these contributions in determining the total value of the farming operation.

--**The total value of this farming operation is equal to $300,000.**--

92 Total Value of a Farming Operation (Continued)

F Example 2, Scenario

Partnership ABC has 3 equal partners, A, B, and C. Partnership ABC farms 1,500 acres of cropland growing cotton and soybeans.

Partner A contributes land with a total rental value of $5,000 to the partnership. Partner A cash rents this land from a landowner with no interest in Partnership ABC's farming operation.

Partner B contributes land with a total rental value of $5,000 to the partnership. Partner B cash rents this land from a landowner with no interest is Partnership ABC's farming operation.

Partner C contributes land with a total rental value of $5,000 to the partnership. Partner C owns this land.

Partnership ABC contributes land with a total rental value of $69,000 to the farming operation. Partnership ABC owns this land. Partnership ABC contributes owned equipment with a rental value of $57,000 and $159,000 of capital to the farming operation. The capital is borrowed from a local bank and is not secured by any of the partners individually.

Partnership ABC will hire all of the labor needed to conduct this farming operation. The labor cost for this operation will be $30,000.

Each of the partners share equally in the management of this operation and no additional management is hired.

92 Total Value of a Farming Operation (Continued)

G Example 2, Contributions

This table shows the contributions made by the partners and Partnership ABC.

	Land	Capital	Equipment	Labor	Management	Total
Partner A	5,000	0	0		Active	5,000
Partner B	5,000	0	0		Active	5,000
Partner C	5,000	0	0		Active	5,000
Partnership ABC	69,000	159,000	57,000	30,000		315,000
Total	84,000	159,000	57,000	30,000	0	330,000

H Example 2, Determination

The rental value of all of the land involved in this farming operation is $84,000. This rental value is derived by the following inputs:

- Partner A's contribution of cash rented land with a value of $5,000
- Partner B's contribution of cash rented land with a value of $5,000
- Partner C's contribution of owned land with a rental value of $5,000
- Partnership ABC's contribution of owned land with a rental value of $69,000.

Note: If land is owned, a rental value that is normal for the area must be used when determining its value.

92 Total Value of a Farming Operation (Continued)

H Example 2, Determination (Continued)

The total amount of capital needed by this farming operation is equal to $159,000. This figure is arrived at by taking the total expenditures necessary to conduct this operation and subtracting any equipment, land, and labor costs that will be expended by the partnership. The capital for this operation is being provided by Partnership ABC.

The rental value of all of the equipment used on this farming operation is $57,000. Partnership ABC is contributing owned equipment with a rental value of $57,000.

Note: If equipment is owned, a rental value that is normal for the area must be used when determining its value.

All of the labor for this farming operation is hired by Partnership ABC and will cost $30,000.

Each partner will equally provide active personal management; therefore, no value is affixed to this contribution in determining the total value of the farming operation.

The total value of this farming operation is equal to $330,000.

--93 Determining Substantive and Nonsubstantive Change--

A Background

The Food Security Act of 1985, as amended, requires that the Secretary may not approve, for purposes of the application of payment limitations, any change in a farming operation that will increase the number of "persons", unless the Secretary determines that the change is bona fide and substantive.

B Rule

COC may not approve any change in a farming operation that will otherwise increase the number of "persons" to which payment limitations are applied for the current year, unless a "substantive change" in the farming operation occurs for the current year.

Note: The comparison for substantive change purposes is always between the current year's operation and the previous year's operation.

C Substantive Change Not Required

A substantive change is not required to be met for the current year when both of the following conditions are met:

- the change in the farming operation took effect in the previous year
- the farming operation was conducted in the previous year as submitted to COC.

Note: Substantive change is not required if the increase in "persons" is due to the application of the procedure applicable to separate "persons" status for husbands and wives.

--93 Determining Substantive and Nonsubstantive Change (Continued)--

D Substantive Change Requirements

[7 CFR 1400.109] If bona fide, the following are considered substantive changes.

Change	Requirement
Family member	The addition of a family member to a joint operation according to the "adult family member" provision as specified in paragraph 295. **Note:** An addition will not affect the status of any other individual or entity that is added to the joint operation.
Land rental	For a landowner only, a change from cash rent to share rent.
Cropland	An increase through the acquisition of land not previously involved in the farming operation. The increase must be approximately 20 percent or more of the total cropland involved in the farming operation if such cropland has planting history of an amount which is at least normal for the area.
Ownership	A change in ownership by sale or gift of equipment or land from an individual or entity previously engaged in the farming operation to an individual or entity who has not been engaged in this operation is considered substantive, only if the transferred amount is commensurate with the new individual's or entity's share of the farming operation.
Equipment	The addition of equipment not previously involved in the farming operation may be considered substantive, if the rental value of the new equipment contributed is commensurate with the new "person's" share of the rental value of all equipment on the farming operation.

Note: Substantive changes must be legitimate "arms length" business transactions. Documents that provide evidence of a change in farming operations that are fictitious or not legally binding are not acceptable.

*--93 Determining Substantive and Nonsubstantive Change (Continued)

E Nonsubstantive Changes

The following are considered nonsubstantive changes:

- a decrease in the amount of land
- the dissolution of an entity
- any change not considered substantive for which the rules would require a more restrictive application of the payment limitation.

F Example 1 of Nonsubstantive Change

Situation: Three individuals each have separate and unrelated farming operations, which if continued unchanged, qualify for 3 "persons" for payment limitation purposes. The 3 individuals propose a farming operation by forming a corporation in which each are equal stockholders with each stockholder holding less than majority interest in the entity. The entity would lease for cash a portion of the cropland previously operated by each of the individuals. Separate "person" status is requested for the entity for a total of 4 "persons" for payment limitation purposes.

Determination: The formation of this entity and the leasing of the land formerly operated by the individuals would not constitute a bona fide and substantive change. Continue to recognize the 3 "persons" as determined previously for payment limitation purposes.

Explanation: The same land is farmed by the equipment and the same individuals as the previous year. The stockholders own more than 50 percent of the entity and each stockholder produced agricultural products or participated in programs subject to limitation in the previous year.

G Example 2 of Nonsubstantive Change

Situation: A corporation operates land that it owns. A general partnership, consisting of the stockholders of the corporation, leases land owned by unrelated parties that was previously operated by the corporation. The corporation farm manager and other employees complete the farming activities for both operations with equipment owned by the corporation. Records are kept of time spent by the employees and equipment usage for each of the farming operations. The corporation's bookkeeper prepares separate payrolls for the employees that reflect the time for each employee on each farming operation. Invoices prepared on behalf of the corporation are issued to the partnership for the equipment usage and cropping expenses to represent its share of the operating expenses. Separate person status was requested for the corporation and each of the members of the partnership.--*

***--93 Determining Substantive and Nonsubstantive Change (Continued)**

G Example 2 of Nonsubstantive Change (Continued)

Determination: Changes in bookkeeping for the manner records are kept does not constitute or demonstrate a substantive change. Continue to recognize 1 "person" for payment limitation purposes.

Explanation: The members of the partnership, who hold more than 50 percent of the corporation, are farming the same land with the same equipment previously operated by the corporation. Only a single farming operation of the corporation exists even though separate books are kept in an effort to justify the separate farming operation of the general partnership.**--***

94 Substantive Change Rule for Individuals

A Individual Beginning to Farm

If an individual begins to farm and is not a member of an entity or joint operation, **no** substantive change is required to be considered a separate "person".

B Member of an Entity

This table provides guidance to determine when a substantive change is required for an individual beginning to farm.

IF the individual owns, directly or indirectly, 50 percent or more interest in an entity that...	**AND the individual will...**	**THEN a substantive change...**
produced program crops, or products or participated in a program subject to limitations the previous year	operate any land that was in the farming operation of the entity as an individual or a member of a joint operation	**is** required.
	not operate any land that was in the farming operation of the entity as an individual or a member of a joint operation	is **not** required.
did not produce program crops, or products, or participate in a program subject to limitation in the previous year	operate land as an individual or a member of a joint operation	is **not** required. **Note:** The land may be land that was or was not in the farming operation of the entity.

94 Substantive Change Rule for Individuals (Continued)

C Example

*--**Situation:** Individual A owns 50 percent of Corporation AB that produced crops on a--* 600-acre farming operation last year. This year Corporation AB and Individual A will each operate part of the land that was in the farming operation of Corporation AB.

Determination: A substantive change would be required because Individual A owns *--50 percent of Corporation AB.--*

D If Substantive Change Is Not Met

If there is an increase in the number of "persons" in a farming operation, that results in applying the substantive change provisions, and a substantive change is not met:

- continue to recognize the "persons" for payment limitation purposes that were recognized in the previous year

- consider the "new person" who did not meet the substantive change ineligible for payment.

Note: The recognized "person's" shares cannot be adjusted to circumvent the ineligibility of the "new person".

95 Substantive Change Rule for Joint Operations

A Introduction

This paragraph provides guidelines for determining when substantive change is required for joint operations.

B New Joint Operation Formed

Use this table to determine when substantive change is required for a new joint operation.

IF...	THEN substantive change...
none of the members produced program crops, or products, or participated in a program subject to limitation in the previous year	would not be required.
some of the members produced program crops, or products, or participated in a program subject to limitation in the previous year	would be required. * * *
all of the members produced program crops, or products, or participated in a program subject to limitation in the previous year	would not be required.

Note: Substantive change would be required if a new joint operation will be farming any of the land that was farmed by an entity in which members of the new joint operation held a 50 percent or greater interest.

95 Substantive Change Rule for Joint Operations (Continued)

C Joint Operation Existed in the Previous Year

Use this table to determine when substantive change is required for a joint operation that existed in the previous year.

IF there is an addition of 1or more members to a joint operation that existed in the previous year and there is...	AND the "person"...	THEN substantive change...
an increase in the total number *--of "persons" in the joint operation--*	causing the increase produced program crops, or products, or participated in a program subject to limitation in the previous year	would not be required.
	causing the increase did not produce program crops, or products, or participation in a program subject to limitation in the previous year	would be required.
no overall increase in the *--number of "persons" in the joint operation because of--* 1 or more of the members in the previous year leaving the joint operation	leaving the farming operation continues to farm any land that was part of the previous year's joint operation	would be required *--unless offset by a decrease in "persons" in the joint operation.--*
	leaving the farming operation does not farm any land that was part of the previous year's joint operation	would not be required.

Notes: If the increase in land provision is used for a substantive change, the 20 percent increase in land would be calculated from the amount of land that was in the joint operation in the previous year.

The 20 percent increase in land could be obtained in either of the following ways:

- the joint operation increases the land in the farming operation
- the individual or entity that left the joint operation, if applicable, increases the amount of land farmed.

95 Substantive Change Rule for Joint Operations (Continued)

D Other Provisions

Other than according to subparagraphs B and C, a substantive change is required when both of the following apply:

- at least 1 of the members of the joint operation did not produce program crops *** * *** or participate in CRP in the previous year

- the joint operation will operate any of the land that was in the farming operation of members who did produce program crops * * * or participate in CRP in the previous year.

Note: If the increase in land provision is used, the 20 percent increase in land shall be calculated from the amount of land that was in the previous year's joint operation.

E Example 1, Joint Operation Existed - Increase in Persons

Situation: Partnership ABC produced program crops last year. This year Individual D buys an equal share of Partnership ABC. Individual D did produce program crops last year.

Determination: A substantive change is not required because Individual D is an old producer; therefore, there has been no increase in "persons."

F Example 2, Joint Operation Existed - Increase in Persons

Situation: Partnership ABC produced program crops last year. This year Individual D buys an equal share of Partnership ABC. Individual D did not produce program crops last year. Partnership ABC's farming operation last year consisted of 1,000 acres.

Determination: A substantive change is required. If the increase in land provision is used, the 20 percent increase is based on the 1,000 acres Partnership ABC operated last year.

95 Substantive Change Rule for Joint Operations (Continued)

G Example 1, Joint Operation Existed - No Overall Increase in "Persons"

Situation: Partnership ABC produced program crops last year.

- This year Individual C sells his share of Partnership ABC to Individual D. Individual D did not produce program crops last year.
- Partnership ABC's farming operation last year consisted of 1,000 acres.
- Individual C will farm 300 acres of the land that was in Partnership ABC's farming operation last year.

Determination: A substantive change would be required before recognizing Individual D as a "person."

- One way of doing that would be if Partnership ABC added 200 acres (20 percent of 1,000) to its farming operation that was not in Partnership ABC's farming operation last year.
- Individual C could also meet the requirement if Individual C farmed 200 acres of land that was not in Partnership ABC's farming operation last year.

H Example 2, Joint Operation Existed - No Overall Increase in "Persons"

Situation: Partnership ABC produced program crops last year.

- This year Individual C sells his share of Partnership ABC to Individual D. Individual D did not produce program crops last year.
- Partnership ABC's farming operation last year consisted of 1,000 acres.
- Individual C will not farm any of the land that was in Partnership ABC's farming operation last year.

Determination: A substantive change would not be required because there was no increase in the number of "persons" in the farming operation.

95 Substantive Change Rule for Joint Operations (Continued)

I Example 1, Other Provisions

Situation: Individual A produced program crops on a 600-acre farming operation last year. Individual B produced program crops on a 400-acre farming operation last year. This year Individuals A, B, and C form an equal partnership and will produce program crops on a farming operation that includes some of the land that was in Individual A's farming operation last year.

Determination: A substantive change would be required before recognizing Individual C as a "person." One way of doing that would be if Partnership ABC added 200 acres (20 percent of 1,000) to its farming operation that was not part of the farming of either Individual A or B in the previous year.

J Example 2, Other Provisions

Situation: Partnership AB produced program crops on a 600-acre farming operation last year and continue to farm part of the 600 acres this year.

- Individual C did not produce program crops last year.

- This year Individuals B and C form an equal partnership and will produce program crops on a farming operation that includes some of the land that was in Partnership AB's farming operation last year.

Determination: A substantive change would be required before recognizing Individual C as a "person."

- One way of doing that would be if Partnership BC added 120 acres (20 percent of 600) to its farming operation that was not part of the farming operation of Partnership AB.

- Another way of meeting the substantive change would be if Partnership AB added 120 acres (20 percent of 600) to its farming operation that was not part of the farming operation last year.

95 Substantive Change Rule for Joint Operations (Continued)

*--K Example 1

Situation: Joint Operation ABCD was determined 4 “persons” for program payment limitation purposes in the previous year. This year, and before April 1, AB limited liability company and CD limited liability company were added and a total of 6 “persons” were requested, all with equal shares. Neither of the new members farmed or participated in the farm programs before. Interest in equipment held by the original 4 partners was gifted to each of the new members.

Determination: Substantive change would be required because of the increase in the number of “persons” in the farming operation. The gifting of equipment interest to each of the new members would meet the requirement if the amount was at least equal to the commensurate share of each new member.

L Example 2

Situation: Joint Operation Dollar Farms, comprised of individuals E, F, G, and H, was determined 4 “persons” for program payment limitation purposes in the previous year. This year, and before April 1, this joint operation was dissolved and a new joint operation Dollar Farms, comprised of individuals G, H, I, and J, was formed with a new tax identification number. The same land is farmed and the same equipment, all previously leased by the “old” Dollar Farms, is now leased by the “new” Dollar Farms.

Determination: Substantive change would not be required since there is not an increase in the number of “persons” for payment limitation purposes.**--***

M Substantive Change Not Met

If there is an increase in the number of “persons” in a farming operation, that results in applying the substantive change provisions, and a substantive change is not met:

- continue to recognize the “persons” for payment limitation purposes that were recognized in the previous year
- consider the “new person” who did not meet the substantive change ineligible for payment.

96 Substantive Change Rule for Entities

A Produced Program Crops Previous Year

--**If an entity produced program crops, or products, or participated in a program subject to limitation in the previous year, a substantive change is **not** required.**--

B Did Not Produce Program Crops Previous Year

If an entity did not produce program crops, or products, or participate in a program subject to limitation in the previous year and stockholders, heirs, or beneficiaries who produced program crops, or products, or participated in a program subject to limitation in the previous year own, directly or indirectly, 50 percent or more of the interest in the entity and the entity will:

- operate land that was in the farming operation of members who produced program crops, or products, or participated in a program subject to limitation in the previous year, a substantive change **would** be required

  Note: If the increase in land provision is used, the 20 percent increase in land shall be calculated from the amount of land that was in the farming operation of members who produced program crops, or products, or participated in a program subject to limitation in the previous year.

- **not** operate any land that was in the farming operation of members who produced program crops, or products, or participated in a program subject to limitation in the previous year, a substantive change would **not** be required.

C Ownership Change

Any legal and bona fide change in the ownership of a corporation must be recognized, regardless of the amount of stock involved.

96 Substantive Change Rule for Entities (Continued)

D Example 1

Situation: Individual A produced program crops on a 600-acre farming operation last year. Individual B produced program crops on a 400-acre farming operation last year. Individual C did not produce program crops last year.

- This year Individuals A, B, and C form a corporation with equal shares and will produce program crops on a farming operation that includes some of the land that was in Individual A's farming operation last year.

- Individuals A and B will also farm this year.

Determination: A substantive change would be required before Corporation ABC would be recognized as a "person" in accordance with subparagraph B. One way of doing that would be if Corporation ABC added 200 acres (20 percent of 1,000) to its farming operation that was not part of the farming operation of either Individual A or B in the previous year.

E Example 2

Situation: Individual A produced program crops on a 600-acre farming operation last year. Individuals B and C did not produce program crops last year. This year Individuals A, B, and C form a corporation with equal shares and will produce program crops on a farming operation that includes some of the land that was in Individual A's farming operation last year.

Determination: A substantive change would not be required because less than 50 percent of the corporation is owned by Individual A, the member who produced program crops.

96 Substantive Change Rule for Entities (Continued)

F Example 3

Situation: Individual A produced program crops on a 600-acre farming operation last year. Individual B produced program crops on a 400-acre farming operation last year. Individual C did not produce program crops last year. This year Individuals A, B, and C form a corporation with equal shares and will produce program crops on a farming operation that is composed of land that was operated in the previous year by Individual Z. Individual Z no longer farms.

Determination: A substantive change would not be required because none of the land operated by the corporation was operated by Individual A or B in the previous year.

G Substantive Change Not Met

If there is an increase in the number of "persons" in a farming operation, that results in applying the substantive change provisions, and a substantive change is not met:

- continue to recognize the "persons" for payment limitation purposes that were recognized in the previous year

- consider the "new person" who did not meet the substantive change ineligible for payment.

97 Two or More Rules Apply

A Two or More Rules Are Applicable

If 2 or more rules appear to be applicable, apply the rule that is most restrictive on whether a substantive change is required.

B Example

Situation: In the previous year, Individuals A and B had separate farming operations and both produced program crops.

For the current year, Individuals A and B form:

- Corporation AB that is composed of Individuals A and B who each have a 50 percent ownership interest

- AB Joint Operation that is composed of Individual A, Individual B, and Corporation AB, each having a one-third share.

Determination: Subparagraph 95 D applies and provides that if the increase in land provision is used, the 20 percent increase in land shall be calculated from the amount of land that was in the previous year's joint operation. If the most restrictive rule is not applied, no substantive change would appear to be required if the increase in land provision is used since the joint operation did not farm in the previous year. However, paragraph 96 applies and a substantive change is required.

98-108 (Reserved)

Section 6 "Person" Determinations

109 Overview

A
Introduction

This section explains general provisions relating to "person" determinations.

B
In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
110	Defining "Person"	2-152
111	Two or More Rules Apply	2-153
112	Combined Individuals or Entities	2-154
113	Assumed Name Operations	2-155
114	Resolving "Persons"	2-156

110 Defining "Person"

A
Definition

A "person" is:

- an individual, or an individual participating as a member of a joint operation or similar operation
- a corporation, joint stock company, association, limited stock company, limited partnership, irrevocable trust, revocable trust together with the grantor of the trust, estate, or charitable organization including any entity participating in the farming operation as a partner in a general partnership, a participant in a joint venture, a grantor of a revocable trust, or a participant in a similar entity
- a State, political subdivision, or agency thereof.

Note: A cooperative association of producers that market commodities ***--** shall **not** be considered the "person," and payments and benefits thereby limited for the commodities marketed for the producers.**--***

B
Separate "Person" Requirements

For an individual or entity to be considered a separate "person," the individual or entity must:

- have a separate and distinct interest in the land or crop involved
- exercise separate responsibility for this interest
- maintain funds or accounts separate from that of any other individual or entity for this interest.

Note: A member of a joint operation is considered to have met these requirements if the joint operation meets these requirements.

111 Two or More Rules Apply

A
Rule

If 2 or more rules appear to be applicable, apply the rule that is most restrictive on the number of "persons".

112 Combined Individuals or Entities

A
Rule

When 2 or more individuals or entities are determined to be 1 "person" for payment limitation purposes:

- the determination applies to all programs subject to the provisions of this handbook
- the allowable payment may be distributed:
  - as agreed to by all parties

    Note: The amount for each producer may not exceed the producer's commensurate share.

  - by COC, with DD concurrence, if the parties cannot agree.

    Note: COC shall distribute payments fairly and equitably.

113 Assumed Name Operations

A
Definition

An assumed name operation is a farming operation that conducts itself using a business name.

B
Example

Jane Smith conducts her farming operation under the name of Smith Enterprises.

C
Making Determinations

When making determinations for an assumed name operation, the determination will be for the:

- individual if the individual owns the farming operation but uses an assumed name to conduct the operation
- owner of the business if the farming operation is conducted under the same name as another business owned by the individual.

***--114 Resolving "Persons"**

A
Introduction

An entity or joint operation filing CCC-502 may have members, etc. which are entities.

B
Required Determinations

The responsibility for making "person" determinations extends to whatever level is required to resolve all entities.**--***

115-128 (Reserved)

Section 7 "Actively Engaged" Determinations

129 Overview

A Introduction

For an individual or entity to be eligible to receive specified payments, that individual or entity must be determined "actively engaged in farming".

B In This Section

The following subsections are included in this section.

Subsection	Title	Page
1	"Actively Engaged" Considerations	2-172
2	Specific Rules for Contributions	2-201

Subsection 1 "Actively Engaged" Considerations

130 Overview

A Introduction

This subsection explains general provisions relating to "actively engaged in farming" determinations.

B In This Subsection

The following paragraphs are included in this subsection.

Paragraph	Title	Page
131	General Considerations	2-173
132	Landowner Exemption	2-177
133	Landlord	2-178.5
134	Percent of Cropland Factor	2-181

131 General Considerations

A Introduction

For an individual or entity to be considered "actively engaged in farming," the participant must make a significant contribution of certain farming inputs. This paragraph lists and defines these contributions.

B General Provisions

In general, for an individual or entity to be considered "actively engaged in farming," the requirements of this table must be met.

Item	Requirement
1	Significant "left-hand" contributions to the farming operation of 1 or a combination of the following: • capital • land • equipment. **Note:** See paragraphs 274 and 295 for exceptions.
2	Significant "right-hand" contributions to the farming operation of 1 or a combination of the following: • active personal labor • active personal management. **Note:** See paragraph 132 for exception.
3	A claimed share of the profits or losses from the farming operation that is commensurate with contributions to the farming operation.
4	Contributions that are at risk.

C Definition of Capital

For payment limitation purposes, capital consists of the funding *** * *** provided by an individual or entity to the farming operation for the operation to conduct farming activities.

131 General Considerations (Continued)

D Definition of Land

For payment limitation purposes, land is farmland consisting of cropland, pastureland, wetland, or rangeland that meets the specific requirements of the applicable program.

E Definition of Equipment

For payment limitation purposes, equipment is the machinery and implements needed by the farming operation to conduct activities of the farming operation.

This includes:

- machinery and implements needed for:
  - land preparation, planting, cultivating, or harvesting of the crops involved
  - establishing and maintaining conservation cover crops or conservation use acreages
  - conducting livestock operations
- irrigation equipment that is:
  - not of a permanent nature
  - commonly used in the area.

F Definition of Active Personal Labor

Active personal labor is defined as personally providing physical activities necessary in a farming operation.

These activities include physical activities:

- involved in land preparation, planting, cultivating, harvesting, and marketing of agricultural commodities
- required to establish and maintain conserving cover crops or conserving use acreages
- required in livestock operations.

131 General Considerations (Continued)

G Active Personal Management

Active personal management is defined as personally providing:

- the general supervision and direction of activities and labor involved in the farming operation
- services, whether performed on-site or off-site, reasonably related and necessary to the farming operation, including any of the following:
  - supervision of activities necessary in the farming operation
  - business-related actions that include discretionary decision making
  - evaluation of the financial condition and needs of the farming operation
  - assistance in structuring or preparing financial reports or analyses for the farming operation
  - consultations in or structuring of business-related financing arrangements for the farming operation
  - marketing and promoting agricultural commodities produced by the farming operation
  - acquiring technical information used in the farming operation
  - any other management function necessary to conduct the farming operation and for which the operation would ordinarily be charged a fee.

131 General Considerations (Continued)

H Hybrid Seed Producers

The existence of a hybrid seed contract for a producer shall not be taken into account when making an “actively engaged in farming” determination with respect to the producer. However, all other “actively engaged in farming” provisions shall apply.

132 Landowner Exemption

A Rule

A landowner shall be considered "actively engaged in farming" with respect to the owned land if all of the following requirements are met.

Item	Requirement
1	The landowner contributes owned land to the farming operation for which the landowner receives rent or income for use of the land based on the land's production or the operation's operating results.
2	The landowner's share of the profits or losses from the farming operation is commensurate with the landowner's contribution to the operation.
3	The landowner's contributions are at risk.

B Other Participants That Use This Rule

This rule also applies to landowners who:

- are individuals, including individuals with a life estate in the land
- are entities, such as corporations, trust, or estates
- have an undivided interest in the land.

--Note:** For revocable or living trusts, the landowner exemption "for actively engaged in farming" cannot be extended to the grantor since only the trust has equitable interest in the land.**--

132 Landowner Exemption (Continued)

B Other Participants That Use This Rule (Continued)

- are members of a joint operation if the joint operation holds title to the land.

  Note: This rule applies to joint operations only if 1 of the following applies:

  - the members submit documentation to show the title to the land owned by the joint operation will revert to the individual members after dissolution of the
  --**joint operation according to each member's share in the joint operation**--

    Note: This requirement is considered met if the documentation provides that upon dissolution of the joint operation, the land will be sold and the proceeds divided according to each member's share in the joint operation.

  - if there is no documentation otherwise and the Regional Attorney advises that State law provides that upon dissolution of the joint operation the land will be sold and the proceeds divided according to each member's share in the joint operation.

133 Landlord

A Rule

A landlord who is not a landowner shall be considered to be "actively engaged in farming" under the same rules as any other individual or entity that is not a landowner.

Notes: If the landlord provides leased or rented land to an operation in return for a share of the crop, the land will be considered as a contribution. Other contributions, as applicable, are required.

--**See paragraph 172 for cash-rent tenant requirements.**--

B Example 1

Situation: Landowner A cash leases land to Individual B. Individual B subleases the land to Operator C. Individual B contributes land and does not contribute a significant amount of active personal labor or active personal management to the farming operation.

Determination: Individual B is not "actively engaged in farming." Individual B cannot be considered to be "actively engaged in farming" because of the landowner provision, since Individual B is a landlord and not a landowner. Landowner A is not "actively engaged" on this farming operation since cash rent is received for the use of the land, but may be "actively engaged" with respect to another farming operation. A separate determination will be made for Operator C.

133 Landlord (Continued)

C Example 2

Situation: Individual D cash leases land from Landowner E. Individual D subleases the land to Producer C on a share-rent basis. Individual D contributes the land and active personal management to the farming operation.

Determination: Because Individual D cash rents the land from Landowner E, Individual D:

- is a cash-rent tenant.

  Note: A cash-rent tenant is eligible to receive program payments on the cash rented land, if the cash-rent tenant provides a significant contribution of either of the following:

  - active personal labor and capital, equipment, or land
  - active personal management and equipment.

- is not the landowner and cannot be considered "actively engaged in farming" because of the landowner provision.

Because Individual D has provided a significant contribution of land and management, Individual D can be considered "actively engaged in farming". However, Individual D is **ineligible** to receive program payments on the cash rented land, because the necessary contributions for a cash-rent tenant were not made.

A separate determination will be made for Producer C.

Landowner E is not considered "actively engaged in farming" for this farming operation, but may be considered "actively engaged in farming" for another farming operation.

134 Percent of Cropland Factor

A Introduction

In some cases, producers may only be eligible for payment for a portion of the cropland in the farming operation. Therefore, FSA shall determine the percentage of the farming operation that is eligible for payment. This is determined based on the percent of cropland.

B When to Use

Use "percent of cropland" factor when a producer:

- does not provide a significant contribution of active personal labor or active personal management to the entire farming operation
- is "actively engaged in farming" and eligible for payment on a portion of the land in the farming operation because of the landowner provision
- is a cash-rent tenant and is ineligible for payment for the cash-rented land.

Note: The automated system does not handle cases where the producer is "actively engaged" on some but not all farming operations.

C Applying the Factor

The "percent of cropland" factor shall be applied to all program payments earned by the producer on each farm within the farming operation.

134 Percent of Cropland Factor (Continued)

D Determining the Factor

Determine a "percent of cropland" factor according to this table. CCC-504 may be used.

Step	Action
1	List the total cropland acres for each farm in the producer's farming operation and total the acres.
2	List the cropland acres owned by the producer on each of those farms and total the acres. **Note:** Also include cropland acres that are not cash-rented and for which the producer meets the requirements to be eligible for payment.
3	Divide the result of step 2 by the result of step 1.
4	Multiply the factor from step 3 times the producer's payments earned on each farm.
5	Pay the producer the adjusted payment allowed for each farm as determined by step 4.

134 Percent of Cropland Factor (Continued)

E Example of CCC-504 (Optional)

This example shows how CCC-504 (Optional) may be used to determine the "percent of cropland" factor.

REPRODUCE LOCALLY. *Include form number and date on reproductions.*

CCC-504 (OPTIONAL)
(04-11-88)

U.S. DEPARTMENT OF AGRICULTURE
Commodity Credit Corporation

WORKSHEET TO BLEND SHARES AND DETERMINE PERCENT OF CROPLAND FACTOR

1. PROGRAM YEAR: 1991
2. STATE: IA
3. COUNTY: Warren

SECTION I - BLENDING A PRODUCER'S SHARE OF PROGRAM CROPS, ACR, CU FOR PAYMENT, AND CRP

4. PRODUCER NAME: McGlynn Farms, Inc.

FARM NUMBER 5	CROP OR LAND USE 6	ACRES 7	PERCENT SHARE 8	ACRE SHARE 9
	TOTAL		TOTAL	

10. *Divide the total of column 9 by the total of column 7.* _____ = Producer's blended share.

SECTION II - DETERMINING ADJUSTED PAYMENTS ALLOWED BY PERCENT OF CROPLAND FACTOR

Column 14 divides the total cropland acres owned by the total cropland acres in the producer's farming operation to get the percent of cropland factor. This factor applies to each payment earned by the producer.

Column 16 multiplies the percent of cropland factor by the producer's payments earned on each farm to get the producer's adjusted payments allowed.

FARM NUMBER 11	CROPLAND ACRES OWNED 12	TOTAL CROPLAND ACRES 13	PERCENT OF CROPLAND FACTOR 14	PRODUCER PAYMENTS EARNED BY FARM 15	ADJUSTED PAYMENTS ALLOWED 16
16	75.0	275.0	.1630	20544.00	3349.00
25		185.0		9213.00	1502.00
TOTALS	75.0	460.0	.1630	29757.00	4851.00

REMARKS

134 Percent of Cropland Factor (Continued)

*--F Example 1

In this example, Sam Brown hires all labor and management necessary to conduct the farming operation.

Farm 20 **Tract 1 - 100 acres** Operator - Sam Brown Owner - Sam Brown Rental - N/A
Farm 20 **Tract 2 - 100 acres** Operator - Sam Brown Owner - Pete Smith Rental - Cash lease

Result:

The farming operation for Sam Brown is the entire acreage on Farm 20. There is no farming operation for Pete Smith because he does not have an interest in any crop or crop proceeds.

Because Sam Brown does not provide a significant “right hand” contribution to the farming operation, he may only be considered “actively engaged in farming” under the landowner exemption for that portion of the farming operation represented by land he owns.

Sam Brown owns 50 percent of the cropland in his farming operation. Therefore, payments to Sam Brown would be subject to a percent of cropland factor of 50 percent.**--***

134 Percent of Cropland Factor (Continued)

*--G Example 2

This example is the same as example 1, except that the tracts are not combined as 1 farm. In this example, Sam Brown hires all labor and management necessary to conduct the farming operation.

Farm 21 **100 acres**
Operator - Sam Brown Owner - Sam Brown Rental - N/A

Farm 22 **100 acres**
Operator - Sam Brown Owner - Pete Smith Rental - Cash lease

Result:

The farming operation for Sam Brown is the entire acreage on Farm 21 and Farm 22. There is no farming operation for Pete Smith because he does not have an interest in any crop or crop proceeds.

Because Sam Brown does not provide a significant “right hand” contribution to the farming operation, he may only be considered “actively engaged in farming” under the landowner exemption for that portion of the farming operation represented by land he owns.

Sam Brown owns 50 percent of the cropland in his farming operation. Therefore, payments to Sam Brown would be subject to a percent of cropland factor of 50 percent.**--***

134 Percent of Cropland Factor (Continued)

*--H Example 3

In this example, Sam Brown hires all labor and management necessary to conduct the farming operation.

Farm 23 **100 acres**
Operator - Sam Brown Owners - Sam Brown and Pete Smith (undivided joint interest) Rental - Cash lease

Result:

Because Sam Brown does not provide a significant "right hand" contribution to the farming operation, he may only be considered "actively engaged in farming" under the landowner exemption for that portion of the farming operation represented by land he owns.

Because Sam Brown has an undivided ownership interest in the entire acreage in his farming operation, the percent of cropland owned is 100 percent. Accordingly, Sam Brown is "actively engaged in farming" on 100 percent of his farming operation and is eligible to receive 100 percent of the payment earned.**--***

134 Percent of Cropland Factor (Continued)

I Example 4

In this example, Sam Brown and Pete Smith each have a 50 percent share in the partnership. The partnership and the members do not have any other farming interests not indicated. Sam Brown shares in the pro rata share of all crops, regardless of where the crops are planted. The partnership agreement stipulates that upon dissolution, the land ownership will revert to the members according to their current shares of the partnership. The Brown and Smith partnership hires all labor and management necessary to conduct the farming operation.

Farm 24 **Tract 1 - 100 acres** Operator - Brown and Smith, a general partnership Owner - Sam Brown Rental - .3333 crop share
Farm 24 **Tract 2 - 100 acres** *** * *** Owner - Brown and Smith, a general partnership Rental - N/A

Result:

The partnership's farming operation is the entire acreage in Farm 24.

***--**Sam Brown's farming operation is the acreage in tract 1.

Because the members of the partnership do not provide a significant "right-hand" contribution to the farming operation, the members of the partnership are only considered to be "actively engaged in farming" under the landowner exemption for that portion of their farming operation represented by owned land. Therefore, a percent of cropland factor of 50 percent would apply to payments made to the partnership.

A percent of cropland factor of 100 would apply to Sam Brown since he is considered to be "actively engaged in farming" on his entire farming operation.**--***

134 Percent of Cropland Factor (Continued)

*--J Example 5

This example is similar to example 4, except that the tracts are not combined as 1 farm. In this example, Sam Brown and Pete Smith are members of Brown and Smith Partnership. Neither the partnership nor the members have any other farming interests not indicated. The partnership agreement stipulates that upon dissolution, the land ownership will revert to the members according to their current shares of the partnership. Brown and Smith Partnership hires all labor and management necessary to conduct the farming operation.

Farm 25 **100 acres**
Operator - Brown and Smith, a general partnership Owner - Sam Brown Rental - .3333 crop share

Farm 26 **100 acres**
Operator - Brown and Smith, a general partnership Owner - Brown and Smith, a general partnership Rental - N/A

Result:

The partnership's farming operation consists of Farm 25 and Farm 26. Sam Brown's farming operation consists of the acreage in Farm 25, only. Because neither member of the partnership provides a significant "right hand" contribution to the farming operation, the members of the partnership may not be considered "actively engaged in farming" on the entire farming operation under the individual or joint operation provisions. The members of the partnership, as landowners of Farm 26, are considered "actively engaged in farming" under the landowner exception.**--***

134 Percent of Cropland Factor (Continued)

*--J Example 5 (Continued)

Sam Brown, as individual landowner of farm 25, is considered "actively engaged in farming" under the landowner exception. This is 100 percent of Sam Brown's individual farming operation. Sam Brown's interest in the partnership is a separate farming operation.

The partnership owns 50 percent of the cropland in its farming operation. Therefore, the members of the partnership are "actively engaged in farming" on 50 percent of the partnership's farming operation and it is entitled to receive 50 percent of its earned payment on each farm in the farming operation.

K Example 6

In this example, Brown, Smith, Black, and Jones Partnership is made up of the 4 individual landowners. The partnership and the members of the partnership do not have any other farming interests. Each farm is of equal size and value. The contributions of each partner are commensurate and at risk. Each of the landowners contribute their own land to the partnership, so no rent will be paid. All payments go to the partnership.

The partnership hires all labor and management necessary to conduct the farming operation.

Farm 27 **100 acres**
Operator - Brown, Smith, Black, and Jones, a general partnership
Owner - Sam Brown
Rental - N/A

--*

134 Percent of Cropland Factor (Continued)

*--K Example 6 (Continued)

Farm 28 **100 acres**
Operator - Brown, Smith, Black, and Jones, a general partnership Owner - Pete Smith Rental - N/A

Farm 29 **100 acres**
Operator - Brown, Smith, Black, and Jones, a general partnership Owner - Henry Black Rental - N/A

Farm 30 **100 acres**
Operator - Brown, Smith, Black, and Jones, a general partnership Owner - Bill Jones Rental - N/A

Result:

The farming operation for the partnership consists of all the acreage in farms 27, 28, 29, and 30. Because the members do not provide “right hand” contributions, the members of the partnership are not “actively engaged in farming” under the individual or joint operation provisions. However, each individual is “actively engaged in farming” with respect to the actual land owned under the landowner exception.

Because the members of the partnership are not “actively engaged in farming” on the entire farming operation, only that portion earned with respect to the owned land may be paid. The percent of cropland owned by each owner is 25 percent. Accordingly, a 25 percent of cropland factor would be applied to the partnership’s payment on each farm.--*

135-148 (Reserved)

Subsection 2 Specific Rules for Contributions

149 Overview

A Introduction

This subsection explains specific rules for contributions required for “actively engaged in farming” determinations.

B In This Subsection

The following paragraphs are included in this subsection.

Paragraph	Title	Page
150	Significant Contribution of Capital, Equipment, and Land	2-202
151	Specific Rules for Capital	2-203
152	Specific Rules for Equipment	2-205
153	Specific Rules for Land	2-208
154	Significant Contribution of Active Personal Labor or Management	2-211
155	Specific Rules for Active Personal Labor or Management	2-212
156	Inputs for Commensurate Contributions	2-213
157	Determining Commensurate Contributions	2-215
158	Blended Shares	2-218
159	Determining Contributions “At Risk”	2-220

150 Significant Contribution of Capital, Equipment, and Land

A Introduction

When a significant contribution of capital, equipment, or land is required, use the rule in this paragraph to determine what is considered "significant."

B Rules for Significant Contributions

This table shows the general rules for determining when a significant contribution is provided to a farming operation by an individual or entity.

Item	Rule
Capital	The capital must have a value equal to at least 50 percent of the individual's or entity's commensurate share of the total capital necessary to conduct the farming operation, excluding any outlays of capital for land or equipment.
Equipment	The equipment must have a rental value equal to at least 50 percent of the individual's or entity's commensurate share of the total rental value of the equipment necessary to conduct the farming operation.
Land	The land must have a rental value equal to at least 50 percent of the individual's or entity's commensurate share of the total rental value of the land necessary to conduct the farming operation. **Note:** Share rented land is a contribution of the landlord, not the share renter.
Any combination of capital, equipment, and land	The combined contribution of capital, equipment, and land must have a value equal to 30 percent of the individual's or entity's commensurate share of the total value of the farming operation.

151 Specific Rules for Capital

A Introduction

For capital to be a significant contribution to the farming operation, the capital contributed must meet the requirements of this paragraph.

B General Rule

The capital must be contributed directly to the farming operation from a fund or account separate and distinct from that of any other individual or entity with an interest in the farming operation.

Capital contributions to a farming operation **do not** include:

- the value of labor or management
- outlays for land or equipment.

*--C Source of Capital

The capital may be a direct out-of-pocket input of either of the following:

- a specified sum by the individual, entity, joint operation, members of a joint operation, or combined State producer

- an amount borrowed by the individual or entity.--*

151 Specific Rules for Capital (Continued)

D Borrowed Capital

Capital used as a significant contribution may be borrowed. The rules in this table apply to borrowed capital.

IF the farming operation is conducted by...	THEN borrowed capital must...

any of the following:
• an individual
• a joint operation, but the capital is contributed by a member of the joint operation rather than by the joint operation itself
• an entity
	• be contributed directly to the farming operation by the applicable individual, entity, or member
	• not have been acquired as a result of a loan made to, guaranteed by, or secured by:
	  • any other individual, joint operation, or entity that has an interest in the farming operation
	  • the individual, joint operation, or entity by any other individual, joint operation, or entity that has an interest in the farming operation
	  • any other individual, joint operation, or entity in whose farming operation this individual, joint operation, or entity has an interest.

a joint operation in which the capital is contributed by the joint operation rather than by any members	• be contributed directly to the farming operation by the joint operation
	• not have been acquired as a result of a loan made to, guaranteed by, or secured by:
	  • any individual, entity, or joint operation that has an *--interest in the farming operation, except members of the joint operation to which the loan is made
	  Note: Refer to the example in subparagraph 296 C.--*
	  • the joint operation by any individual, entity, or other joint operation that has an interest in the farming operation
	  • any individual, entity, or other joint operation in whose farming operation this joint operation has an interest.

152 Specific Rules for Equipment

A Introduction

To be credited as a significant contribution to the farming operation, owned or leased equipment must meet the requirements of this paragraph.

B Leased Equipment

*--The equipment may be leased from any individual, entity, or joint operation, but use the following table to determine if restrictions apply.

IF the equipment is leased from...	THEN...
another individual, entity, or joint operation that has an interest in the farming operation	the producer must: • be able to prove to COC that the equipment was leased at a fair market value • make the payment within the time determined by COC to be reasonable and customary for the area, taking into consideration whether the equipment is leased by the hour, day, or acre, or on an annual basis.
a joint operation that has 1 or more members in common with the producer to whom the equipment is leased	
an individual, entity, or joint operation not otherwise indicated in this table	the restrictions provided in this table do not apply.

--*

152 Specific Rules for Equipment (Continued)

C Financing Rules for Equipment

The restrictions on financing for equipment in this table apply to both owned and leased equipment contributed for credit as a significant contribution.

IF the farming operation is conducted by...	THEN the equipment must...

any of the following:
• an individual
• a joint operation, but the equipment is contributed by a member
• an entity
	• be contributed directly to the farming operation by the applicable individual, entity, or member
	• not have been acquired as a result of a loan made to, guaranteed by, or secured by:
	  • any other individual, joint operation, or entity that has an interest in the farming operation
	  • the individual, joint operation, or entity by any other individual, joint operation, or entity that has an interest in the farming operation
	  • any other individual, joint operation, or entity in whose farming operation this individual, joint operation, or entity has an interest.

a joint operation in which the equipment is contributed by the joint operation	• be contributed directly to the farming operation by the joint operation
	• not have been acquired as a result of a loan made to, guaranteed by, or secured by:
	  • any individual, entity, or joint operation that has an *--interest in the farming operation, except members of the joint operation to which the loan is made
	  Note: Refer to the example in subparagraph 296 C.--*
	  • the joint operation by any individual, entity, or other joint operation that has an interest in the farming operation
	  • any individual, entity, or other joint operation in whose farming operation this joint operation has an interest.

152 Specific Rules for Equipment (Continued)

D Effects of Borrowed Capital on Equipment Contribution

If any capital was borrowed by the individual, entity, or joint operation from any other individual, entity, or joint operation with an interest in the farming operation, the cash-leased equipment will not be considered as a significant contribution unless the individual, entity, or joint operation can prove to COC that sufficient capital was available from another source to pay the cash lease.

E Occasional Exchange of Equipment

The occasional exchange of equipment, including labor, with a neighbor will not affect the contribution determination if each producer has adequate equipment, through ownership or lease, to conduct his or her own farming operation in a manner normally acceptable for the area.

153 Specific Rules for Land

A Introduction

To be considered a significant contribution to the farming operation, owned or cash leased land must meet the requirements of this paragraph.

B Leased Land

The land may be leased from any individual, entity, or joint operation.

If the land is leased from another individual, entity, or joint operation that has an interest in ***--**any crop or crop proceeds in the farming operation, the producer must:

- be able to prove to COC that the land was leased at a fair market value
- make the payment within the time determined by COC to be reasonable and customary for the area.**--***

Note: Share-rented land is a contribution of the landlord, not the share renter.

153 Specific Rules for Land (Continued)

C Financing Rules for Land

The restrictions in this table apply to both owned and leased land contributed for credit as a significant contribution.

IF the operation is conducted by...	THEN the land must...

any of the following:
• an individual
• a joint operation, but the land is contributed by a member
• an entity
	• be contributed directly to the farming operation by the applicable individual, entity, or member
	• not have been acquired as a result of a loan (including land acquired by "Contract of Deed", "Deed of Trust", "Land Contract", or other similar arrangement) made to, guaranteed by, or secured by:
	  • any other individual, joint operation, or entity that has an interest in the farming operation
	  • the individual, joint operation, or entity by any other individual, joint operation, or entity that has an interest in the farming operation
	  • any other individual, joint operation, or entity in whose farming operation this individual, joint operation, or entity has an interest.

a joint operation in which the land is contributed by the joint operation	• be contributed directly to the farming operation by the joint operation
	• not have been acquired as a result of a loan (including land acquired by "Contract of Deed", "Deed of Trust", "Land Contract", or other similar arrangement) made to, guaranteed by, or secured by:
	  • any individual, entity, or other joint operation that has an *--interest in the operation, except members of the joint operation to which the loan is made
	  Note: Refer to the example in subparagraph 296 C.--*
	  • the joint operation by any individual, entity, or other joint operation that has an interest in the farming operation
	  • any individual, entity, or other joint operation in whose farming operation this joint operation has an interest.

153 Specific Rules for Land (Continued)

D Effects of Borrowed Capital on Land Contribution

If any capital was borrowed by an individual, entity, or joint operation from any other individual, entity, or joint operation with an interest in the farming operation, cash leased land will not be considered as a significant contribution unless the individual, entity, or joint operation can prove to COC that sufficient capital was available from another source to pay the cash lease.

154 Significant Contribution of Active Personal Labor or Management

A Introduction

[7 CFR 1400.3] When a significant contribution of active personal labor or active personal management is required, use the rules in this paragraph to determine what is considered "significant."

B Rules on Significant Contribution

This table shows the general rules for determining when a significant contribution is provided to a farming operation by an individual or entity.

Item	Rule
Active personal labor	The active personal labor must be an amount that is the smaller of: •***--**1,000 hours per either FY or crop year**--*** • 50 percent of the total hours that would be required to conduct a farming operation comparable in size to this individual's or entity's commensurate share in the farming operation.
Active personal management	The contribution of active personal management must be critical to the profitability of the farming operation, taking into consideration the individual's or entity's commensurate share in the farming operation.
Any combination of labor and management	Combined contributions of active personal labor and active personal management must have a critical impact on the profitability of the farming operation in an amount at least equal to the significant contribution of either consideration when taken alone.

Note: If a member of a joint operation receives a guaranteed payment for any part of a contribution of labor or management, exclude all of the specific type of contribution for which payment is received.

155 Specific Rules for Active Personal Labor or Management

A Introduction

It is difficult to measure a significant contribution of management. The required hours of labor will be different in 1 type of farming operation than in another. In some cases, it is difficult to distinguish between labor and management.

B Basis for Decisions

Decisions must be based on COC's best judgement considering:

- the requirements in this section
- the intent of these provisions is to provide program benefits to bona fide farmers, personally providing meaningful inputs on the farm.

Note: COC's are given enough discretion to make the subjective decisions required.

C Requiring Proof

If necessary, COC may require proof of who provides:

- labor equal to 50 percent or more of the individual's or the entity's commensurate share of the labor required

  Note: Proof of labor exceeding 1,000 hours is not required.

- management input critical to the overall profitability of the farming operation
- a satisfactory contribution of a combination of labor and management.

156 Inputs for Commensurate Contributions

A Introduction

For a farming input to be considered toward satisfying the requirements of commensurate contributions, the requirements of this paragraph must be met.

B Rules for Commensurate Contributions

After the requirements for significant contributions have been met, apply the rules in this table when determining commensurate contributions.

Farming Input	General Rule	Requirements	
• Land • Capital • Equipment	Include if contributed directly to the farming operation by the individual or entity.	**IF the contribution was acquired as a result of a loan to...**	**THEN the loan must...**

		• the farming operation in which the individual or entity has an interest
		
		• the individual, entity, or farming operation:
		
		  • by the farming operation or any of its members, beneficiaries, or related entities
		
		  • that was guaranteed or secured by the farming operation or any of its members, beneficiaries, or related entities.
			• bear the prevailing interest rate
			
			• have a repayment schedule normal for the area.

• Labor • Management	Include all contributions of labor and management, including hired labor and hired management.	***--**If a member of a joint operation receives a guaranteed payment for any part of a contribution of labor or management, exclude all of the specific type of contribution for which payment is received.**--*** **Note:** "Draws" or advances for a member that have an effect on the member's share of the partnership or proceeds of the partnership are not considered a guaranteed payment.	

157 Determining Commensurate Contributions

A Introduction

Use the guidelines in this paragraph to determine whether contributions are commensurate with shares.

B General Rule

Total contributions that are "within reason" of being equal to the claimed share of profits and losses shall be considered commensurate.

Note: COC's shall not establish a specific tolerance for "within reason."

C Determining Contributions

Use the steps in this table to determine each individual's or entity's contributions to a farming operation.

*--

Step	Action
1	Determine the total amount of each farming input needed to conduct the farming operation.
2	Determine the type and amount of farming inputs provided by the individual or entity that meet the requirements in paragraph 156.
3	Determine the percentage of each input required to conduct the farming operation provided by the individual or entity.
4	Does the individual or entity provide the same percentage of all inputs required to conduct the farming operation? • If yes, consider the individual or entity as providing that percentage of that percentage of the farming inputs required to conduct the farming operation. • If no, determine the value of the inputs provided by the individual or entity relative to the total amount of farming inputs required to conduct the farming operation.
5	Determine whether the individual's or entity's contributions to the farming operation are commensurate with the individual's or entity's claimed share of the farming operation. See subparagraph 157 D.

--*

157 Determining Commensurate Contributions (Continued)

D Determining Commensurate Shares

Use the steps in this table to determine whether contributions to a farming operation are commensurate with the claimed share of the profits or losses.

Step	Determination
1	Is the producer's farming operation participating in more than 1 program? • If yes, go to step 2. • If no, go to step 4.
2	Are the producer's total contributions to the entire farming operation commensurate with the claimed shares of all programs for the entire farming operation? • If yes, go to step 5. • If no, go to step 3.
3	Are the producer's contributions to **each** of the programs commensurate with the claimed shares of each program separately? • If yes, go to step 5. • If no, do not continue. **Note:** Determine the producer to be **not** "actively engaged" for the farming operation.
4	Are contributions by the producer that COC considers pertinent to the farming operation commensurate with the claimed share of profits or losses from the farming operation? • If yes, go to step 5. • If no, do not continue. **Note:** Determine the producer to be **not** "actively engaged" for the farming operation.
5	Determine the producer to be "actively engaged in farming" if all other provisions are satisfied.

157 Determining Commensurate Contributions (Continued)

E DD Responsibility

DD is responsible for:

- verifying that no “tolerance” for commensurate contributions is established in any county
- maintaining reasonable uniformity between counties
- ensuring that the integrity of the program is maintained.

158 Blended Shares

A Introduction

Producers may have different shares of * * * crops and land uses, possibly on different farms, within a farming operation.

B When to Use

Use this procedure to blend the different shares of * * * crops and land uses to determine the producer's overall share of the farming operation.

C Determining Blended Shares

Follow this table to determine the producer's overall shares of the farming operation. CCC-504 may be used.

Step	Action
1	*--List acres of crops and land uses on farms in which the producer has a share.--* * * *
2	Add the acres of the listed crops and land uses.
3	Multiply the acres of each of the listed crops and land uses by the producer's percent share of that crop or land use.
4	Add the results of step 3.
5	Divide the result of step 4 by the result of step 2 to determine the producer's blended share of the farming operation.

158 Blended Shares (Continued)

D Examples

This example shows how CCC-504 (Optional) may be used to determine blended shares.
*--

REPRODUCE LOCALLY. Include from number and date on reproductions.

CCC-504 (OPTIONAL) U.S. DEPARTMENT OF AGRICULTURE
(04-11-89) Commodity Credit Corporation

WORKSHEET TO BLEND SHARES AND DETERMINE PERCENT OF CROPLAND FACTOR

1. PROGRAM YEAR: 199X
2. STATE: IA
3. COUNTY: Warren

SECTION I - BLENDING A PRODUCER'S SHARE OF PROGRAM CROPS, ACR, CU FOR PAYMENT, AND CRP

4. PRODUCER NAME: McGlynn Farms, Inc.

5 FARM NUMBER	6 CROP OR LAND USE	7 ACRES	8 PERCENT SHARE	9 ACRE SHARE
16	Corn	150.0	.7500	112.5
16	Wheat	75.0	.7500	52.5
21	Wheat	50.0	.7500	37.5
25	Corn	80.0	.7500	60.0
25	Wheat	105.0	.6667	70.0
	TOTAL	460.0	TOTAL	332.5

10. *Divide* the total of column 9 by the total of column 7. .7223 = Producer's blended share.

SECTION II - DETERMINING ADJUSTED PAYMENTS ALLOWED BY PERCENT OF CROPLAND FACTOR

Column 14 *divide* the total cropland acres owned by the total cropland acres in the producer's farming operation to get the percent of cropland factor. The factor applies to each payment earned by the producer.

Column 16 *multiply* the percent of cropland factor by the producer's payments earned on each farm to get the producer's adjusted payments allowed.

11 FARM NUMBER	12 CROPLAND ACRES OWNED	13 TOTAL CROPLAND ACRES	14 PERCENT OF CROPLAND FACTOR	15 PRODUCER PAYMENTS EARNED BY FARM	16 ADJUSTED PAYMENTS ALLOWED
			→ x	=	
TOTALS	+		=		

REMARKS

--*

159 Determining Contributions "At Risk"

A Introduction

In addition to other requirements for an individual or entity to be considered "actively engaged in farming", the contributions made by the individual or entity must be "at risk".

B General Rule

For a producer's contribution to be considered "at risk", there must be a possibility that the producer could suffer loss.

C Specific Rules for "At Risk"

Apply the rules in this table when determining whether contributions are "at risk".

IF the producer is...	THEN...
an individual	the individual's contributions to the farming operation must be at risk.
a joint operation	the members' contributions to the farming operation must be at risk.
an entity	the entity's contributions to the farming operation must be at risk.

160-170 (Reserved)

Section 8 Cash-Rent Tenant

171 Overview

A Background

The Omnibus Budget Reconciliation Act of 1987 amended the Food Security Act of 1985 to provide restrictions on payments to cash-rent tenants.

B In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
172	Cash-Rent Tenant Rule	2-238
173	Cash-Rent Tenant Example	2-240

172 Cash-Rent Tenant Rule

A Introduction

A cash-rent tenant must meet the requirements of this paragraph to be eligible to receive payment for programs that require application of the cash-rent tenant rule. See paragraph 16.

B Applicability

[7 CFR 1400.401 (a)] The cash-rent tenant rule applies to any producer that rents land from another producer for cash or a crop share guaranteed as the amount of the commodity to be paid in rent.

The provisions also apply to tenants who rent land for 0 dollars or who farm the land in exchange for compensation other than cash, such as:

- controlling weeds on land not owned
- barter arrangements.

C Rule

[7 CFR 1400.401 (a)] Any cash-rent tenant shall be ineligible to receive payment unless the ***--**cash-rent tenant makes either of the following:

- a significant contribution of active personal labor to the farming operation
- a significant contribution of both of the following to the farming operation:
  - active personal management
  - equipment.**--***

Notes: A cash-rent tenant must also meet all applicable requirements to be considered "actively engaged in farming."

See paragraph 134 if the producer is eligible to receive payment for a portion of the farming operation represented by the amount of cropland that is not cash rented from another producer.

172 Cash-Rent Tenant Rule (Continued)

D Specific Rules for Equipment

Use the rules in this table if a significant contribution of equipment is necessary to meet the requirements of the cash-rent tenant rule.

IF the cash-rent tenant...	THEN...
provides the harvesting equipment	the rental value of harvesting equipment is included when determining the total rental value of the equipment necessary to conduct the farming operation.
meets both of the following requirements: • custom harvesting is used in the cash-rent tenant's farming operation • the custom harvester has no interest in the farming operation	the rental value of harvesting equipment is not included when determining the total rental value of the equipment necessary to conduct the farming operation. **Note:** The rental value of harvesting equipment would still be considered in making "actively engaged in farming" determinations. **Example:** Individual A, a cash-rent tenant, owns or leases all equipment for the farming operation except equipment needed for harvesting. Harvesting is custom hired. The custom harvester has no interest in the farming operation. The rental value of harvesting equipment shall not be included in determining the total rental value of equipment needed to conduct the farming operation for purposes of the cash-rent tenant rule.
leases the equipment from the landowner	***--**the lease and payment must meet the requirements of subparagraph 152 B.**--***
leases the equipment from the same individual or entity that is providing hired labor to the farming operation	both of the following conditions must be met: • the contracts for the lease of the equipment and for the hired labor must be 2 separate contracts that reflect the fair market value of the leased equipment and the hired labor • the cash-rent tenant must exercise complete control over the use of a significant amount of the equipment during the current crop year.

173 Cash-Rent Tenant Example

--A Example 1--

Situation: Individual A cash leases land from Landowner B. Individual A subleases the land to Producer C on a share-rent basis. Individual A contributes the land and active personal management to the farming operation.

Determination: Because Individual A cash rents the land from Landowner B, Individual A:

- is a cash-rent tenant
- is not the landowner and cannot be considered "actively engaged in farming" because of the landowner provision.

Because Individual A has provided a significant contribution of land and management, Individual A can be considered "actively engaged in farming". However, Individual A is **ineligible** to receive program payments on the cash rented land, because the necessary contributions for a cash-rent tenant were not made.

A separate determination will be made for Producer C.

Landowner B is not considered to be "actively engaged in farming" for this farming operation, but may be considered "actively engaged in farming" for another farming operation.

*--B Example 2

Situation: A joint operation consists of individuals A, B, C, and D; all with equal shares. All land is cash-rented by the joint operation. Members A and B provide all of the equipment, Members C and D provide all the capital, all necessary labor is hired by the joint operation, and active personal management is provided equally by the members.

Determination: Only Members A and B meet the requirements of the cash-rent tenant rule. Therefore, payment to the joint operation is limited to the amount represented by the shares held by Members A and B.

Explanation: Since all labor is hired by the joint operation, significant contributions of both equipment and active personal management are required. Members C and D do not provide any contributions of equipment and, therefore, do not meet the requirements of the cash-rent tenant rule required for payment eligibility.**--***

173 Cash-Rent Tenant Example (Continued)

*--C Example 3

Situation: Same as subparagraph B, except that the joint operation provides all capital, equipment, and hired labor. Active personal management is equally provided by the members.

Determination: All members meet the requirement of the cash-rent tenant rule.

Explanation: Since all labor is hired by the joint operation, significant contributions of both equipment and active personal management of the members are required. A significant contribution of equipment was provided by the joint operation and active personal management was provided by the members.

D Example 4

Situation: Same as subparagraph C, except that the joint operation has all of the land custom farmed by unrelated individuals and entities.

Determination: All members are ineligible for payment on the land cash-rented by the joint operation.

Explanation: Significant contributions of active personal labor by the members, or a significant contribution of equipment and a significant contribution of active personal management, were not provided to the operation as required for payment eligibility.

E Example 5

Situation: A local Future Farmers of America chapter requests program payments on land that is cash-rented from an unrelated party. The chapter members are providing active personal labor and active personal management to the farming operation.

Determination: The National Future Farmers of America is a Federally chartered corporation with its purpose to create, foster, and assist subsidiary chapters composed of students enrolled in vocational agriculture in public schools. The corporation may not issue stock, declare or pay any dividend.

According to current rules and regulations, the combined beneficial interest of all the partners, stockholders, or members providing active personal labor, active personal management, or a combination of active personal labor and active personal management, must be at least 50 percent (subparagraph 314 B; 7 CFR §1400.204).

Even though the chapter members may be providing active personal labor and/or active personal management, they do not have the required beneficial interest in the corporation. Consequently, Future Farmers of America chapters cannot be considered to have met the requirements of the cash-rent tenant rule on the rented land.**--***

174-180 (Reserved)

Section 9 Permitted Entities

181 Overview

A
Background

The Omnibus Budget Reconciliation Act of 1987 amended the Food Security Act of 1985 to provide that an individual or entity may not receive specified payments, either directly or indirectly, from more than 3 "permitted entities".

* * *

Subsection 1 (Withdrawn--Amend. 38)

182-185 (Withdrawn--Amend. 38)

186-196 (Reserved)

Subsection 2 Entity Notification Requirements

197 Overview

A
In This Subsection

The following paragraphs are included in this subsection.

Paragraph	Title	Page
198	Entity Responsibilities	2-272
199	Notification Exceptions	2-273
200	Required Information	2-275
201	Completing CCC-501A	2-276
202	Results of Nondisclosure	2-281

198 Entity Responsibilities

A
Introduction

The Omnibus Budget Reconciliation Act of 1987 requires the entity to provide the information in subparagraph B. These requirements ensure that USDA can adequately control compliance with permitted entity provisions.

B
Responsibility for Providing Information

The entity receiving payment is responsible for obtaining the name, address, and ID number of each member, individual and entity, including individuals and entities in each lower level of embedded entity.

C
Responsibility for Notifying Members

Each entity must notify each individual member, including members of embedded entities, of the:

- requirements and limitation of the "permitted entities" provisions
- final date for members to designate "permitted entities".

199 Notification Exceptions

A
Introduction

The notification requirements for entities apply to all entities receiving payment, including embedded entities, unless an exception in this paragraph applies.

B
Exceptions

Notification requirements do not apply if the entity:

- is publicly traded on 1 of the following stock exchanges:
  - New York Stock Exchange
  - American Stock Exchange
  - Pacific Stock Exchange
  - National Association of Stock Dealers Automated Quotations (NASDAQ)
- has more than 100 members
- is tax exempt under section 501(C)(3) of the Internal Revenue Code.

  Notes: Approval by IRS shall be indicated by providing COC with a copy of either of the following:

  - IRS determination letter notifying the organization or entity of approval as a tax exempt entity for the year
  - copy of the organization's or entity's most recently filed IRS-990.

  Documentation not effective for the current year may be accepted if COC is satisfied the status for the current year is the same as supported by the documentation.

Note: If the entity meets 1 of the exceptions stated in this subparagraph, it must also meet the requirement in subparagraph C.

Continued on the next page

C
Requirement if Entity Qualifies for Exception

If an exception in subparagraph B applies, a responsible representative of the entity must certify member ownership interest according to this table.

IF...	THEN...
no member holds 5 percent interest in the entity	• enter on applicable CCC-502, section 5, the statement, "No member holds more than 5 percent ownership interest in this entity." • have the entity representative initial the statement and sign CCC-502C or CCC-502D • CCC-501A and CCC-501B are not required.
a member holds more than 5 percent interest in the entity	• the entity must provide membership information for those members with more than 5 percent interest • the entity is **not** required to provide the membership information for the balance of its members **Note:** On the applicable CCC-502, enter the statement, "Except as listed above, no other member holds more than 5 percent ownership interest in this entity." • the representative of the entity must initial the statement and sign CCC-502C or CCC-502D • members and embedded entities, if applicable, shall be entered on CCC-501A. **Note:** Designation as a "permitted entity" is not required by members with less than 10 percent interest unless COC determines the interest a substantial beneficial interest *** * ***.

200 Required Information

A
Rule

Each entity that submits a contract for a program or an application for payment that is subject to permitted entity designations or attribution must provide COC the name, ID number, and address of each individual and embedded entity that holds or acquires any interest, directly or indirectly, in the entity earning payment. This information will be recorded on CCC-501A. See paragraph 201.

Notes: Joint operations are not entities.

See paragraph 199 for notification exceptions.

B
Information Deadline

--[7 CFR 1400.502]** Provide the information to COC at the time CCC-502C**-- or CCC-502D is filed.

If the required information is not filed in the County Office *** * *** according to paragraph 50, the entity will be ineligible to receive program payments.

Note: *** * *** If an entity participates only in programs not subject to permitted entity designations, CCC-501A is not required. However, embedded membership information, if applicable, is required on CCC-502's to resolve "person" determinations.

--201 Completing CCC-501A, Member's Information--

A
Who Must Complete CCC-501A

Each corporation, limited partnership, estate, trust, or similar entity that submits a contract for payment that is subject to the limitation must provide the member's information required on CCC-501A.

Exception: CCC-501A is not required if all of the first level members are individuals.

Note: New CCC-501A's are not required to be filed in subsequent years if CCC-502 is updated according to paragraph 53.

B
Filling Responsibility

The entity that is earning payment is responsible for obtaining and providing the required information to COC.

C
Deadline for Submitting CCC-501A

The entity earning payment shall provide the completed CCC-501A to COC at the time CCC-502C or CCC-502D is filed.

D
Filing and Distribution

File the original in the entity's payment limitation folder and give the second copy to the payment entity.

Continued on the next page

E
Completing CCC-501A

Complete CCC-501A according to this table.

Item Number	Instruction
1	Enter the program year.
2	Enter the county and State in which the entity is headquartered.--*
Part A	Enter the payment entity's name.
3-6	Enter the name, Social Security and employer ID numbers, address, and percentage share of ownership for each individual or entity who is a member of the entity. Use supplemental CCC-501's, if needed.
Parts B-E	Enter the name of any entity that is a member (embedded entity) of the previously listed entity or embedded entity. If there is more than 1 entity that is a member of the previously listed entity, use supplemental CCC-501A to properly list the embedded entity at the appropriate level.
Part F	List the name, Social Security and employer ID numbers, address, and percentage share of ownership for each individual who has more than 50 percent ownership share in any further embedded entity.
Part G	*--Signature of authorized representative and date.--*

Continued on the next page

*--201 Completing CCC-501A, Member's Information (Continued)

F
Example of CCC-501A

The following is an example of a completed CCC-501A.

Form Approved - OMB No. 0560-0096

CCC-501A (12-14-99) U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation	1. PROGRAM YEAR 2000
MEMBER'S INFORMATION	2. COUNTY AND STATE Craighead, AR

NOTE: *The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The Agriculture Act of 1949, as amended, and the Food Security Act of 1985, as amended, authorize the collection of the data on this form which will be used in applying statutory payment eligibility and limitation provisions. Furnishing this data is voluntary; however, without it we may be unable to establish your maximum eligibility for program payments. This data may be furnished to any agency responsible for enforcing these provisions.*

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0096. The time required to complete this information collection is estimated to range from 20 minutes to 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. ***RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.***

Part A- *For each individual or entity who is a member of this entity, list the member's name, social security/employer identification number, address, and percentage share of ownership. If a member has both types of identification numbers, list both.*

ENTITY NAME Masner Farms, Inc.

3. MEMBER'S NAME	4. SOCIAL SECURITY/EMPLOYER IDENTIFICATION NUMBER	5. ADDRESS	6. PERCENT SHARE
J. Masner	11-11111111	333 Jones Rd., Somecity, AR 72401	50 %
M. Bruce, Inc.	22-22222222	66 Somestreet, Anytown, AR 72501	50 %
			%
			%
			%

Part B- ***Embedded Entities****: For any member listed in Item A, who is an entity, list such embedded entity's name and list the requested, information for each member of such entity. If a member has both types of identification numbers, list both. If more than one member, listed in Item A is an entity, provide the requested information for each entity on supplemental sheets.*

EMBEDDED ENTITY NAME M. Bruce, Inc.

7. MEMBER'S NAME	8. SOCIAL SECURITY/EMPLOYER IDENTIFICATION NUMBER	9. ADDRESS	10. PERCENT SHARE
M. Bruce	222-22-2222	66 Somestreet, Anytown, Ar 72451	50 %
M. Mangrum, Inc.	33-33333333	105 Normal St., Sometown, AR 72432	50 %
			%
			%
			%

Part C- ***Embedded Entities****: For any member listed in Item B, who is an entity, list such embedded entity's name and list the requested, information for each member of such entity. If a member has both types of identification numbers, list both. If more than one member, listed in Item B is an entity, provide the requested information for each entity on supplemental sheets.*

EMBEDDED ENTITY NAME M. Mangrum, Inc.

11. MEMBER'S NAME	12. SOCIAL SECURITY/EMPLOYER IDENTIFICATION NUMBER	13. ADDRESS	14. PERCENT SHARE
M. Mangrum, Inc.	33-33333333	105 Normal St., Sometown, AR 72432	50 %
Glenn Farms, Inc.	44-44444444	12 Fisher St., Farmtown, AR 72432	50 %
			%
			%
			%

--*

Continued on the next page

*--201 Completing CCC-501A, Member's Information (Continued)

F
Example of CCC-501A (Continued)

CCC-501A (Reverse) (12-14-99)

Part D- ***Embedded Entities***: *For any member listed in Item C, who is an entity, list such embedded entity's name and list the requested, information for each member of such entity. If a member has both types of identification numbers, list both. If more than one member, listed in Item C is an entity, provide the requested information for each entity on supplemental sheets.*

EMBEDDED ENTITY NAME Glenn Farms, Inc.

15. MEMBER'S NAME	16. SOCIAL SECURITY/EMPLOYER IDENTIFICATION NUMBER	17. ADDRESS	18. PERCENT SHARE
D. Glenn	444-44-4444	12 Fisher St. Farmtown, AR 72432	50 %
R. Stewart, Inc.	55-55555555	20 C Street, Anycity, AR 72001	25 %
F. Brown	666-66-6666	171 School St., Sometown, AR 72432	25 %
			%
			%

Part E- ***Embedded Entities***: *For any member listed in Item D, who is an entity, list such embedded entity's name and list the requested, information for each member of such entity. If a member has both types of identification numbers, list both. If more than one member, listed in Item D is an entity, provide the requested information for each entity on supplemental sheets.*

EMBEDDED ENTITY NAME R. Stewart, Inc.

19. MEMBER'S NAME	20. SOCIAL SECURITY/EMPLOYER IDENTIFICATION NUMBER	21. ADDRESS	22. PERCENT SHARE
R. Stewart	555-55-5555	20 C Street, Anycity, Ar 72001	50 %
T. Smith, Inc.	66-66666666	55 Federal Ave., Somecity, AR 72401	25 %
N. Heindselman	777-77-7777	Rt. 1, Box 3, Sometown, AR 72432	15 %
J. Timbs	888-88-8888	12 T Street, Nowhere, Ar 72352	10 %
			%

Part F- List the following information for an individual who has more than a 50 percent ownership share in any further embedded entity.

EMBEDDED ENTITY NAME T. Smith, Inc.

23. MEMBER'S NAME	24. SOCIAL SECURITY/EMPLOYER IDENTIFICATION NUMBER	25. ADDRESS	26. PERCENT SHARE
T. Smith, Inc.	66-66666666	55 Federal Ave., Somecity, AR 72401	60 %
			%

EMBEDDED ENTITY NAME

27. MEMBER'S NAME	28. SOCIAL SECURITY/EMPLOYER IDENTIFICATION NUMBER	29. ADDRESS	30. PERCENT SHARE
			%
			%

Part G- CERTIFICATION

I certify that all the information entered on this document is true and correct. I understand furnishing incorrect information will result in forfeiture of payments and the assessment of a penalty. I will timely provide written notification to the Farm Service Agency committees for the county and State listed on this form of any changes in the information provided.

31. REPRESENTATIVE'S SIGNATURE OF PAYMENT ENTITY	32. TITLE	33. DATE
/s/ Masner farms, Inc. by J. Masner	***President***	***01-24-XX***

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

--*

202 Results of Nondisclosure

A
COC Responsibilities

--[7 CFR 1400.301 (e)]** If the entity fails to provide COC with the**-- name, ID number, and address of each applicable individual and entity, COC shall:

- deny any payment earned by the entity
- notify the entity of the denied payment and reason for the denial
- not be responsible for notifying the members
- permit the producer to cancel the applicable production flexibility contract according to the future 1-PF or 1-CRP.

203-213 (Reserved)

Subsection 3 Permitted Entity Designations

214 Overview

A
In This Subsection

The following paragraphs are included in this subsection.

Paragraph	Title	Page
215	General Permitted Entity Requirements	2-292
216	Designation of Embedded Entities	2-295
217	Designations Involving Combined Individuals or Entities	2-301
218	Completing CCC-501B	2-306
219	Completing CCC-501C	2-311
220	Results of Nondesignation	2-314
221	Withdrawn--Amend. 34	
222-232	Reserved	

215 General Permitted Entity Requirements

A
Introduction

Persons holding, directly or indirectly, a substantial beneficial interest in an entity that receives a payment subject to "permitted entity" provisions must designate that interest for the share to be paid.

Notes: See paragraph 16 for program applicability.

A joint operation is not an entity.

B
General Rule

The following table explains the general "permitted entity" rule.

IF a person...	**THEN that person may not receive additional payments, directly or indirectly, from holding substantial beneficial interest in more than...**
receives payments subject to "permitted entity" designations directly or as a member of a joint operation	**2** entities which also receive payments.
does **not** receive payments subject to "permitted entity" designations directly or as a member of a joint operation	**3** entities which receive payments.

Notes: One set of "permitted entities" applies to all programs subject to "permitted entity" designations.

--**Individuals may refuse or refund payment as an individual and be allowed to designate 3 entities through which to receive payment.**--

Continued on the next page

C
Substantial Beneficial Interest

A substantial beneficial interest is an ownership interest of either of the following:

- 10 percent or more in an entity

  Note: In determining whether this interest equals at least 10 percent, all interests in the entity that are owned by an individual or entity, directly or indirectly, shall be taken into consideration.

  Example: A corporation owns the entity.

- ***--**less than 10 percent in an entity if both of the following apply:

  - any individual or entity has a direct or indirect interest of less than 10 percent in more than 1 entity earning payment

  - COC determines that the arrangement was established for the purpose of circumventing the "permitted entity" provisions of the program.

  Note: This determination applies to all interests of the "person" that are less than 10 percent.

D
Required Information

The entity receiving payment must provide COC the name, address, and ID number or each individual and entity in each lower level of embedded entity.

Note: Record this information on CCC-501A. See paragraph 201.

A current CCC-502 is required for all program participants.

Note: CCC-502 may be required for an embedded entity if COC considers the information necessary for "person" and "actively engaged in farming" determinations for the entity receiving payment.**--***

Continued on the next page

E
Who Must Designate

"Permitted entity" designations must be made by individuals holding, directly or indirectly, a substantial beneficial interest in the entity.

The responsibility for "permitted entity" designations follows to each embedded entity until either all shares are represented by individuals or the fifth level is reached. If an entity has no individuals at any level or, in the fifth level, 1 or more of the members is still an entity:

- the entity must designate for itself
- members beyond the fifth level will be disregarded, insofar as "permitted entity" designations are concerned.

Example: If the combined State producer has an interest in an entity receiving payment which is not combined as 1 "person" with the combined State producer, that interest must be designated by the combined State producer to be paid.

Note: Use the drawing, conducted according to paragraph 256, to determine "permitted entity" order, if necessary.

Notes: This does not relieve the responsibility for making "person" determinations to whatever level is required to resolve all entities.

See paragraph 216 for designation of embedded entities.

Continued on the next page

215 General Permitted Entity Requirements (Continued)

F
Notification by Members of Permitted Entities

If an individual or entity, as applicable, holds substantial beneficial interest, directly or indirectly, in 1 or more entities or embedded entities, the individual or entity shall:

- designate the "permitted entities" of his or her choice on CCC-501B.

  Note: Total designations for all programs shall not exceed the allocation of permitted entities. Designations must be made no later than the final date allowed by applicable program procedure in order to be effective for that program.

- notify COC's in the counties where the member has earnings, if any, plus each county where the designated "permitted entity" has earnings.

  Note: See paragraph 220 for results of nondesignation and paragraph 275 for incapacitated individual rule.

Continued on the next page

G
Perpetual Designation

Once a designation is filed with COC, it will remain in effect for succeeding years, unless it is changed by the producer. Designation of permitted entities may not be made or changed later than the final date allowed by the applicable program procedure for submitting required documentation.

H
Permitted Entity Designations for Trusts

Trustees of a trust shall not be allowed to designate "permitted entities" on CCC-501B for the individual beneficiaries of the trust, unless FSA-211 is on file authorizing the trustee to designate "permitted entities" for the individual beneficiary.

I
Designating More Than Allowable Number of Permitted Entities

Do not make payments to any individual or entity that designates more than the allowable number of "permitted entities." Payments must be withheld from the individual, entity, and all parent entities. COC may allow the producer to delete the excess designations if all of the following apply:

- COC determines that the excess designation was inadvertent and not intentional
- COC determines the deletion does not serve to change a legitimate designation that was later found to be undesirable
- COC's determination is recorded in the minutes.

J
Recording a Redesignation

A redesignation shall be recorded by:

- drawing a line through the old designation on CCC-501B and have the member initial
- recording the new designation on the same line as the previous designation
- obtaining the member's signature and current date
- updating the permitted entity selections in the automated system.

*--216 Designation of Embedded Entities

A
Rule

If an individual or entity, as applicable, has an interest in an embedded entity, designation of that interest will count as 1 of the "permitted entities" for that individual or entity.

B
Example for Designating "Permitted Entities"

This is an example for designating "permitted entities" for embedded entities.

Level	Corporation	Stockholder	Percent of Stock
1	A	Individual A Individual B Corporation B	33 33 34
2	B	Individual A Individual C Corporation C	33 33 34
3	C	Individual A Individual D Corporation D	33 33 34
4	D	Individual A Individual E Corporation E	33 33 34
5	E	Individual A Individual F Corporation F	33 33 34

Note: In this example, only Corporation A is earning program benefits.**--***

Continued on the next page

***--216 Designation of Embedded Entities (Continued)**

C
Example of Designations, First Level

Only Individuals A and B may designate "permitted entities". If both individuals designate Corporation A as 1 of their "permitted entities", this accounts for 66 percent of the possible payment to the corporation.

D
Example of Designations, Second Level

Because only individuals may designate "permitted entities," Corporation B must look to its stockholders to make the designations.

If:

- Individual A (as a member of Corporation B) designates Corporation A as a "permitted entity":
  - this represents the second selection for Individual A
  - the share of Corporation A that may be paid is 77.22 percent (66 percent plus 33 percent times 34 percent equals 77.22 percent)
- Individual C (as a member of Corporation B) designates Corporation A as a "permitted entity":
  - this represents the first selection for Individual C
  - the share of Corporation A that may be paid is 88.44 percent (66 percent plus 66 percent times 34 percent equals 88.44 percent).**--***

Continued on the next page

E
Example of Designations, Third Level

Again, Corporation C (in the second level) cannot designate, so the share of Corporation A that is represented by Corporation C's share of Corporation B must be designated by the members of Corporation C.

If:

- Individual A (as a member of Corporation C) designates Corporation A as a "permitted entity":
  - this represents the third selection for Individual A
  - the share of Corporation A that may be paid is 92.25 percent (66 percent plus 66 percent times 34 percent, plus 33 percent times 34 percent times 34 percent equals 92.25 percent)
- Individual D (as a member of Corporation C) designates Corporation A as a "permitted entity":
  - this represents the first selection for Individual D
  - the share of Corporation A that may be paid is 96.07 percent (66 percent plus 66 percent times 34 percent, plus 66 percent times 34 percent times 34 percent equals 96.07 percent).**--***

Continued on the next page

F
Example of Designations, Fourth Level

Again, the members of Corporation D must designate for the corporation.

- Individual A (as a member of Corporation D) may not designate another entity because 3 have already been designated.
- If Individual E (as a member of Corporation D) designates Corporation A as a "permitted entity":
  - this represents the first selection for Individual E
  - the share of Corporation A that may be paid is 97.37 percent (66 percent plus 66 percent times 34 percent, plus 66 percent times 34 percent times 34 percent, plus 33 percent times 34 percent times 34 percent times 34 percent equals 97.37 percent).

G
Example of Designations, Fifth Level

Corporation E may not designate and must look to its members.

- Individual A (as a member of Corporation E) may not designate another entity because 3 have already been designated.
- If Individual F (as a member of Corporation E) designates Corporation A as a "permitted entity":
  - this represents the first selection for Individual F
  - the share of Corporation A that may be paid is 97.81 percent (66 percent plus 66 percent times 34 percent, plus 66 percent times 34 percent times 34 percent, plus 33 percent times 34 percent times 34 percent times 34 percent, plus 33 percent times 34 percent times 34 percent times 34 percent times 34 percent equals 97.81 percent).--*

Continued on the next page

G
Example of Designations, Fifth Level (Continued)

- Because this is the fifth level, Corporation F may designate for itself. Therefore, if Corporation F (as a member of Corporation E) designates Corporation A as a "permitted entity":
  - this represents the first and only selection allowed for Corporation F
  - the share of Corporation A that may be paid is 98.27 percent (66 percent plus 66 percent times 34 percent, plus 66 percent times 34 percent times 34 percent, plus 33 percent times 34 percent times 34 percent times 34 percent, plus 67 percent times 34 percent times 34 percent times 34 percent times 34 percent equals 98.27 percent).--*

217 Designations Involving Combined Individuals or Entities

A

Rules

The following table provides rules for "permitted entity" designations involving combined "persons."

Combined "Person"	Rules for Designations
Individuals only	• The combined "person" is allowed 3 "permitted entities." • If any of the individuals receive payments directly, including as a member of a joint operation, the direct payment interests of the individuals will be considered the first designation of the combined "person," and the combined "person" will have 2 other "permitted entities." • If none of the individuals receive payment directly, including as a member of a joint operation, the combined "person" will have 3 "permitted entities." • One designation will cover the interests of the combined "person" in the same entity at the same level.
One or more individuals and 1 or more entities	• The combined "person" is allowed 3 "permitted entities." • If any of the individuals receive payments directly, including as a member of a joint operation, the direct payment interests of the individuals, and the individuals' share of the combined direct payment entities (not embedded), will be considered as the interest of the combined "person," and the combined "person" will have 2 other "permitted entities." • If none of the individuals receive payment directly, including as a member of a joint operation, the combined "person" will have 3 "permitted entities."
Entities only	Each share of all entities must be designated by individual stockholders or members just as if the "persons" were not combined. ***--Note:** See subparagraph 215 E if there are no individual members.**--***

Continued on the next page

B
Example for Individuals Combined as 1 "Person"

Scenario: Producers A and B are combined as 1 "person" for payment limitation purposes.

Producer B has an interest as a stockholder in 3 corporations.

Producer A and the 3 corporations are "actively engaged in farming" and have program earnings.

Solution: If Producers A and B are combined, the combined "person" has earnings as an individual and is only allowed to select 2 other permitted entities. Because the 3 corporations are not a part of the combined "person," only those shares designated as "permitted" may be paid.

- The combined "person" may use its 2 "permitted entities" to designate Producer B's interest in 2 of the 3 corporations.

- Producer B's share of 1 of the corporations must remain unpaid.

The other shares of the 3 corporations must be designated by the other stockholders of the corporations for those shares to be paid.

Continued on the next page

C
Example for Individuals Combined as 1 "Person"

Scenario: Corporation 3 has 3 stockholders. Member X owns 25 percent of the stock and Minor M owns 25 percent of the stock. Producer Y owns the remaining 50 percent of the stock.

The corporation is "actively engaged in farming." Neither Member X nor Minor M has any earnings as individuals. Member X and Minor M are combined as 1 "person."

Solution: In this example, Member X and Minor M are combined as 1 "person" and together have 1 allocation of "permitted entity" ***--**designations to spend. Since neither individual has earnings as an**--*** individual, the combined "person" may select 3 "permitted entities."

- Corporation 3 is not a part of the combined "person," so all shares must be designated to be paid.

- Member X and Minor M are considered as 1 "person;" therefore, 1 "permitted entity" designation will cover both shares.

- The combined "person" may elect to use 1 of its 3 "permitted entity" designations to cover Member X's and Minor M's 50 percent share of the earnings of the corporation.

Producer Y must also designate its share of the corporation for 100 percent of the payment to be issued to Corporation 3.

Continued on the next page

D

Example for Entities Combined With Individuals

Scenario: Corporation X has 2 stockholders. Producer A owns 51 percent of the stock and Producer C owns 49 percent.

Producer A and Corporation X are combined as 1 "person" for payment limitation purposes.

Producer A and Corporation X are "actively engaged in farming" and have program earnings.

--Solution:** If Producer A and Corporation X are combined, the**-- combined "person" is considered to have earnings as an individual and is only allowed to select 2 other "permitted entities."

Producer A's earnings as an individual and Producer A's share (51 percent) of the corporation's earnings are considered as earnings of the individual. Producer A is allowed 2 other selections. Producer C would have to spend 1 "permitted" for the other 49 percent of the corporation to be paid.

If none of the individuals have earnings as an individual, the combined "person" may designate 3 "permitted entities."

In designating "permitted entities," if 2 or more combined individuals have stock or membership in an entity that is not a part of the combined "person," all these individuals' share in that entity may be covered by 1 "permitted" designation.

Continued on the next page

217 Designations Involving Combined Individuals or Entities (Continued)

E

Example for Entities Combined With Entities

Scenario: Corporation 1 has 3 stockholders. Producer A owns 50 percent of the stock, Producer B owns 25 percent, and Producer C owns 25 percent.

Corporation 2 has 2 stockholders. Producer A owns 50 percent of the stock and Producer B owns 50 percent.

Corporations 1 and 2 are combined as 1 "person" for payment limitation purposes.

Solution: In this example, none of the individuals (Producers A, B, and C) are combined with either Corporation 1 or 2. Therefore, each share within the corporations must be designated by the individual stockholders for the combined "person" to receive payment.

If any of the individuals (Producers A, B, and C) elect their respective corporation as a "permitted entity," they will have 2 remaining "permitted entity" designations.

*--218 Completing CCC-501B, Designation of "Permitted Entities"

A Completing Items 1 Through 4 of CCC-501B

Complete items 1 through 4 of CCC-501B according to this table.

Item Number	Instruction
1	Enter the name of the individual.
2	Enter the county.
3	Enter the State.
4	Enter the date.

B Completing Part A of CCC-501B

Complete Part A according to this subparagraph.**--***

- List each entity, an individual farming interest, an interest in a joint operation, and such individual's, entity's, or joint operation's Social Security or employer ID number in which the individual has a farming interest, regardless of whether or not such entity receives a direct payment.

- For any interest the individual has in an embedded entity, list the name and employee ID number of **both** the embedded entity and the entity receiving payments.

Individual A has the following farming interests.

Item Number 5	Description
a	An individual interest that receives a direct payment.
b	An individual interest as a partner in AB Partnership that receives a direct payment.
c	An individual interest as a beneficiary in Trust B that receives a direct payment.
d	An individual interest as a stockholder in Corporation C which has a direct interest in Limited Partnership E.
e	An individual interest as a stockholder in Corporation C which has direct interest in Corporation D.
f	An individual interest as a stockholder in Corporation F which is a member of F and G Partnership.

Continued on the next page

***--218 Completing CCC-501B, Designation of "Permitted Entities" (Continued)**

C
Completing Parts B and C of CCC-501B

Complete Parts B and C according to this subparagraph.**--***

- If payment is received as an individual, any farming interest as an individual, including any individual interest in a joint operation, that receives payments subject to "permitted entity" designations must be listed as the first "permitted entity" designation. Two additional "permitted entity" designations are allowed.

  Note: List any individual farming interest and any individual interest in a joint operation as 1 entry.

- If payment is not received as an individual, list up to 3 entities, including embedded entities, to be designated as "permitted entities."

Individual A has the following farming interests.

Item Number	Instruction
9	Individual A designates his individual farming interest as a "permitted entity." Individual A's interest in AB Partnership is also counted the same as the individual farming interest.
10	Individual A also designates Limited Partnership E, through Corporation C, as the second "permitted entity."
11	Individual A also designates Corporation D, through Corporation C, as the third "permitted entity."
12	Individual making the "permitted entity" designation shall sign and date the certification.

Continued on the next page

*--218 Completing CCC-501B, Designation of "Permitted Entities" (Continued)

D
Example of CCC-501B

The following is an example of a completed CCC-501B.

Form Approved - OMB No. 0560-0096

CCC-501B (11-22-99) U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation	1. NAME OF INDIVIDUAL		
	Individual A		
DESIGNATION OF "PERMITTED ENTITIES"	2. COUNTY	3. STATE	4. DATE
	Any County	Any State	XX-XX-XXXX

NOTE: *The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The Agriculture Act of 1949, as amended, and the Food Security Act of 1985, as amended, authorize the collection of the data on this form which will be used in applying statutory payment eligibility and limitation provisions. Furnishing this data is voluntary; however, without it we may be unable to establish your maximum eligibility for program payments. This data may be furnished to any agency responsible for enforcing these provisions.*

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0096. The time required to complete this information collection is estimated to range from 20 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. ***RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.***

PART A - ALL ENTITIES

List each entity, an individual farming interest, an interest in a joint operation, and such individual's, entity's, or joint operation's social security or employer identification number in which you have a farming interest, regardless of whether or not such entity receives a direct payment. For any interest you have in an embedded entity, list the name and the employee identification number of **BOTH** the embedded entity and the entity receiving payments directly from the Commodity Credit Corporation or other agency of the U.S. Department Of Agriculture. See the reverse side of this form for definitions and for examples related to this Section.

	ENTITY *(Direct Payment Entity)* 5	SOCIAL SECURITY/EMPLOYER IDENTIFICATION NUMBER 6	EMBEDDED ENTITY *(Indirect Payment Entity)* 7	SOCIAL SECURITY/EMPLOYER IDENTIFICATION NUMBER 8
a.	Individual A	111-11-1111		
b.	AB Partnership	22-2222222		
c.	Trust B	33-3333333		
d.	Limited Partnership E	77-7777777	Corporation C	44-4444444
e.	Corporation D	88-8888888	Corporation C	44-4444444
f.	F and G Partnership	55-5555555		
g.	Corporation F	66-6666666		
h.				
i.				
j.				

PART B - PERMITTED ENTITIES

List the three entities with embedded entities, if any, through which you wish to receive payments, subject to applicable limitations. Any farming interest which you have as an individual and which receives payments subject to applicable limitations must be listed. List your individual farming interest and any individual interest in a joint operation as one entry.

9. Individual A and AB Partnership

10 Limited Partnership E through Corporation C

11. Corporation D through Corporation C

PART C - CERTIFICATION

I certify that all the information entered on this document is true and correct. I understand furnishing incorrect information will result in forfeiture of payments and the assessment of a penalty. I will timely provide written notification to the Farm Service Agency committees for the county and State listed on this form of any changes in the information provided.

12. SIGNATURE OF PRODUCER	DATE
Individual A	***XX-XX-XXXX***

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

--*

219 Completing CCC-501C

A
Who Must Be Notified

If an entity has payments reduced because of the "permitted entity" rule, COC must notify the entity and each individual who has direct or indirect interest in the entity receiving a direct payment of the percentage of the reduction.

B
When Must Notification Be Made

COC must notify entities and individuals affected by reduced payments before making any payment, but not later than 75 days after the final signup date.

C
How to Notify

COC shall use CCC-501C to notify applicable producers of the reduction in payment. CCC-501C shall be printed on a blank ASCS-707.

Note: If shell document is not available in a DisplayWrite36 folder, the format shown in the example shall be typed on a blank ASCS-707.

Continued on the next page

219 Completing CCC-501C (Continued)

D
Completing CCC-501C

Complete CCC-501C according to this table.

Circled No.	Action
1	Enter the County Office name and address.
2	Enter the name of the entity whose payment will be reduced.
3	Enter the reduction percent.
4	Enter the name of each individual who did not designate the entity.
5	Enter the name and address of the applicable entity or individual receiving notification.

Continued on the next page

E
Example

This is an example of a completed CCC-501C.

F
Adjusting Member's Proceeds

Permit the members to adjust among themselves, their proceeds from the designated entity or entities. This adjustment of the member's proceeds from the designated entity does not affect the amount of earnings that may be paid to the entity, but will allow the entity to distribute its earnings differently than the member's interests would otherwise indicate.

220 Results of Nondesignation

A
Failure to Designate Permitted Entities

Each individual may only designate his or her share of an entity as a "permitted entity" designation. If any share of an entity representing a substantial beneficial interest is not designated as "permitted entity"
--**designation according to paragraph 215, reduce the payment to the entity**-- by an amount equal to the sum of all nondesignated shares.

Note: Payment amounts representing shares that are not considered as substantial beneficial interest may be paid without designation.

B
Examples

Situation 1: A corporation operates a farm, is considered "actively engaged in farming", and is a "person" for payment limitation purposes. Stock is owned equally by 2 stockholders, neither of whom designated the entity as a "permitted."

Determination: The entire earnings of the corporation must be denied.

Situation 2: Same as previous example, except 1 of the stockholders designated the corporation as a "permitted."

Determination: The corporation may be paid 50 percent of the earnings it would otherwise be entitled to receive (after limitation, if applicable).

Continued on the next page

220 Results of Nondesignation (Continued)

C

How Denial of Payments Is Accomplished

The reduction in payments to an entity resulting from the nondesignation of a substantial beneficial interest in the entity is implemented through the permitted entity software. The software:

- requires the County Office to enter shares designated as "permitted entities"
- determines shares that are not substantial beneficial interest
- calculates the total "permitted share" for the entity that is used to calculate payments.

221 (Withdrawn--Amend. 34)

222-232 (Reserved)

Part 3 Foreign Person Provisions

233 Overview

A Introduction

This part provides instructions and requirements identifying a foreign individual or entity, and determining eligibility for program benefits.

B In This Part

The following paragraphs are included in this part.

Paragraph	Title	Page
234	Applicability of Foreign Person Rule	3-2
235	Foreign Individual Identification	3-4
236	Foreign Entity Identification	3-6
237	Payment Eligibility	3-8
238	Requesting Benefits for Nonforeign Shares	3-9
239	Notification Examples - Foreign Person Rule	3-12

--234 Applicability of Foreign Person Rule--

A
Introduction

Before making any "person" or "actively engaged in farming" determinations, it must be established whether individuals or entities, projected to share in applicable program benefits, are "foreign persons".

B
Program Applicability

Apply the provisions in this part to:

- any type of payment, loan, and benefit made for 1989 and subsequent crop years

  --Note:** Refer to paragraph 16 for program applicability.**--

- *** * *** CRP contract approved after December 21, 1987. If a CRP contract was approved after December 20, 1987, but before August 1, 1988, the person may elect to have provisions of this part apply.

Note: Unless otherwise specified, all other provisions of this handbook are applicable in determining payment eligibility for "foreign persons". See paragraph 16 for applicability to specific programs.

Continued on the next page

--234 Applicability of Foreign Person Rule (Continued)--

C
Person Applicability

The provisions in this part are applicable to "foreign persons" as defined in paragraphs 235 and 236.

Note: The provisions in this part are **not** applicable to a citizen of the U.S., a lawful alien, or entity that is **not** subject to this part, who is:

- in lawful possession, through a lease or otherwise, of a farm owned by an individual or entity who is subject to this part
- successor-in-interest to a program contract or agreement for a farm owned by an individual or entity who is subject to this part.

D
COC Determination

COC shall make the initial determination of "foreign" or "nonforeign" status for individuals, corporations, or other similar entities based on documentation provided.

235 Foreign Individual Identification

A
Definition

A foreign individual is someone who is not:

- a citizen of the U.S.
- a lawful alien possessing a valid Alien Registration Receipt Card (Form I-551 or I-151).

B
Proof of Citizenship

If COC questions the citizenship of an individual, acceptable proof of citizenship must be provided, and may include:

- a birth certificate
- nationalization and citizenship papers
- a certificate of citizenship
- verification through the nearest office of Immigration and Naturalization Service.

Continued on the next page

C
Alien Registration Receipt Card

Shown are the front and back views of the 2 Alien Registration Receipt Cards currently in use.

- Special attention must be taken to ensure that proper identification of lawful aliens is made.
- Note visual inspection of this card on the applicable CCC-502.
- Request to photocopy the receipt card if there is any question of its validity.

236 Foreign Entity Identification

A
Definition

A foreign entity is a corporation, trust, estate, or other similar organization, that has more than 10 percent of its beneficial interest held by individuals who are not:

- citizens of the U.S.
- lawful aliens possessing a valid Alien Registration Receipt Card (Form I-551 or I-151).

B
Determining Beneficial Interest

In determining whether beneficial interest is held, the beneficial ownership shall be based on the higher amount of interest on either of the following dates:

- the date applicable program contract or agreement is executed
- the beginning harvest date for the commodity as determined by STC.

Note: All interest in an entity, including interest in an embedded entity, shall be taken into account.

Continued on the next page

C
Entity Ownership Share

Use this table to determine an individual's or entity's ownership interest in a foreign entity.

IF ownership is...	THEN the ownership percentage held by an individual or entity shall be based on...
of 1 class of stock or other similar unit	their outstanding share of ownership compared to the total outstanding unit of ownership.
of more than 1 class of stock or other similar unit	the fair market value of all outstanding stock. **Note:** To determine the fair market value, follow paragraph 313.

Note: The value of different classes of stock or other unit of ownership can be determined by COC, STC, or DAFP, but shall be determined by the earliest level before referring to the next higher level of authority.

D
Less Than 10 Percent Interest

DAFP may determine that an ownership interest of 10 percent or less shall be considered beneficial interest.

E
Entity's Responsibility

The entity shall inform COC of any increase in ownership by a member that occurs after the beneficial interest has been determined.

Note: If there has been an increase in ownership after a payment, loan, or benefit has been made, the entity must refund the payment, loan, or benefit.

--237 Foreign Person Payment Eligibility--

A
Introduction

This paragraph provides the requirements to determine a "foreign person" eligible *--to receive payments, loans, or benefits subject to the foreign person rule.

Note: Refer to paragraph 16 for applicability of the foreign person rule.--*

B
Contribution Requirements

In addition to the requirements for "person" and "actively engaged", the following *--significant contributions must be provided by an individual or entity considered to be a "foreign person".

Foreign Person--*	Who Must Make the Contribution	What Significant Contribution Must Be Provided
Individual	Individual	• Land • Capital • Active personal labor
Entity	Each foreign individual who is a stockholder or other type of member	Active personal labor *--for the entity

Note: The eligibility determination will apply to all program benefits associated with payments, loans, and benefits subject to the foreign person rule,--* with respect to any commodity produced, or land set aside from production for that crop year.

***--C**
Active Personal Labor Exception for CRP

Labor that is custom hired may be excluded when determining both the amount of labor necessary to conduct the farming operation and whether the foreign person has provided a significant contribution of active personal labor if both of the following apply:

- the foreign person receivers only CRP payments
- COC determines and State Office concurs that such labor is always custom hired in the county.

Note: Exceptions shall be producer specific and documented on CCC-503A or attachment.--*

238 Requesting Benefits for Nonforeign Shares

A
Introduction

Entities that have been determined ineligible for payment, loan, or benefit because of the foreign person rule may receive the amount of payment that represents the percentage interest of the entity which is owned by U.S. citizens or lawful aliens.

--Note:** This provision is also applicable to foreign stockholders, etc. of an entity if some, but not all, of the foreign individuals provide a significant contribution of active personal labor.**--

B
Requesting Payment

To receive the eligible portion of payment, loan, or benefit, the entity must:

- provide a written request for payment to COC that includes the percentage of foreign ownership (see subparagraph C)
- receive an approval determination letter from COC (see subparagraph D).

Continued on the next page

C

Sample Letter From Entity

This is an example of a letter from a foreign entity.

Sample Letter Requesting Percentage of Eligible Payments From Entity With "Foreign Persons" Holding More Than 10 Percent

To: County Committee

From: Corporation/Entity

According to program provisions dealing with "foreign persons" having more than 10 percent beneficial ownership of an entity, the following request for payment of program benefits is made.

Listed below are the "foreign persons" holding a beneficial interest that totals more than 10 percent ownership of the entity:

Name	Percent of Ownership

Total:_____

The information provided above indicates that _____ percent of the entity's ownership is held by U.S. citizens and/or lawful aliens. We formally request payment of this percentage of benefits that the entity is eligible to receive.

Continued on the next page

D
Sample COC Approval Letter

This is an example of a letter notifying a foreign entity of COC approval of request for payment.

*--

--*

Sample Letter of COC Approval of Payment to an Entity With More Than 10 Percent Foreign Ownership

Dear Producer:

The _____ County FSA Committee has reviewed your request for payment of eligible benefits. It is our finding that ____ percent of the beneficial ownership is held by "foreign persons" and ineligible for payment.

Based on this determination, ____ percent of payments earned by your entity will be eligible to be paid.

[Give appeal rights according to 1-APP.]

Our determination has been based on the facts as submitted. Any unrevealed circumstances could require the application of a more restrictive rule.

--239 Notification Examples - Foreign Person Rule--

A
Introduction

This paragraph provides examples of notifications to "foreign persons".

B
Letter to Eligible "Foreign Persons"

Insert the statement, "Based on the information you (your representative) provided, the _____ County FSA Committee has determined you to be a foreign person eligible to receive certain program benefits.", in notification letters to "foreign persons" determined eligible for payments and other benefits.

Note: Insert the statement following the "actively engaged in farming" and "person" determinations.

Continued on the next page

239 Notification Examples - Foreign Person Rule (Continued)

C
Letter to Ineligible Foreign Persons

This is a sample notification letter to "foreign persons" determined ineligible for payments and other benefits.

*--

--*

D
Letter to Ineligible Foreign Entities

Insert the statement, "Foreign entities that have been determined ineligible to receive certain benefits may request payment of the percentage of entity ownership held by U.S. citizens and/or lawful aliens. The request must be in writing and include the percentage of foreign ownership.", in notification letters to ineligible foreign entities.

240-250 (Reserved)

Dear Producer:

Based on the information you (your representative) provided, the _____ County FSA Committee has determined you to be a foreign person ineligible to receive certain program benefits. These benefits include payments and loans.

[Give appeal rights according to 1-APP]

Our determination has been based on the facts as submitted. Any unrevealed circumstances could require the application of a more restrictive rule.

Sincerely,

County Executive Director

Part 4 Determinations for Farming Operations

251 Overview

A Introduction

This part provides requirements and instructions for “person” and “actively engaged in farming” determinations for specific farming operations.

B In This Part

The following sections are included in this part.

Section	Title	Page
1	General Determinations	4-2
2	Individuals	4-41
3	Joint Operations	4-75
4	Corporations, Limited Partnerships, Associations, and Similar Entities	4-111
5	Estates	4-151
6	Trusts	4-201

Section 1 General Determinations

252 Overview

A Introduction

This section provides general determinations for various farming operations.

B In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
253	Husband and Wife	4-3
254	Minor Child	4-12
255	Native Americans	4-14
256	States, Political Subdivisions, and Agencies	4-15
257	Farm Credit Banks and Agricultural Credit Associations	4-20
258	Clubs, Societies, Fraternal, and Religious Organizations	4-25
259-270	Reserved	

253 Husband and Wife

A History of Rule

The Agricultural Act of 1970 and subsequent Acts required the Secretary to issue regulations defining the term “person”. The regulations provided that a husband and wife are considered 1 “person” for payment limitation purposes.

The Omnibus Budget Reconciliation Act of 1987 amended the Food Security Act of 1985 to provide that a husband and wife may be considered separate “persons” if the husband and wife can show that each spouse brought separate farming operations into the marriage and have maintained the separate operations.

The United States District Court for the District of Columbia issued an order on April 1, 1988, that required “person” determinations to be made without regard to the marital status of the individuals involved in the farming operation. This court order was reversed by the United States Court of Appeals for the District of Columbia Circuit on June 2, 1989.

The Food, Agriculture, Conservation, and Trade Act of 1990 provided that, at the option of the Secretary, spouses could be considered separate “persons” if:

- the spouses do not hold, directly or indirectly, a substantial beneficial interest in more
*****--than 1 entity receiving payment, including the spouses themselves--*****

- all other requirements to be considered separate “persons” are met.

253 Husband and Wife (Continued)

B "Person" Rule

A husband and wife are considered 1 "person" for payment limitation purposes, unless either of the following rules applies.

Rule	Requirements
Separate farming operations before marriage	Both spouses were separately engaged in unrelated farming operations before their marriage and the farming operations of both spouses have been maintained separately and distinctly after their marriage. **Notes:** Do not combine spouses solely because a joint tax return was filed. ***--**The farming operations for each spouse must have been established and conducted separately in at least the previous crop year.**--*** Generally, community property States allow married couples to maintain separate property and interests. However, State Offices in community property States shall contact the Regional Attorney to determine whether the farming operations of spouses who had separate farming operations before their marriage are presumed to be separate after marriage or whether some action must be taken. **Example:** See an example in subparagraph 253.5 C.
Interest in no more than 1 entity	Neither spouse receives payment: • as an individual, including as an individual in a joint operation, and also holds, directly or indirectly, a substantial beneficial interest in an entity receiving payment as a separate "person" • by holding, directly or indirectly, a substantial beneficial interest in more than 1 entity receiving payment as a separate "person," if payment is not received as an individual. **Examples:** See examples in subparagraphs 253.5 A and 253.5 B. **Note:** Do not combine spouses solely because community property laws consider spouses to have an interest in any entity in which the other spouse has an interest.

Note: Do not determine spouses to be separate "persons", unless this determination is requested. Notify spouses of their status as a combined "person" if they are not determined to be separate.

253 Husband and Wife (Continued)

C Interest in Estate

With respect to any interest in an estate, for 2 program years after the program year in which the individual died, a husband and wife shall not be considered as having an interest in an entity for determining "persons."

Note: This provision is also applicable to estates of duration greater than 2 program years after the program year in which the individual dies if the requirements in subparagraph 333 C are met.

D Parents of Minor Children

Parents of minor children with farming interests are combined as 1 "person" with the minor children with the following exceptions:

- if the parents of a minor child are divorced, the minor child will be combined with the parent, or parents, having legal custody

- if the parents otherwise qualify as separate "persons" according to this paragraph, the minor children shall be combined as 1 "person" with the parent receiving the larger amount in payments, directly or indirectly.

  Note: If the parents receive equal amounts in payments, the parents shall designate which parent shall be combined with all minor children as 1 "person." The combination of minor children with a parent shall not result in the parent being considered as having an interest in more than 1 entity for the "person" rule for spouses.

See paragraph 254 for additional minor child exception.

253 Husband and Wife (Continued)

E "Actively Engaged in Farming" Rule

Use this table for "actively engaged in farming" determinations involving spouses.

IF the spouses are both of the following...	THEN...
• farming together in a joint operation • combined as 1 "person" for payment limitation purposes	the requirements for both spouses to be considered "actively engaged in farming" may be met through the combined contributions of both spouses to the joint operation.
• farming together in a joint operation • considered separate "persons" for payment limitation purposes	the requirements for both spouses to be considered "actively engaged in farming" may **not** be met through the combined contributions of both spouses to the joint operation. ***--**Each spouse must provide qualifying contributions, including active personal labor or active personal management as applicable.**--***
• involved in separate farming operations • combined as 1 "person" for payment limitation purposes	each spouse must meet all applicable requirements to be considered "actively engaged in farming".
• involved in separate farming operations • considered separate "persons" for payment limitation purposes	

--253.5 Examples of Determinations for Husband and Wife--

A Example 1

Situation: Husband A and Wife B have a joint farming operation comprised of 500 acres of owned land. In addition, Wife B has 25 percent interest in Corporation X, which is participating in CRP and earning annual payments.

- Husband A and Wife B jointly own all the equipment and provide all the capital.
- Husband A contributes at least 50 percent of Husband A's commensurate share of active personal labor and contributes a significant contribution of active personal management.
- In this situation, Husband A's and Wife B's share of the profits or losses from the farming operation are commensurate with their contributions and the contributions are at risk.

Determination: Husband A and Wife B are considered to be "actively engaged in farming." However, Husband A and Wife B are considered 1 "person" for payment limitation purposes *--because Wife B also receives payments indirectly through Corporation X, which is a separate "person" from Wife B.--*

--253.5 Examples of Determinations for Husband and Wife (Continued)--

B Example 2

Situation: Husband X and Wife Y have a joint farming operation comprised of 500 acres of owned land. In addition, Husband X and Wife Y have combined interest of 33 percent in Corporation Z, which produces vegetables and does not earn USDA benefits.

- Husband X and Wife Y jointly own all the equipment and provide all the capital on the individual farming operation.
- Husband X contributes at least 50 percent of X's commensurate share of active personal labor and contributes a significant contribution of active personal management.
- Wife Y provides a significant contribution of active personal management.
- In this situation, Husband X's and Wife Y's share of the profits or losses from the farming operation are commensurate with their contributions to the farming operation and the contributions are at risk.

Determination: Husband X and Wife Y are considered to be "actively engaged in farming" and separate "persons" for payment limitation purposes because Corporation Z does not earn USDA benefits.

--253.5 Examples of Determinations for Husband and Wife (Continued)--

C Example 3

Situation: Husband A and Wife B were both involved in separate unrelated farming operations before their marriage.

- Husband A rents 1,000 acres of cropland for one-fourth of the crop and is a 50 percent stockholder in Corporation X, which rents 500 acres of cropland to Individual C for one-half of the crop.

- Wife B owns land that was given to her by her father before her marriage to Husband A.

- The farming operations have been kept separate and distinct during the marriage. Both individuals have been determined to be "actively engaged in farming."

Determination: Husband A and Wife B would be considered separate "persons" for payment limitation purposes because each had separate farming operations before marriage which have remained separate and distinct. Separate determinations would be made for Individual C and Corporation X.

--253.5 Examples of Determinations for Husband and Wife (Continued)--

D Example 4

Situation: Husband M and Wife N have a joint farming operation comprised of 500 acres of owned land. In addition, Wife N is an heir of the estate of her father who died in the previous year.

- Husband M and Wife N jointly own all the equipment and provide all the capital on the joint farming operation.
- Husband M contributes at least 50 percent of the producer's commensurate share of active personal labor and contributes a significant contribution of active personal management for the joint operation.
- Wife N provides a significant contribution of active personal management for the joint operation.
- The estate of which Wife N is an heir owns land and meets the requirements to be considered "actively engaged in farming" under the landowner provision.
- In this situation, Husband M's and Wife N's share of the profits or losses from the farming operation are commensurate with their contributions to the farming operation and the contributions to the farming operation and the contributions are at risk.

Determination: Husband M, Wife N, and the estate are considered to be "actively engaged in farming" and separate "persons" for payment limitation purposes.

254 Minor Child

A Definition of Minor Child

***--[7 CFR 1400.106 (c)]** A minor child is an individual that is not 18 years of age on or--* before the status date of the current year.

Note: Court action conferring majority on such person does not change this person's status as a minor child.

B Rules for Minor Child

***--[7 CFR 1400.106 (a)]** A minor child:--*

- is combined as 1 "person" with each parent or court-appointed person who is responsible for the child
- that is a beneficiary of a trust or heir of an estate, is combined with each parent or court-appointed person who is responsible for the child.

Exception: If the parents are considered to be separate "persons" according to paragraph 253, the minor child shall be combined as 1 "person" with the parent receiving the larger amount in payments.

Notes: A conservatorship does not necessarily mean the appointee is responsible for the child. A conservatorship means the appointee has control of certain assets of the child's.

See subparagraph 253 D for minors with divorced parents.

C Exception to Rule

***--[7 CFR 1400.106 (c)]** A minor may be considered a separate "person" from a parent or--* court-appointed person if both of the following requirements are met:

- the minor is a producer on a farm
- neither the minor's parents nor court-appointed person has any interest in the minor's farm or production from that farm.

254 Minor Child (Continued)

D Exception Restrictions

Either of the following must be met for the minor to remain as a separate person:

- the minor meets all of the following:
  - has established and maintains a separate household from the parent or court-appointed person
  - personally carries out the farming activities in his or her operation
  - maintains a separate accounting for his or her farming operation
- the minor meets all of the following:
  - does not live in the same household as his or her parents
  - is represented by a court-appointed person responsible for the minor
  - has ownership of the farm vested in him or her.

*--255 Native Americans

A Rule

This table provides rules applicable to Native Americans.--*

IF the farming operation is conducted by...	THEN...
the tribal venture on land it owns	• payments exceeding 1 limitation may be made to the tribal venture if a BIA official or tribal council certifies that no 1 "person," directly or indirectly, will receive more than the limitation (this should be completed on item 18, "Remarks," or attached to CCC-502B ***--Note: [7 CFR 1400.105 and 1400.106]** "Person" includes spouse and minor children unless determined separate "persons." • **[7 CFR 1400.207]** individual members are--* considered "actively engaged" because of land ownership • earnings are attributable to each individual Native American, and each individual may select 2 "permitted entities" if applicable • use CCC-502B.
the tribal venture on land that is rented or otherwise acquired	determinations must be made as for any other joint operation on CCC-502B.
individual Native Americans or groups of Native Americans represented by BIA on allotted land	• a BIA official must certify that no 1 "person," directly or indirectly, will receive more than the limitation (this should be completed on item 18, "Remarks," or attached to CCC-502B) • individual members are considered "actively engaged" because of land ownership • earnings are attributable to each individual Native American, and each individual may select 2 "permitted entities" if applicable.

B Definition of Tribal Venture

A tribal venture is a joint operation conducted by members of a Native American tribe.

***--255 Native Americans (Continued)**

C Individual Operations

[7 CFR 1400.4] If individual Native Americans have their own operation plus interest in--* the tribal venture operation, the individual must certify that his or her total payments do not exceed the limitation. This should be completed on CCC-502 or attached to CCC-502.

D Entity Operations Involving Native Americans

Corporations, trusts (revocable or irrevocable), and estates having Native Americans as members are subject to the same rules as all other entities.

E Examples

--**The following are examples to clarify procedure for filing CCC-502's involving Native American tribal ventures.**--

Example 1 - Situation -- Native American tribal venture "AB" farms land owned by the tribal venture. BIA has certified that payments exceeding the applicable payment limitation, with respect to the land owned by the tribal venture, will not accrue directly or indirectly to any individual Native American including the spouse or minor children of the Native American. Individual Native Americans of the tribal venture farm land owned by third parties.

Determination -- BIA certification is effective only for the land owned by the tribal venture. Each individual Native American farming land owned by third parties must certify that they will not receive payments exceeding the applicable payment limitation with respect to the earnings from:

- the tribal venture's farming operation
- their individual farming operation.

--255 Native Americans (Continued)--

E Examples (Continued)

Example 2 - Situation -- Native American tribal venture "CD" farms land that is owned by the tribal venture and land that is leased to the tribal venture. The tribal venture provides all the capital and equipment, but only a few members of the tribal venture contribute a significant amount of active personal labor or active personal management to the farming operation on the leased land.

BIA has certified that payments exceeding the applicable payment limitation, with respect to the land owned by the tribal venture, will not accrue directly or indirectly to any individual Native American.

Some members of the tribal venture lease land and farm as individuals, contributing significant amounts of leased equipment, active personal labor, or active personal management to the farming operation on the individually leased land.

Determination -- BIA's certification is applicable only for the land that is owned by the tribal venture. The tribal venture is considered to be actively engaged in farming, with respect to land that is owned, and may earn payments exceeding the applicable payment limitation.

The land that is leased by the tribal venture must qualify under the same provisions that apply to joint operations. Therefore, for land leased to the tribal venture, each member of the tribal venture must contribute a significant amount of active personal labor or active personal management to the farming operation to be considered actively engaged in farming. The tribal venture must complete the necessary forms for COC to determine whether the members of the tribal venture are actively engaged with respect to the leased land.

Each individual receiving payment as an individual must certify that they will not receive payments exceeding the applicable payment limitation with respect to the earnings from:

- the tribal venture's farming operation
- their individual farming operation.

The individual Native American must also complete the necessary forms for COC to determine whether the individual is actively engaged in farming.

256 States, Political Subdivisions, and Agencies

A Rule

All State agencies, divisions, or political subdivisions are combined as 1 "person" for payment limitation purposes with the State.

Example: A city would be combined as 1 "person" with the State in which the city is located.

Note: Combined State producers shall not be denied the opportunity to participate in programs unless specifically ineligible for that program.

B Exceptions to Rule

Exception 1: Payments issued to public schools with respect to land owned by public school districts or by the State and used to support public schools are not limited. This is considered an exempt entity and is separate from the combined State, political subdivisions, and agency entity.

***--Notes:** If a public school receives payment, directly or indirectly, from land which is neither owned by the public school nor by the State and used to support public schools, the payment is **not** exempt from limitation and must be included with payments made to the combined State producer or designated as a "permitted entity," as applicable.

The term "public school" includes State universities.**--***

Exception 2: Payments made to States under a State conservation enhancement agreement are not limited.

C Exempt and Limited Earnings

If a public school has earnings from land that is limited, these earnings will be considered earnings of the combined State producer.

IF a public school...	THEN...
has earnings from both exempt and limited sources	the school may be required to obtain an identifying number for each category of earnings.
is a member of an entity **Example:** One of 2 or more beneficiaries of an irrevocable trust.	• earnings from this entity are not exempt from limitation • a share of this entity must be designated, using 1 of the permitted entities allowed to the combined State producer.

D Controlling the Limitation

If the combined State producer exceeds the applicable limitation in projected program payments or has designated more than 2 “permitted entities” in addition to direct payments to the “person,” the participants shall be polled to determine the method of disbursement and “permitted entity” designation. If an agreement is not reached by all participants by the end of the applicable signup, a drawing shall be conducted by the control County Office to determine the order of payment and “permitted entity” designation.

--**LDP’s and gains from marketing loans shall be available on a first-come-first-served basis. CED shall contact the control County Office for instructions.**--

256 States, Political Subdivisions, and Agencies (Continued)

E "Permitted Entities"

If the combined State producer has an interest in an entity receiving payment which is not combined as 1 "person" with the combined State producer:

- that interest must be designated by the combined State producer to be paid
- the authorized representative of the applicable combined State producer shall be allowed to complete CCC-501B, but the applicable entity and combined State producer shall be notified that the interest cannot be paid until approval is received from the control County Office. See subparagraph G.

F Action by Noncontrol County

Noncontrol County Offices shall use this table for a combined State producer.

Step	Action
1	Notify combined State producers before the end of applicable signup that: • combined State producers may agree to a method of disbursing program payments and selecting "permitted entity" designations • a drawing will be conducted on the second Friday after the end of signup to select the payment order in which participating combined State producers will receive program payments and designate "permitted entities" if no alternative payment method is agreed upon by the combined State producers • combined State producers shall contact the control County Office by the end of signup to give the alternative payment method agreed upon by all affected parties, if applicable • the method used for selection will apply for: •*****--the direct and counter-cyclical payment program contract • applicable per "person" limitations.--*****

256 States, Political Subdivisions, and Agencies (Continued)

F Action by Noncontrol County (Continued)

Step	Action
2	Send the following to the control County Office by the first Friday after the end of signup for all eligible participating combined State producers and participating entities in which the combined State producer has an interest: •***--**direct and counter-cyclical payment program contracts • estimated payments subject to limitation, if applicable • CCC-501B's, if applicable • CCC-502's, if applicable • CCC-526, and information on payment reductions, if applicable.**--***
3	Notify affected producers of the results of the drawing conducted by the control County Office no later than 1 week after the drawing is held. Allow combined State producers to withdraw CRP offer, no later than 30 calendar days after the notification of results of drawing. *** * *** **Note:** Notify the control County Office of any cancellations.

256 States, Political Subdivisions, and Agencies (Continued)

G Letter to Combined State Producers

Send this letter to combined State producers no later than 30 calendar days before the end of signup.

*--

Producer's Name
Street
City, State ZIP Code

Dear Producer:

A State, including political subdivisions and agencies thereof, is collectively considered as 1 "person" for payment limitation purposes and therefore may not receive payments or "permitted entity" designations exceeding the amount afforded 1 "person". To be eligible for payment, each "person" must be determined "actively engaged in farming" and in compliance with highly erodible land conservation and wetland conservation provisions.

If you intend to participate in (program subject to limitation), you must enroll by (end of signup). No later than (end of signup), all combined State producers should develop a method for disbursing program payments subject to limitation and selecting "permitted entity" designations and inform the control County Office (give office name and address). If no method is given, the control County Office will conduct a drawing, open to the public, on (second Friday after signup) at 10:00 a.m., for selecting the order in which participating combined State producers will receive payments subject to limitation and "permitted entity" designations.

If a drawing is conducted, you will be notified of the results.

Sincerely,

County Executive Director

--*

256 States, Political Subdivisions, and Agencies (Continued)

H State Drawing, Control County

Control County Offices shall use this table if it is necessary to conduct a drawing for combined State producers. The drawing shall be open to the public and conducted at 10 a.m. on the second Friday after the end of signup.

Step	Action
1	Determine the number of combined State producers by counting each eligible contract or application subject to the same limitation and assign a number to each. •***--**Include only timely filed contracts or applications in which the combined State producer has an interest. • If applicable, conduct separate drawings for payments made under programs with separate limitations. **Note:** For DCP, separate drawings should be conducted for covered commodities and peanuts.
2	Select by drawing the numbers assigned in step 1 until a payment order has been established for all combined State producers. For DCP contracts, use: • the calculated direct payment amount to determine when the limitation has been reached for direct payments • the projected amount for counter-cyclical payments to determine when the limitation has been reached for counter-cyclical payments. **Note:** For both the direct and counter-cyclical payments, allocate the amounts to producers in the same order as determined by the drawing and issue payment when appropriate.**--*** • each producer's earnings subject to the applicable limitation • if the producer may select a "permitted entity."
3	Notify the noncontrol County Offices of the results of the drawing. **Note:** Include a list of payment and designation order as determined in step 2 that indicates:
4	Update the list in Step 3 if any producers cancel their contract or application. •***--**Subsequent final payments subject to the applicable limitations shall be made in the order listed. • Total payments shall not exceed the per "person" amount applicable for each respective program payment limitation amount.**--***

257 Farm Credit Banks and Agricultural Credit Associations

A Definitions

ACA. Agricultural Credit Association is an agricultural lending entity resulting from the merger of PCA and FLBA and is the short-, intermediate-, and long-term direct lender for its territory.

FCB. Farm Credit Bank is an agricultural lending entity that is a direct lender of long-term real estate loans and provides funds to PCA's under certain circumstances.

*** * ***

PCA. Production Credit Association is an entity that provides agricultural lending ***--**independent of ACA or FCB.**--***

Note: Each of these entities have their own chartered territory for which they provide credit.

257 Farm Credit Banks and Agricultural Credit Associations (Continued)

B Rule

Each of the lending associations' chartered territories is considered a separate "person". This table shows the number of each entity's recognized "persons" in the U.S.

Entity	Number of "Persons"
ACA	58
FCB	10
* * *	* * *
PCA	*--84--*

C Control County

State Offices shall designate control counties for each of the lending entities involved in their State. If an entity has jurisdiction across State lines, the State where the district or association office is located shall be responsible for designating a control county.

257 Farm Credit Banks and Agricultural Credit Associations (Continued)

D Farm Credit Banks

This table shows the 10 FCB districts that are considered "persons", the States included in each of the districts, the address and telephone number for correspondence with FCB, and the contact person.

District Bank	States	Address and Telephone	Contact Person
FCB's of Springfield	CT, ME, MA, NH, NJ, NY, RI, and VT	Box 141 Springfield, MA 01102 413-789-7600	Norman Payne
FCB's of Baltimore	DC, DE, MD, PA, PR, VA, and WV	Box 155 Baltimore, MD 21203 301-628-5500	Bill Collins
FCB's of Columbia	FL, GA, NC, and SC	Box 1499 Columbia, SC 29202 803-799-5000	*--Marie Stiles--*
FCB's of Louisville	IN, KY, OH, and TN	Box 32660 Louisville, KY 40232 502-566-7414	Jenny Snyder

257 Farm Credit Banks and Agricultural Credit Associations (Continued)

D Farm Credit Banks (Continued)

District Bank	States	Address and Telephone	Contact Person
Agribank, FCB	AR, IL, MI, MN, MO, ND, and WI	*--Box 64949 St. Paul, MN 55164 612-282-8800	John O'Day–*
Farm Credit Services of Omaha	IA, NE, SD, and WY	206 S 19th St. Omaha, NE 68102 402-444-3246	Terry Bentley
Farm Credit Services of Wichita	CO, KS, OK, and NM	Box 2940 Wichita, KS 67201-2940 *--316-266-5100	A.R. Cordell
FCB's of Texas	AL, LA, MS, and TX	Box 15919 Austin, TX 78761 512-465-0475	Penny Painter
Ag America, FCB/Western FCB, Sacramento	AZ, CA, HI, NV, and UT	Box 13106 Sacramento, CA 95813-4106 916-485-6280	Brent Baglien
FCB's of Spokane	AK, ID, MT, OR, and WA	Box 2515 Spokane, WA 99220-2515--* 509-838-9210	Linda Henricksen

257 Farm Credit Banks and Agricultural Credit Associations (Continued)

E Associations in Each District

This table indicates the number of PCA's and ACA's * * * within each of the FCB districts.

FCB Districts	PCA's	ACA's	* * *
Springfield		13	
Baltimore	1	18	
Columbia	1	19	
Louisville	* * *	2	* * *
St. Paul	24	3	
Omaha	1		
Wichita	16		
Texas	24		
Sacramento	15	3	
Spokane	2		
Total	*--84--*	58	**0.00**

258 Clubs, Societies, Fraternal, and Religious Organizations

A Rule

A charitable organization, including a club, society, fraternal, or religious organization, shall be considered a "person" separate and distinct from the members of the organization or any other entity.

B Exceptions to Rule

If the land operated by the organization, or the production from the operation, may transfer to an entity that exercises control over the organization, the organization and the parent organization are combined as 1 "person."

Note: If the ID number of the parent organization is used by the organization, the organization and the parent organization are combined as 1 "person."

--Important:** The fact that an organization has a separate identification number does **not** mean that it qualifies as a separate "person." If there is any indication that 1 organization exercises control over another organization and land or proceeds transfer to this "parent" organization, these organizations shall be combined as 1 "person" and payments limited accordingly.**--

Example: If land owned by a church within a diocese would transfer to the diocese upon closure of the church, then the church would be combined with the diocese.

*--C Example of "Person" Determinations for Charitable Organizations

Situation: A charitable organization forms other charitable organizations that are then represented to be separate organizations. The other organizations have separate identification numbers and each is recognized by IRS as qualifying as a charitable organization. However, there is evidence that the "parent" organization continues to exercise control over the other organizations. There is also evidence that the land, or proceeds from the land, may transfer to the "parent" organization.

Result: The "parent" organization and the other organizations shall be combined as 1 "person" for payment limitation purposes.**--***

259-270 (Reserved)

Section 2 Individuals

271 Overview

A Introduction

This section provides requirements and instructions for “person” and “actively engaged in farming” determinations for individuals.

B In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
272	“Person” Determination	4-42
273	“Actively Engaged” Determinations	4-43
274	Sharecropper	4-44
275	Incapacitated Individual	4-45
276	Case Examples	4-47
277	Completing CCC-502A	4-49
278	Completing CCC-502EZ	4-59

272 "Person" Determinations - Individuals

A Rule

An individual producer is considered a separate "person" if the producer:

- has a separate and distinct interest in the land or crop involved
- exercises separate responsibility for this interest
- maintains funds or accounts separate from that of any other producer.

--Note:** Using ledger entries to account for expenses and income is not the same as maintaining separate account.**--

B Programs Not Requiring Determination of "Actively Engaged"

If a program requires a determination of "persons" but not a determination of "actively engaged in farming," the following is also required to be eligible for payments or benefits:

- the claimed share of the profits or losses of the farming operation must be commensurate with the contributions to the farming operation

- contributions at risk.

273 "Actively Engaged" Determinations - Individuals

A Rule

An individual shall be considered to be "actively engaged in farming" if all of the requirements on this table are met.

Item	Requirement
1	The individual makes a significant contribution to the farming operation of both of the following: • capital, equipment, land, or a combination thereof • active personal labor, active personal management, or a combination thereof.
2	The individual's share of the profits or losses from the farming operation are commensurate with the individual's contribution to the farming operation.
3	The individual's contributions are at risk.

B Other Participants That Use This Rule

This rule also applies to an individual who is:

- a partner in a general partnership
- a participant in a joint venture.

*--C Military Personnel

[7 CFR 1400.213] COC may determine an individual who is called to active duty in the military during the program year "actively engaged in farming" according to this table.

IF the individual is called to active duty in the military...	THEN COC...
before the determination is made	must determine that the individual was making a conscious effort to be, and would have been determined to be "actively engaged in farming" if not for being called to active duty in the military.
after the determination is made	shall allow the determination to be in effect for the program year.

--*

274 Sharecropper

A Rule

A sharecropper shall be considered "actively engaged in farming" if all of the requirements in this table are met.

Item	Requirement
1	The sharecropper makes a significant contribution of active personal labor to the farming operation for which the sharecropper receives a specified share of the crop produced on the farm.
2	The sharecropper's share of the profits or losses from the farming operation is commensurate with the contribution to the operation.
3	The sharecropper's contributions are at risk.

***--Note:** To be considered "actively engaged in farming" under this provision, the individual may:

- not receive wages for labor and be considered a sharecropper for this purpose
- be provided housing and "draw" cash advances to be deducted later from proceeds of the crop.**--***

B Example

Situation: Individual Y provides labor for Landowner Z on 500 acres of rice in exchange for a share of the crop. Individual Y only contributes active personal labor to the farming operation. Landowner Z provides Individual Y with housing. Individual Y also receives a cash advance that will be set off from the proceeds of the crop after harvest.

Determination: Individual Y is considered to be "actively engaged in farming" since Individual Y is a sharecropper. Landowner Z is considered to be "actively engaged in farming" since Z is a landowner.

275 Incapacitated Individual

A Introduction

This paragraph describes the requirements for an individual who dies or becomes incapacitated during the program year to be determined "actively engaged in farming."

B Rules

COC may determine an individual who dies or becomes incapacitated during the program year "actively engaged in farming" according to this table.

IF the individual dies or becomes incapacitated ...	THEN COC ...
before the determination is made	must determine that the individual was making a conscious effort to be, and would have been determined to be, "actively engaged in farming," if not for the individual's death or incapacitation.
after the determination is made	shall allow the determination to be in effect for the program year.

***--Notes:** This rule is also applicable to an entity if COC determines that the individual who died or who became incapacitated would have qualified the entity as "actively engaged in farming."

The following year, the individual, the individual's estate, or the entity, as applicable, must meet all of the necessary requirements to be "actively engaged in farming"**--*** for that year.

275 Incapacitated Individual (Continued)

C Specific Rule for Estates

If an individual's death during the current year results in an estate and the estate succeeds the individual on the current year program contract, the estate, if otherwise eligible to receive payments under the provisions of this paragraph, may be paid without designation as a "permitted entity" for the current year by any of the heirs.

--276 Case Examples - Individuals--

A Example 1

Situation: Individual Z, a producer, rents 1,500 acres of land on a share-rent basis. Individual Z owns the equipment and contributes at least 50 percent of the producer's commensurate share of active personal labor and contributes 100 percent of the farming operation's management. In this situation, Individual Z's share of the profits or losses from the farming operation are commensurate with Individual Z's contributions to the operation and the contributions are at risk.

Determination: Individual A is considered to be "actively engaged in farming."

B Example 2

Situation: Individual A rents land on a share-rent basis. Individual A contributes a significant amount of leased equipment and a significant amount of active personal management to the farming operation. Capital is borrowed from another producer on the farm at the prevailing interest rate. The labor needed for Individual Z's farming operation is hired. Individual A's share of the profits or losses from the farming operation are commensurate with individual A's contribution to the operation and the contributions are at risk.

Determination: Individual A is considered to be "actively engaged in farming" since Individual A contributes a significant amount of both equipment and active personal management. A contribution of capital, equipment, or land is used to meet the significant contribution.

--277 Completing CCC-502A, Farm Operating Plan for Payment Eligibility Review for an Individual--

A Who Can Complete CCC-502A

CCC-502A can only be used by individuals for which CCC-502EZ is not applicable.

B When to File

File CCC-502A with COC no later than the date specified in paragraph 50.

C Supporting Data

COC shall require adequate supporting data to make proper “actively engaged in farming” and “person” determinations according to paragraph 52.

*--277 Completing CCC-502A, Farm Operating Plan for Payment Eligibility Review for an Individual (Continued)

D Completing CCC-502A

Have the producer complete CCC-502A according to this table.

Item Number	Instruction
1	Enter county name.
2	Enter program year.
3	Enter State.
4	Enter name and current mailing or street address.
5	Enter Social Security, employer ID number, or both.
6 A	If: • a U.S. citizen, check "Yes" and go to item 7 • not a U.S. citizen, check "No" and go to item 6 B.--*
6 B	If: • a lawfully admitted alien, check "Yes" and present Alien Registration Receipt Card to a County Office employee • not a lawfully admitted alien, check "No." **Note:** Producer is required to provide a significant contribution of active personal labor, land, and capital to the farming operation, in addition to other requirements, to be eligible for certain benefits.
7	If under 18 years of age as of the applicable status date of this program year, enter the requested information. Be sure to enter information for both parents or guardians. If a parent or guardian has any interest in a farming operation, enter information about his or her farming operation.
8	If you, your spouse, or any of your minor children have any other farming interests, including interests in corporations, partnerships, trusts, estates, or other similar entities that have a farming operation, check the applicable box and complete the applicable sections of this form. If neither you, your spouse, nor any of your minor children have any other farming interests, check "No" *--and go to item 12.--*
9	For each additional farming interest, enter the requested information.

*--277 Completing CCC-502A, Farm Operating Plan for Payment Eligibility Review for an Individual (Continued)

D Completing CCC-502A (Continued)

Item Number	Instruction--*
10	For each additional farming interest your spouse has, enter the requested information. If spouse's farming interest was brought into the marriage as a separate farming operation and has been kept totally separate from any of your farming operations, check "Yes" in the applicable box, otherwise check "No" in the applicable box. To be considered "totally separate," all aspects of the farming operation, including financing and records, must be kept distinct from spouse's operation.
11	For each additional farming interest any of your minor children have, enter the requested information.
12	Enter the requested information for all land that is part of the farming operation. • In the case of cash-leased land, only enter the rental rate per acre if the land is being leased to or from someone who shares in the production or proceeds of the production of the farming operation. • If this land is cash leased from someone who does not share in the production or proceeds of the production of the farming operation, enter "Cash." • If land is leased for a share of the crop, enter the percentage of the crop that the landlord receives. • If different rates apply on the same parcel, provide the breakdown of rates. If additional space is needed for this item, complete CCC-502 Continuation and attach to CCC-502A.
13	Enter the percent of the total capital requirements of the farming operation which you provide. If you do not provide any capital, enter "0%" and go to *--item 14.--*
14	Enter the requested information for all equipment used in the farming operation. Check the "Owned" box only if the equipment is owned by you. For each line, enter the percentage represented by the line of the total equipment used in the farming operation. Calculate applicable percentages by rental value of the equipment. Leased equipment includes equipment provided by a custom farmer. It is only necessary to provide a copy of the equipment lease to the County Office if the equipment is being leased from an individual or entity that shares in the production or proceeds of the production.

*--277 Completing CCC-502A, Farm Operating Plan for Payment Eligibility Review for an Individual (Continued)

D Completing CCC-502A (Continued)

Item Number	Instruction
15	If any of the contributions of capital, equipment, or land were acquired as the result of a loan, check the applicable box and provide the requested information in item 15 B.--*
16 A	Enter best estimate of the percentage and/or hours of the total amount of labor required for the farming operation that will be provided personally by you.
16 B	Enter best estimate of the percentage and/or hours of the total amount of labor required for the farming operation that will provided by hired personnel or entities. **Note:** Hired labor includes labor provided by a custom farmer.
16 C	Enter best estimate of the percentage and/or hours of the total amount of labor required for the farming operation that will be provided from other sources, such as unpaid family and friends.
17 A	Enter best estimate of the percentage of the total amount of management required for the farming operation that will be provided personally by you. For any management that you provide personally, provide a narrative of the type of management duties you perform. COC is required to make a determination of whether or not the management you provide is critical to the profitability of this farming operation and this determination may determine whether you are eligible for program payments.
17 B	Enter best estimate of the percentage of the total amount of management required for the farming operation that will be provided by hired personnel or entities.
18	Check the applicable box if you believe, based on the information submitted, that you are “actively engaged in farming” and a “person” separate and distinct from any other individual or entity for payment limitation purposes. Check the applicable box and provide the names of the applicable individuals or entities if you believe, based on the information submitted, that you should be combined as 1 “person” with another individual or entity for payment limitation purposes.
19	*--Sign and date the certification.--*

*--277 Completing CCC-502A, Farm Operating Plan for Payment Eligibility Review for an Individual (Continued)

E Example of CCC-502A

The following is an example of a completed CCC-502A.

Form Approved - OMB No. 0560-0096

CCC-502A (12-14-99) U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation

FARM OPERATING PLAN FOR PAYMENT ELIGIBILITY REVIEW FOR AN INDIVIDUAL

1. COUNTY	2. PROGRAM YEAR
Smith	2000
3. STATE	
KS	

NOTE: *The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The Agriculture Act of 1949, as amended, and the Food Security Act of 1985, as amended, authorize the collection of the data on this form which will be used in applying statutory payment eligibility and limitation provisions. Furnishing this data is voluntary; however, without it we may be unable to establish your maximum eligibility for program payments. This data may be furnished to any agency responsible for enforcing these provisions.*

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0096. The time required to complete this information collection is estimated to range from 30 minutes to 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.

4. Producer's Name and Address

James Brown
100 Crooked Lane
Anytown, KS 11111

5. Identification Numbers

Social Security Number
123-45-6789

Employee Identification Number

6. Citizenship

A. Are you a U.S. citizen?
- [X] Yes, go to Item 7.
- [ ] No, complete Item 6B.

B. Are you an alien lawfully admitted into the U.S.?
- [ ] Yes, show the county office your Alien Registration Receipt Card.
- [ ] No, go to Item 7.

FOR COUNTY OFFICE USE ONLY

Was an Alien Registration Receipt Card shown? [ ] Yes [ ] No

Status Date

7. Producers Who Are Minors

Are you under 18 years of age? [ ] YES *(provide the following information)* [X] NO *(Go to Item 8)*

Enter the name, address, and social security or employer identification number of your parents or guardians.

Enter Your Date of Birth

Name of Your Parents or Guardians	Address	Social Security/Employer ID Number(s)
(A)		
(B)		

If your parents or guardians have any interest in a farming operation, complete the following for each parent or guardian.

Name of Farming Interest(s)	Social Security/Employer ID Number(s)	County(ies) and State(s) Where Located
(A)		
(B)		

8. Farming Interests

Do you, your spouse, or minor children have any interest in a farming operation which is conducted under any name other than as listed in Item 4?

- [ ] Yes, I have other farming interests. (Complete Item 9)
- [X] Yes, my spouse has other farming interests. (Complete Item 10)
- [ ] Yes, my minor children have other farming interests. (Complete Item 11)
- [ ] No, we do not have any other farming interests. (Complete Item 12)

9. Your Other Farming Interests

Enter the following information for **ALL** other interests you have in a farming operation. Go to Item 12 if your spouse or minor children have no other farming interest(s).

Name of Farming Interest	Employer ID Number of Farming Interest	County(ies) and State(s) Where Located

--*

*--277 Completing CCC-502A, Farm Operating Plan for Payment Eligibility Review for an Individual (Continued)

E Example of CCC-502A (Continued)

CCC-502A (Page 2 of 4) (12-14-99)

10. Other Farming Interests of Spouse

Enter the following information for **ALL** other interests your spouse has in a farming operation. Go to Item 12 if your minor children have no other farming interest(s).

Name of Spouse	Spouse's Social Security Number
Jolene Brown	198-76-5432

Name of Farming Interest	Social Security/Employer ID Number of Farming Interest	County(ies) and State(s) Where Located	Was Farm Acquired Before Marriage and Kept Totally Separate? Yes	No
Shaw Farms, Inc.	23-7999821	Johnson, KS		X

11. Other Farming Interests of Minor Children

Enter the following information for **ALL** other interests your minor children have in a farming operation, and go to Item 12.

Name of Minor Child	Name of Farming Interest(s)	Social Security/Employer ID Number of Farming Interest(s)	County(ies) and State(s) Where Located

12. Land

Enter the following information for **ALL** land you own and/or lease. If **ALL** land in this farming operation is owned and operated by you, enter the farm number, County and State, check "Owned," and enter the cropland acres.

Farm No.	County(ies) and State(s) Where Located	Enter "✔" Owned	Leased to	Leased from	Name of Person Whom Land Is Leased to And/or from	Cropland Acres	Rental Rate ($) per Acre/% Crop Share	Enter "✔" If You Had the Same Land Interest Last Year
75	Smith, KS	✔				125		✔
112	Smith, KS	✔				80		✔
900	Smith, KS			✔		80	Cash	✔

If **ALL** land in this farming operation is owned by you, after completing the required columns in this Item, go to Item 15.

13. Capital

If you do not provide any capital for this farming operation, enter **0%** and go to Item 14.

What percent of the capital required for this operation do you provide? 100 %

14. Equipment

B. Owned Equipment: If you own equipment and do not lease any, check "Owned" and go to Item 15.
C. Leased Equipment: Enter the following information for **ALL** equipment you lease.

Enter "✔" Owned	Leased to another person	Leased from another person	Percent of Total "Owned" & "Leased From" Equipment	Name of Person Whom Equipment is Leased To and/or From	Does the person whom equipment is leased to or from have an interest in your farming operation? Yes	No
✔			%			
			%			
			%			

--*

*--277 Completing CCC-502A, Farm Operating Plan for Payment Eligibility Review for an Individual (Continued)

E Example of CCC-502A (Continued)

CCC-502A (Page 3 of 4) (12-14-99)

15. Capital, Equipment, or Land

If **ALL** land in this farming operation is owned by you, after completing this Item, complete Item 18.

A. Were your contribution(s) of capital, equipment, or land acquired as a result of a loan?

[X] Yes, go to item 15B

[ ] No, go to Item 16

B. Was such loan acquired from or cosigned by an individual or entity who has **ANY** interest in this farming operation? *(Such interest may be as a landowner or another tenant.)*

[ ] Yes, enter the following information: [X] No, go to Item 16

Contribution	Name of Individual or Entity	Individual's or Entity's Interest in the Farming Operation

16. Labor

Enter the estimated percent or hours of labor required for this farming operation which is provided by you personally, hired laborers, or others.

A. What estimated percent or hours of active personal labor do you provide?

100 % _____ hours

B. What estimated percent or hours of labor is hired?

_____ % _____ hours

C. Type and estimated percent or hours of other labor.

Type	Percent	Hours
	%	
	%	
	%	

17. Management

Enter the estimated percent of the farming operation's total management responsibility and the type of managerial duties required for this farming operation which are provided by you personally or by hired management.

A. Active personal management. If you do not provide active personal management to the farming operation, go to Item 17B.

Enter the estimated percent of active personal management provided by you. 100 %

List the type of managerial duties performed by you.

Evaluate financial needs of the operation and arrange financing.

Decide yearly activities regarding land preparation, planting, harvesting, etc.

Make all business decisions.

B. Hired management.

Enter the estimated percent of hired management. 0 %

18. Person Status for Payment Limitation Purposes

I believe the information entered on this document and any supporting documentation supports a finding that I am a "person" actively engaged in farming:

[X] Separate and distinct from any other individual or entity.

[ ] Combined with _____

(Name of individual(s) or entity(ies))

REMARKS

19. Certification

I certify that all the information entered on this document and any supporting documentation is true and correct. I understand furnishing incorrect information will result in forfeiture of payments and the assessment of a penalty. I will timely provide written notification to the Farm Service Agency committees for the county and State listed on this form of any changes in this farming operation.

SIGNATURE OF PRODUCER	DATE
/s/ James Brown	*02-01-XX*

--*

--278 Completing CCC-502EZ, Farm Operating Plan for Payment Eligibility Review for an Individual--

A Who Can Complete CCC-502EZ

CCC-502EZ may be used by individual producers, including landowners, who:

- are not minors
- do not have any interest in a farming operation conducted under any other name, including interests of minor children and spouse
- do not have contributions of land, capital, or equipment acquired as a result of a loan from an individual or entity that has any interest in the farming operation.

B When to File

File CCC-502EZ with COC no later than the date specified in paragraph 50.

C Supporting Data

COC shall require adequate supporting data to make proper “actively engaged in farming” and “person” determinations as provided in paragraph 52.

*--278 Completing CCC-502EZ, Farm Operating Plan for Payment Eligibility Review for an Individual (Continued)

D Completing CCC-502EZ

Have the producer complete CCC-502EZ according to this table.

Item Number	Instruction
1	Enter county name.
2	Enter program year.
3	Enter State.
4	Enter name and current mailing or street address.
5	Enter Social Security number.
6 A	If a U.S. citizen, check “Yes” and go to item 7; otherwise check “No” and go to item 6 B.--*
6 B	If: • **not** a lawfully admitted alien, check “No” and complete CCC-502A • a lawfully admitted alien, check “Yes”, present Alien Registration Receipt *--Card to the County Office employee and go to item 7.--*
7	If under 18 years of age as of the applicable status date of this program year, check “Yes” and complete CCC-502A; otherwise, check “No.”
8	If you, your spouse, or any of your minor children have any other farming interests, check “Yes” and complete CCC-502A; otherwise, check “No.”

*--278 Completing CCC-502EZ, Farm Operating Plan for Payment Eligibility Review for an Individual (Continued)

D Completing CCC-502EZ (Continued)

Item Number	Instruction--*
9	If your contribution of land is acquired as a result of a loan made by or guaranteed by an individual or entity with an interest in the farming operation, check “Yes” and complete CCC-502A; otherwise, check “No.” Enter the requested information for **all** land in the farming operation.
10	If your contribution of capital is acquired as result of a loan from an individual or an entity that has any interest in the farming operation, check “Yes” and complete CCC-502A; otherwise, check “No.” Enter percent of capital required for the farming operation that will be provided by you.
11	If your contribution of equipment is acquired as a result of a loan from an individual or an entity that has any interest in the farming operation, check “Yes” and complete CCC-502A; otherwise, check “No.” Enter the percent of equipment that will be provided by you.
12	Enter the percent of active personal labor that will be provided by you and the percent of labor that is hired.
13	Enter the percent of active personal management and the type of duties that will be provided by you and the percent of management that is hired.
14	*--Signature and date.--*

*--278 Completing CCC-502EZ, Farm Operating Plan for Payment Eligibility Review for an Individual (Continued)

E Example of CCC-502EZ

The following is an example of a completed CCC-502EZ.

Form Approved - OMB No. 0560-0096

CCC-502EZ (12-14-99) U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation

FARM OPERATING PLAN FOR PAYMENT ELIGIBILITY REVIEW FOR AN INDIVIDUAL

1. COUNTY: Montgomery
2. PROGRAM YEAR: 2000
3. STATE: VA

NOTE: *The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The Agriculture Act of 1949, as amended, and the Food Security Act of 1985, as amended, authorize the collection of the data on this form which will be used in applying statutory payment eligibility and limitation provisions. Furnishing this data is voluntary; however, without it we may be unable to establish your maximum eligibility for program payments. This data may be furnished to any agency responsible for enforcing these provisions.*

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0096. The time required to complete this information collection is estimated to range from 30 minutes to 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. ***RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.***

4. Producer's Name and Address

Tim Barnes
1502 Foxtail Lane
Blacksburg, VA 22061

5. Identification Numbers

Social Security Number 502-22-3000

Employee Identification Number

6. Citizenship

A. Are you a U.S. citizen?
- [X] Yes, go to Item 7.
- [ ] No, complete Item 6B.

B. Are you an alien lawfully admitted into the U.S.?
- [ ] Yes, show the county office your Alien Registration Receipt Card.
- [ ] No, go to Item 7.

FOR COUNTY OFFICE USE ONLY: Was an Alien Registration Receipt Card shown? [ ] Yes [ ] No — Status Date

7. Producers Who Are Minors

Are you under 18 years of age?
- [ ] YES. STOP, DO NOT CONTINUE. You must use form CCC-502A.
- [X] NO. Go to Item 8.

8. Farming Interests

Do you, your spouse, or minor children have any interest in a farming operation which is conducted under any name other than as listed in Item 4?
- [X] NO. Go to Item 9.
- [ ] YES. STOP, DO NOT CONTINUE. You must use form CCC-502A.

9. Land

Is your contribution of land acquired as a result of a loan from an individual or an entity that has any interest in your farming operation?
- [X] NO.
- [ ] YES. STOP, DO NOT CONTINUE. You must use form CCC-502A.

Enter the following information for ALL land you own and/or lease. Furnish a copy of the land lease unless the contract for participation in the applicable program has been signed by the landowner/landlord. If ALL land in this farming operation is owned and operated by you, enter the farm number, County and State, check "Owned," and enter the cropland acres. NOTE: The rental rate per acre is required only if the land is being leased to or from someone who shares in the production or proceeds of the production of the farming operation.

Farm No.	County(ies) and State(s) Where Located	Enter "✔" Owned	Leased to	Leased from	Name of Person Whom Land Is Leased To and/or From	Cropland Acres	Rental Rate ($) per Acre/ % Crop Share	Enter "✔" If You Had the Same Land Interest Last Year
10	Montgomery, VA	✔				150		✔

10. Capital

What percent of the capital required for this operation do you provide? 100 %

Is your contribution of capital acquired as a result of a loan from an individual or an entity that has any interest in your farming operation?
- [X] NO. Go to Item 11.
- [ ] YES. STOP, DO NOT CONTINUE. You must use form CCC-502A.

11. Equipment

What percent of the equipment required for this operation do you own? 100 %

Is your contribution of equipment acquired as a result of a loan from and individual or an entity that has any interest in your farming operation?
- [X] NO. Go to Item 12.
- [ ] YES. STOP, DO NOT CONTINUE. You must use form CCC-502A.

12. Labor

Enter the estimated percent of hours of labor required for this farming operation which is provided by you personally, hired laborers, or others.

A. What estimated percent or hours of active personal labor do you provide? 100 % ____ hours

B. What estimated percent or hours of labor is hired? 0 % ____ hours

C. Type and estimated percent of hours of other labor.

Type	Percent	Hours
	%	
	%	

13. Management

Enter the estimated percent of the farming operation's total management responsibility and the type of managerial duties required for this farming operation which are provided by you personally or by hired management.

A. Active personal management. Enter the estimated percent of active personal management provided by you. 100 %. Type of duties Planting, Harvesting, Marketing, Financing

B. Hired management. Enter the estimated percent of hired management. 0 %

14. Certification

I certify that all the information entered on this document and any supporting documentation is true and correct. I understand furnishing incorrect information will result in forfeiture of payments and the assessment of a penalty. I will timely provide written notification to the Farm Service Agency committees for the county and State listed on this form of any changes in this farming operation.

SIGNATURE OF PRODUCER: /s/ Tim Barnes — DATE: 03-31-XX

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

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279-290 (Reserved)

Section 3 Joint Operations

291 Overview

A
Introduction

This section describes determinations and procedures that relate to joint operations.

B
In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
292	Defining Joint Operation	4-76
293	"Person" Determination - Joint Operations	4-77
294	"Actively Engaged" Determinations - Joint Operations	4-78
295	Family Member	4-79
296	Case Examples - Joint Operations	4-85
297	Completing CCC-502B	4-87
298-310	Reserved	

292 Defining Joint Operation

A

Definition

A joint operation is a general partnership, joint venture, or other similar business organization in which 2 or more individuals or entities pool their resources, such as land, labor, capital, management, and equipment to conduct the operation.

293 "Person" Determinations - Joint Operations

A
Rule

***--[7 CFR 1400.3 (b)]** Each member who shares in the income from a--* joint operation is considered a "person," not the joint operation itself. However, members of a joint operation may request to be jointly treated as a "person" according to subparagraph C.

Note: The members of a joint operation will be considered as having met the requirements to be considered a separate "person," according to paragraph 110, if the joint operation meets the requirements.

B
Programs Not Requiring Determination of "Actively Engaged"

***--[7 CFR 1400.6]** If a program requires a determination of "persons,"--* but not a determination of "actively engaged in farming," the following is also required to be eligible for payments or benefits, unless the members agree to be jointly treated as 1 "person" according to subparagraph C:

- the claimed share of the profits or losses of the farming operation must be commensurate with the contributions to the farming operation
- contributions at risk.

C
One "Person" Joint Operation

***--[7 CFR 1400.3]** The members of a joint operation may all agree to--* be jointly treated as 1 "person" and meet the requirements to be "actively engaged in farming" through the combined contributions of the members.

Notes: The members shall indicate their agreement to be jointly treated as 1 "person" on CCC-502B, item 18.

This provision does not negate any requirements that apply under a contract or application for the producer to be eligible for payment.

---

294 "Actively Engaged" Determinations - Joint Operations

A
Rules

Members of a joint operation can become "actively engaged in farming" *--in 1 of the following ways:--*

- by meeting the requirements for an individual according to paragraph 273

- *--by all members agreeing to be jointly treated as 1 "person" according to subparagraph 293 C.--*

- by meeting all of the requirements in this table.

Item	Requirement
1	Contributions to the farming operation of **both** of the following are made: • the member **or** the joint operation makes a significant contribution of capital, equipment, or land, or a combination thereof • the member makes a significant contribution of active personal labor or active personal management, or a combination thereof.
2	The member must provide satisfactory evidence that his or her contributions of land, labor, management, equipment, or capital to the joint operation are commensurate with the member's claimed share of the profits or losses of the joint operation.
3	The member's contributions to the farming operation are at risk.

B
Contributions Not Commensurate

For a member of a joint operation whose contributions of inputs are not equal to his or her claimed share:

- if the contribution is less than commensurate, that member is not considered "actively engaged in farming" and ineligible to receive any payment earned by the joint operation

- if the contribution is at least commensurate, that member may receive his or her share of the payment earned by the operation, but this share cannot be increased because of the ineligibility of another member.

295 Family Member

A
Definition

A family member is an individual to whom another member in the farming operation is related as lineal ancestor, lineal descendant, or sibling, including spouses of those family members who do not make a significant contribution to the farming operation themselves.

The term "family member" shall include:

- great grandparent
- grandparent
- parent
- child, including legally adopted children
- grandchild
- great grandchild
- sibling of the family members in the farming operation
- spouse of family members, if the family member does not make a significant contribution of active personal labor or active personal management to the farming operation as an individual.

B
Making the Determination

In making the determination, COC shall consider the makeup of the operation at the time the determination is made.

Continued on the next page

295 Family Member, *Continued*

C
Rule

An individual who is an adult family member shall be considered "actively engaged in farming" for a joint operation conducted by persons, a majority of whom are individuals who are family members, if all of the requirements on this table are met.

Item	Requirement
1	The family member makes a significant contribution of active personal management or active personal labor, or combination thereof, to the farming operation.
2	The family member's share of the profits or losses from the farming operation is commensurate with the family member's contribution to the operation.
3	The family member's contributions are at risk.

D
Example 1

Situation: In 1990, Partnership AB consists of 2 unrelated individual members. In 1991, Individual C, an adult son of A, will join the partnership.

- Individuals A and B each will provide a significant contribution of active personal labor and active personal management.
- Individual C will provide a significant contribution of active personal labor.
- The partnership will provide all of the capital and equipment. The land is share leased by the partnership from 5 different landowners.

Continued on the next page

295 Family Member, *Continued*

D
Example 1, *Continued*

Determination: Based on the contributions of each member, Individuals A, B, and C are each considered to be "actively engaged in farming", if COC determines the contributions are at risk and claimed shares are commensurate with the contributions of each member.

In this example, Individual C is "actively engaged in farming" because of the family member provision, since the joint operation consists of 3 "persons", a majority of whom are individuals that are family members. The determination that a majority of the "persons" of the joint operation are individuals that are family members shall be made, considering the structure of the joint operation, on the status date.

E
Example 2

Situation: Father A has been farming owned land and rented land for approximately 15 years. Son B, an adult, is starting to farm with his father. Son B contributes a significant amount of active personal labor. Father A contributes all of the farming operation's capital, equipment, and active personal management.

Determination: Father A and Son B are both considered to be "actively engaged in farming" and would be considered to be 2 "persons."

Continued on the next page

295 Family Member, *Continued*

F

Example 3

Situation: In 1990, Partnership CD consisted of Individual C and Grandfather D. In 1991, however, Grandson E is brought into the farming operation.

- Individual C contributes all the capital and a significant amount of active personal management.
- Grandfather D contributes the use of a significant amount of equipment, owned land, and active personal management.
- Grandson E will provide all the active personal labor.

Determination: Individual C, Grandfather D, and Grandson E will each be considered to be "actively engaged in farming". COC will consider whether the claimed shares are commensurate with each partner's contribution to the farming operation.

G

Example 4

Situation: Father Y has a large farming operation, part of which he owns and part of which he share leases. In 1989, Son Z subleases 3 farms from Father Y and farms them as a separate farming operation.

- Father Y provides Son Z with all the needed capital and equipment.
- Son Z contributes a significant amount of both active personal labor and active personal management to the farming operation.

Determination: Son Z is not considered to be "actively engaged in farming". Son Z does not qualify with respect to the family member provision since he was not brought into a family farming operation. If Father Y had formed a joint operation with his son, Son Z would have been considered to be "actively engaged in farming" with respect to the family member provision. A separate "actively engaged" determination would need to be made for Father Y.

Continued on the next page

295 Family Member, *Continued*

H

Example 5

Situation: ABC Partnership is a family held partnership consisting of Father A, Son B, and Daughter C. In 1991, Father A brings Son-in-law D into the farming operation.

- Daughter C, who is married to Son-in-law D, does not provide a significant amount of active personal labor or active personal management to the farming operation.
- Son B contributes a significant amount of capital, active personal labor, and active personal management.
- Father A originally contributed his owned equipment to the partnership and contributes some capital and a significant amount of active personal management.
- Son-in-law D contributes a significant amount of both active personal labor and active personal management to the farming operation.

Determination: Father A, Son B, and Son-in-law D are considered to be "actively engaged in farming". Daughter C is not considered to be "actively engaged in farming". Son-in-law D was brought into the farming operation using the family member provision. If Daughter C made a significant contribution of active personal labor or active personal management, Son-in-law D would not have been considered to be "actively engaged in farming" with respect to the family member provision.

Continued on the next page

295 Family Member, *Continued*

I

Example 6

Situation: Mother A, Daughter B, and Son C are partners in a family partnership. Son D, a minor, becomes a partner in 1991.

- Mother A contributes a significant amount of both capital and active personal management.
- Daughter B contributes a significant amount of both capital and active personal management.
- Son C contributes a significant amount of equipment, active personal labor, and active personal management.
- Son D contributes a significant amount of active personal labor.

Determination: Mother A, Daughter B, and Son C are considered to be "actively engaged in farming". However, Son D is not considered to be "actively engaged in farming" because of the family member provision since he is not an adult family member.

296 Case Examples - Joint Operations

A

Example 1

Situation: Partnership AB farms 2,000 acres of land. The partnership owns the equipment and the individual partners provide at least 50 percent of their commensurate share of active personal labor and a significant amount of active personal management. Each partner's share of the profits or losses from the farming operation are commensurate with the partner's contribution to the operation and each partner's contributions are at risk.

Determination: Partners A and B are considered to be separate "persons" actively engaged in farming.

B

Example 2

Situation: Partnership CD farms 2,000 acres of land. Each of the individual partners contributes a significant amount of both capital and active personal management to the farming operation. Labor is hired. Equipment and land are rented from third parties. Each partner's share of the profits or losses from the farming operation are commensurate with the partner's contribution to the operation and each partner's contributions are at risk.

Determination: Partners C and D are considered to be separate "persons" actively engaged in farming.

Continued on the next page

296 Case Examples - Joint Operations, *Continued*

***--*C**

Example 3

Situation: Partnership EFG farms 2,000 acres of land. The contributions of capital, land, and equipment are acquired as a result of loans from a banking institution. The bank requires that all partners sign to guarantee the loan. The individual partners provide at least 50 percent of their commensurate share of active personal labor and a significant amount of active personal management. Each partner's share of the profits or losses from the farming operation are commensurate with the partner's contributions to the operation and each partner's contributions are at risk. None of the partners have any other farming interests.

Determination: Partners E, F, and G are considered to be separate "persons" actively engaged in farming. The fact that the contributions of capital, land, and equipment are guaranteed by the members does not prevent the contributions from being considered for a significant contribution. Refer to subparagraphs 151 D, 152 C, and 153 C.**--***

--297 Completing CCC-502B, Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership--

A
Who Can Complete CCC-502B

CCC-502B can only be used by joint ventures or general partnerships.

B
When to File

File CCC-502B with COC no later than the date specified in paragraph 50.

C
Supporting Data

COC shall require adequate supporting data to make proper "actively engaged in farming" and "person" determinations according to paragraph 52.

D
Related Forms

If any member of this joint operation is another joint operation or an entity of some type, such joint operation or entity will be required to provide CCC-502B, CCC-502C, or CCC-502D as applicable.

Continued on the next page

*--297 Completing CCC-502B, Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership (Continued)

E
Completing CCC-502B

Have the producer complete CCC-502B according to this table.

Item Number	Instruction
1	Enter county name.
2	Enter program year.
3	Enter State.--*
4	Enter the joint operation's name and current mailing or street address.
5	Enter the joint operation's employer ID number. If an employer ID is not available for a joint venture, leave blank.
6	Check or specify the type of joint operation.
7	Enter the date this joint operation was formed.
8	For each member of this joint operation, provide the requested information. • If a member has both a Social Security number and an employer ID number, provide both numbers. • Enter in the "Salary/Bonus" column any payment that a member receives from the joint operation that is payment for services rendered by such member over and above the share of the joint operation's profits and losses. • If any member of the joint operation is related to any other member of the joint operation, explain this relationship in the "Family Member Relationship" column.
9	If any member of the joint operation is an alien lawfully admitted into the U.S., this member must show the County Office his or her Alien Registration Receipt Card. This member must display this card to be considered an alien lawfully admitted into the U.S. for the purposes of this program. Any member of this joint operation who is not an alien lawfully admitted into the U.S., or a U.S. citizen, is required to provide a significant contribution of active personal labor, land, and capital to the farming operation, in addition to other requirements to be eligible for certain program benefits. List any members of this joint operation who are not U.S. citizens or aliens lawfully admitted into the *--U.S. in item 9 A. If any members of this joint operation are entities with aliens as members, those individual members of the member entities must meet the same requirements as aliens that are members of this joint operation. Complete the requested information in items 9 B and 9 C regarding members that are entities.--*

Continued on the next page

*--297 Completing CCC-502B, Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership (Continued)

E
Completing
CCC-502B
(Continued)

Item Number	Instruction--*
10	If any member of this joint operation will be under 18 years of age as of the applicable status date of this program year, enter the requested information. Be sure to enter information for both of such member's parents or guardians and if they have both types of ID numbers, enter both. If either of such member's parents or guardians have **any** interest in a farming operation, enter information with regard to such member's parents or guardians farming operation on line number (1) or (2) corresponding to the line number of the parents name.
11	If any member of this joint operation, the spouse of any member of this joint operation, or any of the minor children of any member of this joint operation, has any other farming interests, (including interests in corporations, partnerships, trusts, estates, or other similar entities that have a farming operation) check the applicable box and complete the applicable sections of this form. If no member of this joint operation, no member's spouse, nor any minor children of a member of this joint operation ***--**have any other farming interests, check "No" and go to item 15.**--***
12	For each additional farming interest a member of this joint operation has, enter the required information.
13	For each additional farming interest a spouse of a member of this joint operation has, enter the requested information. If the farming interests of a member's spouse was brought into their marriage as a separate operation **and** has been kept totally separate from all of the member's farming operations, check "Yes" in the applicable box, otherwise check "No" in the applicable box. To be considered "totally separate," all aspects of the member's farming operation, including financing and records, must be kept distinct from the spouse's farming operation.
14	For each additional farming interest a minor child of a member of this joint operation has, enter the requested information.

Continued on the next page

*--297 Completing CCC-502B, Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership (Continued)

E
Completing
CCC-502B
(Continued)

Item Number	Instruction--*
15	Enter the percentage of total capital, land, equipment labor, and management that will be provided by the joint operation itself as opposed to a contribution to the farming operation by the members of the joint operation. If any land or equipment contributed by the joint operation is owned by the joint operation, check the applicable "Owned" block. Land and equipment contributed by the joint operation would include such land and equipment that is owned or leased by the joint operation for other than a share of the crop produced by the joint operation. If such land or equipment is leased by the joint operation in return for a share of the crop or a share of the net operating results of the joint operation, such contribution would be a contribution of the person leasing such land or equipment to the joint operation. Hired labor or management provided by the joint operation does not include any labor or management personally provided by a member of the joint operation. Hired labor includes labor provided by a custom farmer.
16	Enter the percentage of total capital, land, equipment, labor, and management that will be provided by each member of the joint operation as opposed to a contribution to the farming operation by the joint operation itself. If any land or equipment contributed by a member of the joint operation is owned by such member, check the applicable "Owned" block. Land and equipment contributed by a member of the joint operation would include such land and equipment that is owned or leased by such member of the joint operation for other than a share of the crop produced or a share of the operating results of the joint operation. If such land or equipment is leased by such member of the joint operation in return for a share of the crop or a share of the net operating results of the joint operation, such contribution would be a contribution of the person leasing such land or equipment to such member of the joint operation. Hired labor or management provided by a member of the joint operation includes any labor or management provided to the joint operation and paid for by such member. Hired labor includes labor provided by a custom farmer. Active personal labor and management is that labor and management **personally** provided by such member of the joint operation. If any member of the joint operation provides 1,000 or more hours of active personal labor to the joint operation, check the "1000 Hours" block.

Continued on the next page

*--297 Completing CCC-502B, Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership (Continued)

E
Completing
CCC-502B
(Continued)

Item Number	Instruction
17 A	Enter the requested information for all land that is part of this joint operation's farming operation. If **all** land that is part of this farming operation is owned by the joint operation and you checked "No" in item 11, go to item 18. You should document how any land owned by the joint operation itself will be--* divided upon dissolution of the joint operation. In the case of cash leased land, enter the rental rate per acre if such land is being leased to or from someone who shares in the production or proceeds of the production in the farming operation. If such land is cash leased from someone who does **not** share in the production or proceeds of the production in this farming operation, enter "Cash." If land is leased for a share of the crop, enter the percentage of the crop which the landlord receives. If different rates apply on the same parcel, provide the breakdown of rates. Next to the applicable number, enter the county and State where each parcel of land is located. If additional space is needed for this item, complete CCC-502 Continuation and attach to CCC-502B.
17 B	Enter the requested information for all equipment used in the farming operation. Check the "Owned" box only if the equipment is owned by the contributor. For each line, enter the percentage represented by such line of the total equipment used in the farming operation. Calculate applicable percentages by rental value of such equipment. Leased equipment includes equipment provided by a custom farmer. It will be necessary to provide a copy of the equipment lease if the equipment is being leased from an individual or entity that shares in the production or proceeds of the production in the farming operation.
18	If any of the contributions of capital, equipment, or land were acquired as the result of a loan, check the *--applicable box and provide the requested information in item 18 B.--* You will be required to provide the detail information if the loan was made by or guaranteed by an individual or entity with an interest in this farming operation. If that is the case, identify which contribution the loan relates to, the individual or entity who made the contribution, the individual or entity who guaranteed the loan, and what type of interest the individual or entity has in your farming operation.
19	Enter your best estimate of the percentage and/or hours of the total amount of labor required for your farming operation that will be provided by sources other than the joint operation or any member of the joint operation, such as unpaid family and friends.

Continued on the next page

*--297 Completing CCC-502B, Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership (Continued)

E
Completing
CCC-502B
(Continued)

Item Number	Instruction--*
20	For any management that is provided personally by members of the joint operation, provide a narrative of the type of management duties performed by each member. COC is required to make a determination of whether or not the management provided by each member is critical to the profitability of the joint operation's farming operation and this determination may determine whether such member of the joint operation is eligible for program payments.
21	Check the applicable box if you believe, based on the information submitted, that each member of the joint operation is "actively engaged in farming" and a "person" separate and distinct from any other individual or entity for payment limitation purposes. Check the applicable box and provide the names of the applicable individuals or entities if you believe, based on the information submitted, that any member of the joint operation should be combined as 1 "person" with another individual or entity for payment limitation purposes.
22	***--Each member** of the joint operation must sign and date.**--***

*--297 Completing CCC-502B, Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership (Continued)

F
Example of CCC-502B

The following is an example of a completed CCC-502B.

Form Approved - OMB No. 0560-0096

CCC-502B (12-14-99)

U.S. DEPARTMENT OF AGRICULTURE
Commodity Credit Corporation

FARM OPERATING PLAN FOR PAYMENT ELIGIBILITY REVIEW FOR A JOINT VENTURE OR GENERAL PARTNERSHIP

1. COUNTY: Lee
2. PROGRAM YEAR: 2000
3. STATE: IA

NOTE: *The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The Agriculture Act of 1949, as amended, and the Food Security Act of 1985, as amended, authorize the collection of the data on this form which will be used in applying statutory payment eligibility and limitation provisions. Furnishing this data is voluntary; however, without it we may be unable to establish your maximum eligibility for program payments. This data may be furnished to any agency responsible for enforcing these provisions.*

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0096. The time required to complete this information collection is estimated to range from 30 minutes to 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. ***RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.***

4. Producer's Name and Address

DM Farms
102 South Road
Franklin, IA 50005

5. Employer Identification No.: 22-3334444

6. Type of Operation (Check One)

- [ ] Joint Venture
- [✔] General Partnership
- [ ] Other *(Specify)* _____

7. Date Operation Formed: 01-15-XX

FOR COUNTY OFFICE USE ONLY

Was an Alien Registration Receipt Card shown? Yes [ ] No [ ]

Status Date

8. Members - List all members having an interest in the joint operation.

Member's Name	Social Security/Employer ID Number(s)	% Share	Salary/Bonus	Family Member Relationship
Daniel Williams	276-14-4630	50	--	Spouse of Mary
Mary Williams	195-52-2763	50	--	Spouse of Daniel

9. Citizenship

A. Are ALL members U.S. citizens or aliens lawfully admitted into the U.S.?

- [X] **Yes.** If an alien lawfully admitted into the U.S., show the County Office an Alien Registration Receipt Card and go to Item 10.
- [ ] **No.** List ALL aliens not lawfully admitted into the U.S. and complete Item 9B.

B. Are any members an entity?

- [ ] **Yes.** Complete Item 9C.
- [X] **No.** Go to Item 10

C. Are ALL members of the entity(ies) U.S. citizens or aliens lawfully admitted into the U.S.?

- [ ] **Yes.** If an alien lawfully admitted into the U.S., show the County Office an Alien Registration Receipt Card and go to Item 10.
- [ ] **No.** List ALL members of the entity who are aliens not lawfully admitted into the U.S. and go to Item 10.

10. Producers Who Are Minors

Are you under 18 years of age? [ ] **YES** *(provide the following information)* [X] **NO** *(Go to Item 11)*

Member's Name and Date of Birth	Parents' or Guardians' Name and Social Security/Employer ID Number(s)	Parents' or Guardians' Address
(1)		
(2)		

If any member's parents or guardians have any interest in a farming operation, complete the following for each member's parent or guardian.

Name of Farming Interest(s)	Social Security/Employer ID Number(s) of Farming Interest	County(ies) and State(s) Where Located
(1)		
(2)		

11. Farming Interests

Do any members, including spouses and minor children have any interest in a farming operation which is conducted under any name other than as listed in Item 4?

- [ ] Yes, one or more members have other farming interests. (Complete Item 12)
- [ ] Yes, one or more member's spouses have other farming interests. (Complete Item 13)
- [ ] Yes, one or more member's minor children have other farming interests. (Complete Item 14)
- [X] No, no member including spouses and minor children has any other farming interests. (Complete Item 15)

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

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Continued on the next page

*--297 Completing CCC-502B, Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership (Continued)

F
Example of CCC-502B (Continued)

CCC-502B (Page 2 of 4) (12-14-99)

12. Other Farming Interests

Enter the following information for **ALL** interests each member has in a farming operation. Go to Item 15 if any spouse or minor children have no other farming interest(s).

Member's Name	Name of Farming Interest(s)	Social Security/Employer ID Number(s) of Farming Interest	County(ies) and State(s) Where Farming Interest(s) are Located

13. Other Farming Interests of Member's Spouse

Enter the following information for **ALL** interests each member's spouse has in a farming operation. Go to Item 15 if any member's minor children have no other farming interest(s).

Spouse's Name	Name and Social Security/Employer ID Number of Farming Interest(s)	Was Farm Acquired Before Marriage and Kept Totally Separate?		County(ies) and State(s) Where Farming Interest(s) are Located
		Yes	No	

14. Other Farming Interests of Member's Minor Children

Enter the following information for **ALL** interests the member's minor children have in a farming operation, and go to Item 15.

Child's Name	Name of Farming Interest(s)	Social Security/Employer ID Number(s) of Farming Interest	County(ies) and State(s) Where Farming Interest(s) are Located

15. Contributions Made by the Joint Operation

Enter the following information for contributions made by the joint operation. For land or equipment owned by the joint operation, check "**Owned**". For contributions of land or equipment, complete Item 17.

Capital	Land		Equipment		Hired	
		Owned		Own	Labor	Management
100 %	100 %	✔	100 %	✔	20 %	%

16. Contributions Made by the Members

Enter the following information for each member. For member owned land or equipment, check "**Owned**". For contributions of land or equipment, complete Item 17. Check "**1000 Hours**" if the member's contribution of active personal labor is at least 1000 hours.

Member's Name	Capital (Current Year)	Land		Equipment		Labor			Management	
			Owned		Owned	Hired	Active Personal	1000 Hours	Hired	Active Personal
Daniel Williams	%	%		%		%	40 %	✔	%	50 %
Mary Williams	%	%		%		%	40 %	✔	%	50 %
	%	%		%		%	%		%	%
	%	%		%		%	%		%	%
	%	%		%		%	%		%	%

17. Land and Equipment

A. **Land**: Enter the following information for all land operated by this joint operation that is contributed by the joint operation or by a member. Go to Item 17B.

Farm No.	Land Leased or Contributed By: (Enter member's or Joint Operation's Name as Applicable)	Enter "✔"			Name of Person Whom Land is Leased to and/or From	Cropland Acres	Rental Rate $ per Acre/ % Crop Share	Enter "✔" if the land interest is the same as last year.
		Owned	Leased To	Leased From				
(1) 39	DM Farms	✔				695		
(2)								
(3)								
(4)								
(5)								

County(ies) and State(s) Where Farms are Located ➧ (1) Lee, IA (2) (3) (4) (5)

--*

Continued on the next page

*--297 Completing CCC-502B, Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership (Continued)

F
Example of CCC-502B (Continued)

CCC-502B (Page 3 of 4) (12-14-99)

17. Land and Equipment, *Continued*

B. Equipment: Enter the following for ALL equipment used in this farming operation that is contributed by the joint operation or by a member. Go to Item 18.

Equipment Leased or Contributed By *(Enter Member's or Joint Operation's Name as Applicable)*	Enter "✔" Owned	Leased To	Leased From	Percent of Total "Owned" and "Leased From" Equipment	Name of Person Whom Equipment is Leased to and/or From	Does the Person Whom Equipment is Leased to or From Have an Interest in this Farming Operation? YES	NO
DM Farms	✔			%			
				%			

18. Capital, Equipment, or Land

A Was this joint operation's and/or any of the member's contribution(s) of capital, equipment, or land acquired as a result of a loan?

[X] **Yes**, go to Item 18B.

[ ] **No**, go to Item 19.

B. Was such loan acquired from or cosigned by an individual or entity who has ANY interest in this farming operation? *(Such interest may be as the joint operation, another member, a landowner or another tenant.)*

[ ] **Yes,** enter the following information: [X] **No,** go to Item 19.

Contribution	Contributed by:	Name of Individual or Entity	Individual's or Entity's Interest in the Farming Operation

19. Labor

Enter the estimated percent or hours of any labor other than the labor listed in item 12 used in this farming operation. If no other labor is used in this farming operation, go to Item 20.

Type and estimated percent or hours of other labor.

Type	Percent	Hours
Spraying and harvesting of crops	20 %	
	%	
	%	

20. Management

Active Personal Management. If the members do not provide active personal management to the farming operation, go to Item 21.

List the type of managerial duties performed by the members.

Names	Type of managerial duties performed
Daniel Williams	Land management, field work
Mary Williams	Market commodities, recordkeeping

21. Person Status for Payment Limitation Purposes

We believe the information entered on this document and any supporting documentation supports a finding that:

[X] Each member of this joint operation is a "person" actively engaged in farming separate and distinct from any other individual or entity.

[ ] One or more members are combined "persons" actively engaged in farming. For each combined "person," list as one entry, the member's name and the individual or entity with whom such member should be combined.

22. Certification - *Each member must sign.*

I certify that all the information entered on this document and any supporting documentation is true and correct. I understand furnishing incorrect information will result in forfeiture of payments and the assessment of a penalty. I will timely provide written notification to the Farm Service Agency committees for the county and State listed on this form of any changes in this farming operation.

SIGNATURE	DATE	SIGNATURE	DATE
\/s\/ Daniel Williams	*02-01-XX*		
\/s\/ Mary Williams	*02-01-XX*		

DEFINITIONS

--*

298-310 (Reserved)

*--Section 4 Corporations, Limited Partnerships, Limited Liability Companies, Associations, and Similar Entities

311 Overview

A Introduction

This section describes determinations and procedures that relate to corporations, limited partnerships, limited liability companies, associations, and similar entities.**--***

B In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
312	Withdrawn--Amend. 23	
313	“Person” Determinations - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities	4-112
314	“Actively Engaged” Determinations - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities	4-117
315	Case Examples - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities	4-119
316	Completing CCC-502C	4-123
317	Withdrawn--Amend. 4	
318-330	Reserved	

312 (Withdrawn--Amend. 23)

313 "Person" Determinations - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities

A Rule

A corporation, including a subchapter S corporation, limited partnership, limited liability company, limited liability partnership, or other similar entity in which the liability of any member is limited, is considered a "person" if it:

- has a separate and distinct interest in the land or crop involved
- exercises separate responsibility for this interest
- maintains funds or accounts separate from that of any other individual or entity for this interest.

--Notes:** Using ledger entries to account for expenses and income is not the same as maintaining separate accounts.**--

The entity is considered the "person," not the members of the entity.

If all partners in a limited partnership are both general and limited partners, consider the partnership either a limited partnership or a general partnership, whichever results in the most restrictive rule.

313 "Person" Determinations - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities (Continued)

B Exceptions to Rule

This table shows exceptions to the general rule.

IF the entity has...	THEN...
1 stockholder, partner, or member owning * * * more than 50 percent of the entity **Note:** Include stock owned by other individuals or entities that are combined with the stockholder as 1 "person."	the stockholder, partner, or member and the entity are combined as 1 "person."
2 or more stockholders, partners, or members that own * * * more than 50 percent of the interest in each of 2 or more corporations, limited partnerships, limited liability companies, or other similar entities with farming interests **Notes:** Include stock owned by other individuals or entities that are combined with the stockholder as 1 "person." The term "farming interests" includes land owned by an entity that is cash-leased to another producer and used for the production of agricultural products.	the entities are combined as 1 "person."

Note: For "person" determinations involving:

- FCB's and related associations, see paragraph 257
- clubs, societies, fraternal, and religious organizations, see paragraph 258.

313 "Person" Determinations - Corporations, Limited Partnerships, *--Limited Liability Companies, and Other Similar Entities (Continued)--*

C Stock Held by Other Entities

For stock held by other entities that have minor children as heirs, beneficiaries, or members, consider the share of stock attributable to the minor child as being owned by the minor's parents.

Note: If the minor child is considered a separate "person" according to paragraph 254, the minor's share of stock will not be considered owned by the minor's parents.

D Stock Transfers After the Status Date

Handle voluntary stock acquisitions after the status date by determining the percentage share of outstanding stock owned by a stockholder according to this table.

Step	Action
1	Determine the amount of outstanding stock owned by the stockholder as of the status date of the crop year.
2	Determine the amount of stock voluntarily acquired after the status date but before harvest of the last program crop that is normal for the area.
3	Add the results of steps 1 and 2. If total exceeds 50 percent of the corporation's stock, the stockholder and the corporation are combined as 1 "person."

Note: Voluntary acquisition of stock after the status date does not reduce the ownership share of any other stockholder for payment limitation purposes.

313 "Person" Determinations - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities (Continued)

E Classes of Stock

For corporations with more than 1 class of stock, such as preferred and common, the ownership percentage of stock, or unit of ownership, shall be determined by the fair market value of outstanding stock.

--Note:** The value can be determined by COC, STC, or DAFP or designee, but should be**-- determined at the earliest level before referring to the next higher level of authority.

F Fair Market Value Factors

To determine the fair market value of stock, or unit ownership, the following available factors shall be considered:

- current market quotations for each class of stock
- relevant factors affecting the value of each class of stock
- rights and privileges of each class of stock
- any other information that would assist in the determination.

G Programs Not Requiring Determination of "Actively Engaged"

If a program requires a determination of "persons" but not a determination of "actively engaged in farming," the following is also required to be eligible for payments or benefits:

- the claimed share of the profits or losses of the farming operation must be commensurate with the contributions to the farming operation

- contributions at risk.

314 "Actively Engaged" Determinations - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities

A Rules

A corporation, limited partnership, limited liability company, association, or other similar entity shall be considered to be "actively engaged in farming" if all of the requirements in this table are met.

Item	Requirement
1	The entity *** * *** separately makes a significant contribution of capital, equipment, or land, or a combination thereof.
2	***--**Stockholders, partners, or members that make contributions of active personal labor and/or active personal management, have a combined interest of at least 50 percent, and collectively make a significant contribution to the farming operation.**--*** **Note:** The contribution of labor or management may be considered a contribution whether or not the member is compensated for the contribution. However, if a member is compensated for the contribution, the compensation must be fair and reasonable, considering the: • type and amount of the service performed • prevailing salary paid in the area for the service.
3	The entity's share of the profits or losses from the farming operation is commensurate with the contribution to the farming operation.
4	The entity's contributions are at risk.

--314 "Actively Engaged" Determinations - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities (Continued)--

B Specific Rules for Associations

The following specific rules apply to associations.

- Clubs, societies, fraternal organizations, and religious organizations shall be considered to be associations, unless specified otherwise with supporting documentation.

- The members of an association shall be considered as having equal shares, unless specified otherwise.

- The members of associations shall be the actual members and not the board of directors.

  Examples: The members of a church are the individual members.

  The members of the Boy Scouts of America are the individual boy scouts.

--315 Case Examples - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities--

A Example 1

Situation: Corporation XYZ rents 3,000 acres of land for one-fourth share of the crop.

- Corporation XYZ contributes a significant amount of capital to the operation.
- Stockholders, owning a total of 50 percent of Corporation XYZ, contribute a significant amount of active personal labor.
- The corporation's share of the profits or losses from the farming operation are commensurate with the corporation's contributions to the operation, and the contributions are at risk.

Determination: Corporation XYZ is considered to be "actively engaged in farming" and is 1 "person" for payment limitation purposes.

--315 Case Examples - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities (Continued)--

B Example 2

Situation: Corporation AB consists of Father A and Son B, each having a 50 percent share.

- Father A is a retired farmer who created the corporation for tax reasons and to aid in the transfer of the farm to Son B. The corporation contributes a significant amount of capital and equipment to the farming operation.

- Son B contributes a significant amount of both active personal labor and active personal management to the farming operation; however, most of the labor is provided by hired laborers.

- Father A lives on the farm and contributes a token amount of active personal management.

Determination: Since Son B has at least 50 percent of the corporation, his significant contribution of active personal labor and active personal management would be enough to qualify the corporation as being "actively engaged in farming." Since the corporation provides at least 1 of the required contributions of capital, equipment, or land and Son B, 1 of the corporation's stockholders who has a 50 percent ownership interest, contributes active personal labor and active personal management, Corporation AB is considered to be "actively engaged in farming" and is considered to be 1 "person" for payment limitation purposes.

--315 Case Examples - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities (Continued)--

C Example 3

Situation: Corporation GH consists of Husband G owning 25 percent of the stock of the corporation and Wife H owning 30 percent of the stock in the corporation.

- Corporation GH provides all the capital, equipment, and land for the farming operation.
- Husband G and Wife H provide a significant amount of both active personal labor and active personal management.

Determination: Corporation GH is "actively engaged in farming" since Husband G and Wife H provide a significant amount of both active personal labor and active personal management. Since Husband G and Wife H collectively own more than 50 percent of the stock of the corporation, Husband G, Wife H, and Corporation GH are considered to be 1 "person" for payment limitation purposes.

D Example 4

Situation: Father J conducts an individual farming operation on owned land. Corporation JKL conducts a farming operation on owned land. Father J also owns 50 percent of the stock of Corporation JKL and Trust KL (an irrevocable trust for the benefit of Father J's 2 minor children) owns 50 percent of the stock.

Determination: Father J and Corporation JKL are considered to be "actively engaged in farming" because of the landowner provision. However, Father J and Corporation JKL are considered to be 1 "person" for payment limitation purposes because Father J owns more than 50 percent of the stock of the corporation, including stock owned by an irrevocable trust for the benefit this individual's minor children.

--315 Case Examples - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities (Continued)--

E Example 5

Situation: Individuals M, N, and O own stock in 2 corporations and each has a separate and distinct farming operation on land that they individually own.

- Corporation MN has stockholders M and N, owning 60 and 40 percent of the stock, respectively.
- Corporation MO has stockholders M and O, owning 70 and 30 percent of the stock, respectively.
- Corporations MN and MO each have a separate and distinct farming operation on land owned by each individual corporation.

Determination: Individuals M, N, and O, and Corporations MN and MO are considered to be "actively engaged in farming" because of the landowner provision. Because Individual M owns more than 50 percent interest in both corporations, Individual M is considered to be 1 "person" with both corporations. Individuals N and O are considered to be separate "persons" on their individual farming operations and are considered to be "actively engaged in farming" because of the landowner provision.

F Example 6

Situation: Corporation X has stockholders A, B, C, and D owning 30 percent, 20 percent, 15 percent, and 35 percent, respectively. Corporation Y has stockholders A, B, C, and E owning 10 percent, 20 percent, 25 percent, and 45 percent, respectively. Each corporation farms land owned by the corporation.

Determination: Corporations X and Y are both considered to be "actively engaged in farming" because of the landowner provision. However, Corporation X and Corporation Y are considered to be 1 "person" for payment limitation purposes since the same 2 or more stockholders own more than 50 percent of the stock in each of the 2 corporations having farming interests.

--316 Completing CCC-502C, Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities--

A Who Should Complete CCC-502C

CCC-502C should only be completed by corporations, limited partnerships, and similar entities.

B When to File

File CCC-502C with COC no later than the date specified in paragraph 50.

C Supporting Data

COC shall require adequate supporting data to make proper “actively engaged in farming” and “person” determinations according to paragraph 52.

D Related Forms

If any member of this entity is another entity or a joint operation, that entity or joint operation will be required to provide CCC-502B, CCC-502C, or CCC-502D depending on the type of entity that is a member.

The entity completing CCC-502C will be required to submit CCC-501A for itself and every entity that is a member of itself according to paragraph 201. Each **individual** that has direct or indirect interest in the entity filing CCC-502C and wants to receive payment through that entity shall file CCC-501B with COC.

*--316 Completing CCC-502C, Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities (Continued)

E Completing CCC-502C

Have the producer complete CCC-502C according to this table.

Item Number	Instruction
1	Enter county name.
2	Enter program year.
3	Enter State.--*
4	Enter the entity's name and current mailing or street address.
5	Enter the entity's employer ID number.
6	Check the applicable box for the type of entity for which this form is being completed. If the producer's entity is not a corporation or limited partnership, check "other" and list what type of entity it is.
7	Enter the date this entity was formed.
8	For each member of this entity, provide the requested information. If a member has both a Social Security number and an employer ID number, provide both numbers. List any position that the individual member holds in the entity in the "Position" column and any salary or bonus that the individual member receives in the "Salary/Bonus" column. If any member of the entity is related to any other member of the entity, explain the relationship in the "family member relationship" column. Indicate if the member has signature authority for the entity.
9	If any member of the entity is an alien lawfully admitted into the U.S., this member must show the County Office his or her Alien Registration Receipt Card. Such member must display this card to be considered an alien lawfully admitted into the U.S. for the purposes of this program. Any member of this entity who is not an alien lawfully admitted into the U.S., or a U.S. citizen, is required to provide a significant contribution of active personal labor, land, and capital to the farming operation, in addition to other requirements, to be eligible for certain program benefits. List any members of this entity that are not U.S. citizens or aliens lawfully *--admitted into the U.S., in item 9 A. If any members of this entity are entities with aliens as members, those individual members of the member entities must meet the same requirements as aliens that are members of this entity. Complete the requested information in items 9 B and 9 C regarding such members that are entities.--*

*--316 Completing CCC-502C, Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities (Continued)

E Completing CCC-502C (Continued)

Item Number	Instruction--*
10	If any member of this entity will be under 18 years of age as of the applicable status date of this program year, enter the requested information. Be sure to enter information for both of such member's parents or guardians and if they have both types of ID numbers, enter both. If either of such member's parents or guardians have ANY interest in a farming operation, enter information about such member's parents or guardians farming operation on line number (1), (2), or (3) corresponding to the line number of the parents name.
11	If any member of this entity, the spouse of any member of this entity, or any of the minor children of any member of this entity has any other farming interests, (including interests in corporations, partnerships, trusts, estates, or other similar entities that have a farming operation) check the applicable box and complete the applicable sections of this form. If no member of this entity, no member's spouse, nor any minor children of a member of this entity have *--any other farming interests, check "No" and go to item 15.--*
12	For each additional farming interest a member of this entity has, enter the requested information.
13	For each additional farming interest a spouse of a member of this entity has, enter the requested information. If the farming interests of a member's spouse was brought into the marriage as a separate operation and has been kept totally separate from all of the member's farming operations, check "Yes" in the applicable box, otherwise check "No" in the applicable box. To be considered "totally separate," all aspects of the member's farming operation, including financing and records, must be kept distinct from the spouse's farming operation.
14	For each additional farming interest a minor child of a member of this entity has, enter the requested information.

*--316 Completing CCC-502C, Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities (Continued)

E Completing CCC-502C (Continued)

Item Number	Instruction
15	Enter the requested information for all land which is part of the entity's farming operation. If all land that is part of the entity's farming operation is owned by the entity and "No" was checked in item 11, go to item 18 after completing this--* item. In the case of cash leased land, only enter the rental rate per acre if such land is being leased to or from someone who shares in the production or proceeds of the production in the entity's farming operation. If this land is cash leased from someone who does not share in the production or proceeds of the production of the farming operation, enter "Cash." If land is leased for a share of the crop, enter the percentage of the crop that the landlord receives. If different rates apply on the same parcel, provide the breakdown of rates. If additional space is needed for this item, complete CCC-502 Continuation and attach to CCC-502A.
16	Enter the percent of the total capital requirements of the entity's farming operation that the entity provides. If the entity does not provide any capital, enter *--"0%" and go to item 17.--*
17	Enter the requested information for all equipment used in the farming operation. Check the "Owned" box only if the equipment is owned by the entity. For each line, enter the percentage represented by such line of the total equipment used in the farming operation. Calculate applicable percentages by rental value of such equipment. Leased equipment includes equipment provided by a custom farmer. It will be necessary to provide a copy of the equipment lease to the County Office if it being leased from an individual or entity that shares in the production or proceeds of the production.
18	If any of the entity's contributions of capital, equipment, or land were acquired as the result of a loan, check the applicable box and provide the requested *--information in item 18 B.--* The entity will be required to provide the detail information if the loan was made or guaranteed by an individual or entity with an interest in the entity's farming operation. If that is the case, identify which contribution the loan relates to, the individual or entity who made or guaranteed the loan, and what type of interest the individual or entity has in the entity's farming operation.
19	Enter the entity's best estimate of the percentage and/or hours of the total amount of labor required for the entity's farming operation that will be provided personally by members of the entity, provided by hired personnel or entities, and provided by other sources such as unpaid family and friends. Hired labor includes labor provided by custom farmer. It is important that the entity provide the names of the members who are providing the active personal labor.

*--316 Completing CCC-502C, Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities (Continued)

E Completing CCC-502C (Continued)

Item Number	Instruction--*
20	Enter the entity's best estimate of the percentage of the total amount of management required for the entity's farming operation that will be provided personally by members of the entity, and that will be provided by hired personnel or entities. For any management, that a member of the entity provides personally, provide a narrative of the type of management duties such member of the entity performs. COC is required to make a determination of whether or not the management the members of the entity provide is critical to the profitability of the entity's farming operation and this determination may determine whether the entity is eligible for program payments.
21	Check the applicable box if the entity believes, based on the information submitted, that the entity is "actively engaged in farming" and a "person" separate and distinct from any other individual or entity for payment limitation purposes. Check the applicable box and provide the names of the applicable individuals or entities if the entity believes, based on the information submitted, that the entity should be combined as 1 "person" with another individual or entity for payment limitation purposes.
22	*--Signature and date.--*

*--316 Completing CCC-502C, Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities (Continued)

F Example of CCC-502C

The following is an example of a completed CCC-502C.

Form Approved - OMB No. 0560-0096

CCC-502C (12-14-99) U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation

FARM OPERATING PLAN FOR PAYMENT ELIGIBILITY REVIEW FOR CORPORATIONS, LIMITED PARTNERSHIPS OR OTHER SIMILAR ENTITIES

1. COUNTY: Warren
2. PROGRAM YEAR: 2000
3. STATE: IA

NOTE: *The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The Agriculture Act of 1949, as amended, and the Food Security Act of 1985, as amended, authorize the collection of the data on this form which will be used in applying statutory payment eligibility and limitation provisions. Furnishing this data is voluntary; however, without it we may be unable to establish your maximum eligibility for program payments. This data may be furnished to any agency responsible for enforcing these provisions.*

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0096. The time required to complete this information collection is estimated to range from 30 minutes to 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. ***RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.***

4. Producer's Name and Address

Boone Farms, Inc.
172 Frostburg Ave
Indianola, IA 50125

5. Employer Identification No.: 23-1422786

6. Type of Entity (Check One)

- [X] Corporation
- [ ] Limited Partnership
- [ ] Other (Specify)_____

7. Date Entity Formed: 9-30-XX

FOR COUNTY OFFICE USE ONLY

Was an Alien Registration Receipt Card shown? YES [ ] NO [ ]

Status Date

8. Members - List all members having an interest in the entity.

Member's Name	Social Security/ Employer ID Number(s)	% Share	Salary/Bonus	Family Member Relationship	Position	Signature Authority for the Entity
Daniel Boone	189-44-7764	30	--	Parent of B.J.	President	Yes
R.J. Boone	189-76-9781	30	--	Son of Daniel	V. Pres.	Yes
B.J. Sampson	197-20-4799	40	--	--	Treasurer	No

9. Citizenship

A. Are ALL members U.S. citizens or aliens lawfully admitted into the U.S.?
- [X] **Yes.** If an alien lawfully admitted into the U.S., show the County Office an Alien Registration Receipt Card and go to Item 10.
- [ ] **No.** List ALL aliens not lawfully admitted into the U.S. and complete Item 9B.

B. Are any members an entity?
- [ ] **Yes.** Complete Item 9C.
- [X] **No.** Go to Item 10

C. Are ALL members of the entity(ies) U.S. citizens or aliens lawfully admitted into the U.S.?
- [ ] **Yes.** If an alien lawfully admitted into the U.S., show the County Office an Alien Registration Receipt Card and go to Item 10.
- [ ] **No.** List ALL members of the entity who are aliens not lawfully admitted into the U.S. and go to Item 10.

10. Producers Who Are Minors

Are you under 18 years of age? [ ] **YES** *(provide the following information)* [X] **NO** *(Go to Item 11)*

Member's Name and Date of Birth	Parents' or Guardians' Name and Social Security/ Employer ID Number(s)	Parents' or Guardians' Address
(1)		
(2)		

If any member's parents or guardians have any interest in a farming operation, complete the following for each member's parent or guardian.

Name of Farming Interest(s)	Social Security/Employer ID Number(s) of Farming Interest	County(ies) and State(s) Where Located
(1)		
(2)		

11. Farming Interests

Do any members, including spouses and minor children have any interest in a farming operation which is conducted under any name other than as listed in Item 4?

- [ ] Yes, one or more members have other farming interests. (Complete Item 12)
- [ ] Yes, one or more member's spouses have other farming interests. (Complete Item 13)
- [ ] Yes, one or more member's minor children have other farming interests. (Complete Item 14)
- [X] No, no member including spouses and minor children has any other farming interests. (Complete Item 15)

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

--*

*--316 Completing CCC-502C, Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities (Continued)

F Example of CCC-502C (Continued)

CCC-502C (Page 2 of 4) (12-14-99)

12. Other Farming Interests

Enter the following information for ALL interests each member has in a farming operation. Go to Item 15 if any member's spouse or minor children have no other farming interest(s).

Member's Name	Name of Farming Interest(s)	Social Security/Employer ID Number(s) of Farming Interest	County(ies) and State(s) Where Farming Interest(s) are Located

13. Other Farming Interests of Member's Spouse

Enter the following information for ALL interests each member's spouse has in a farming operation. Go to Item 15 if any member's minor children have no other farming interest(s).

Spouse's Name	Name and Social Security/Employer ID Number of Farming Interest(s)	Was Farm Acquired Before Marriage and Kept Totally Separate?		County(ies) and State(s) Where Farming Interest(s) are Located
		Yes	No	

14. Other Farming Interests of Member's Minor Children

Enter the following information for ALL interests each member's minor children have in a farming operation, and go to Item 15.

Child's Name	Name of Farming Interest(s)	Social Security/Employer ID Number(s) of Farming Interest	County(ies) and State(s) Where Farming Interest(s) are Located

15. Land

Enter the following information for ALL land this entity owns and/or leases. If ALL land in this farming operation is owned and operated by the entity, enter the farm number, County and State, check "Owned," and enter the cropland acres.

Farm No.	County(ies) and State(s) Where Farm(s) is Located	Enter "✔"			Name of Person Whom Land is Leased to and/or From	Cropland Acres	Rental Rate $ per Acre/ % Crop Share	Enter "✔" if the land interest is the same as last year.
		Owned	Leased To	Leased From				
215	Warren			✔	Lyle Williamson	630	Cash	✔
362	Warren			✔	Douglas Lawson	420	Cash	✔

16. Capital

If the entity does not provide any capital for this farming operation, enter 0% and go to Item 17.

What percent of the capital required for this farming operation does the entity provide? 100 %

17. Equipment

A. Owned Equipment: If ALL equipment used in this farming operation is owned by the entity, check "Owned" and go to Item 18.
B. Leased Equipment: Enter the following information for ALL leased equipment used in this farming operation.

Enter "✔"			Percent of Total "Owned" and "Leased From" Equipment	Name of Person Whom Equipment is Leased To and/or From	Does the Person Whom Equipment is Leased To or From Have an Interest in this Farming Operation?	
Owned	Leased To	Leased From			YES	NO
		✔	100 %	Browns Equipment, Inc.		X
			%			
			%			

--*

*--316 Completing CCC-502C, Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities (Continued)

F Example of CCC-502C (Continued)

CCC-502C (Page 3 of 4) (12-14-99)

18. Capital, Equipment, or Land

A. Was any of this entity's contribution(s) of capital, equipment, or land acquired as a result of a loan?

[ ] Yes, go to Item 18B.

[X] No, go to Item 19.

B. Was such loan acquired from or cosigned by an individual or entity who has ANY interest in this farming operation? *(Such interest may be as a landowner or another tenant.)*

[ ] Yes, enter the following information: [ ] No, go to Item 19.

Contribution	Name of Individual or Entity	Individual's or Entity's Interest in the Farming Operation

19. Labor

A. Active Personal Labor: If no labor is provided by the members, go to Item 19B.

List each member who provides active personal labor.

Name(s):
Daniel Boone
R. J. Boone
B. J. Sampson

What estimated TOTAL percent or hours of active personal labor is provided by the member(s)?

70 % _____ hours

B. Hired Labor: Enter the estimated percent or percent of labor required for this farming operation which is hired and the member's name that contributes the hired labor. If no labor is hired, go to Item 20.

Name of Member	Hours or Percent
Daniel Boone	15%
R. J. Boone	15%

C. Type and estimated percent or hours of other labor.

Type	Percent	Hours
	%	
	%	
	%	

20. Management

A. Active Personal Management. If the member(s) do not provide active personal management to the farming operation, go to Item 20B.

Enter the estimated TOTAL percent of the farming operation's management responsibility which is active personal management provided by the members. None %

List each member who provides active personal management.

Name(s)	Type of managerial duties performed
Daniel Boone	Determines which crops to plant and management of land.
R. J. Boone	Managing hired labor, marketing commodities.
B. J. Sampson	Financial analysis.

B. Hired Management. If no management is hired, go to Item 21.

Enter the estimated percent of hired management. None %

21. Person Status for Payment Limitation Purposes

The information entered on this document and any supporting documentation supports a finding that:

[X] This entity is a "person" actively engaged in farming separate and distinct from any other individual or entity.

[ ] This entity is a "person" actively engaged in farming that is combined with another individual or entity. List the individual(s) or entity(ies) with whom this entity should be combined.

REMARKS

22. CERTIFICATION

I certify that all the information entered on this document and any supporting documentation is true and correct. I understand furnishing incorrect information will result in forfeiture of payments and the assessment of a penalty. I will timely provide written notification to the Farm Service Agency committees for the county and State listed on this form of any changes in this farming operation.

SIGNATURE	TITLE	DATE
/s/ Daniel Boone	President, Boone Farms, Inc.	04-01-XX

--*

317 (Withdrawn--Amend. 4)

318-330 (Reserved)

Section 5 Estates

331 Overview

A
Introduction

This section describes determinations and procedures that relate to estates.

B
In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
332	"Person" Determinations	4-152
333	"Actively Engaged" Determinations	4-154
334	Case Examples	4-156
335	Completing CCC-502D	4-159

332 "Person" Determinations - Estates

A
Rule

--[7 CFR 1400.104]** An estate may be considered a separate "person" from**-- the heir or heirs, if the estate:

- has a separate and distinct interest in the land or crop involved
- exercises separate responsibility for this interest
- maintains funds or accounts separate from that of any other individual or entity for this interest
- ***--**meets the requirements of subparagraph B.**--***

B
Guidelines for Determining Separate

Use this table to determine whether an estate is a "person" separate from the heir or heirs.

--IF the heirs of the estate would...--	**THEN the estate is considered...**
*** * *** have been 1 “person” with the deceased individual if the individual was still living	1 “person” with such heir.
*** * *** not have been 1 “person” with the deceased individual if the individual was still living	a separate “person” from the heir or heirs.

Continued on the next page

C
Minor Heirs

If the estate has 1 or more minor heirs and the minor does not qualify as a separate "person" according to paragraph 254, the minor child's interest is considered to be the parent's interest.

***--Example:** **Situation:** General Partnership A consists of Individual B and Estate C, each with a 50 percent share.

Estate C consists of Individual D and Individual E, each with a 50 percent share. Individual E is the minor child of Individual B.

Result: Individual E's interest in the estate would be considered to be the interest of Individual B. Accordingly, Individual B would be required to designate Individual E's interest in the estate as a "permitted entity" in order for the interest to be paid.**--***

D
Programs Not Requiring Determination of "Actively Engaged"

If a program requires a determination of "persons" but not a determination of "actively engaged in farming," the following is also required to be eligible for payments or benefits:

- the claimed share of the profits or losses of the farming operation must be commensurate with the contributions to the farming operation
- contributions at risk.

---

333 "Actively Engaged" Determinations - Estates

A
General Rule

For 2 program years after the program year in which an individual dies, the individual's estate shall be considered to be "actively engaged in farming" if all of the requirements in this table are met.

Item	Requirement
1	The estate separately makes a significant contribution of capital, equipment, or land, or a combination thereof.
2	The personal representative (Executor, Administrator, etc.) or heirs of the estate collectively make a significant contribution of active personal labor or active personal management, or combination thereof, to the farming operation.
3	The estate's share of the profits or losses from the farming operation are commensurate with the contribution to the farming operation.
4	The estate's contributions are at risk.

Note: See paragraph 275 for incapacitated individual rule.

B
Rule for Estates of More Than 2 Years

Following the period of 2 program years after the program year in which an individual dies, the deceased individual's estate shall not be considered to be "actively engaged in farming" unless, on a case-by-case basis, COC determines that the estate is still active and is being kept active for reasons other than for obtaining program payments.

--Note:** COC determination shall be made annually based on information provided by an authorized representative of the estate.**--

Continued on the next page

C
Determinations for Estates of More Than 2 Years

For estates of duration greater than 2 program years after the program year in which an individual dies, COC must determine that:

- the estate has proven that it is still active for the current year, and the Administrator, Executor, etc., is still making required reports to the court
- the estate is being kept active for the current year for reasons other than for obtaining program payments.

Note: The producer should provide any other information that establishes a basis for the required determination.

D
DD Review of Estates of More Than 2 Years

For estates of duration greater than 2 program years after an individual dies, DD must:

- review findings of COC
- concur with the determination for the estate to be recognized.

--334 Case Examples - Estates--

A

Example 1

Situation: E Estate is formed upon the death of Individual E in February 1991. Individual B is the sole heir of the estate and provides a significant amount of active personal management. E Estate provides equipment and rented land. All labor is hired. Individual B also has individual farming interest. All contributions are commensurate and are at risk.

Determination: E Estate is considered to be "actively engaged in farming" since the heir (Individual B) has provided a significant amount of active personal management and the estate has provided equipment and land.

- Although Individual B is the sole heir of the estate, Individual B and the estate are not considered to be 1 "person" because, prior to the death, Individuals E and B would not have been combined as 1 "person."

- Therefore, Individual B may be considered to be a separate "person" from E Estate and will be eligible for payment if Individual B is determined to be "actively engaged in farming" with respect to the separate farming operation.

Continued on the next page

--334 Case Examples - Estates (Continued)--

B

Example 2

Situation: C Estate was formed in October 1991 upon the death of Individual C. The heirs are Individuals E, F, and G, each having a one-third interest.

- Before the death of Individual C, Individual C owned equipment and all of the acreage farmed was cash leased. Individual E will serve as executor for the estate.

- For 1992, C Estate will cash lease land. C Estate will contribute a significant amount of cash rented land, owned equipment, and capital for the farming operation.

- Individual E will provide a significant amount of active personal management with the estate hiring all labor.

- All contributions are commensurate and are at risk.

Determination: C Estate is considered to be "actively engaged in farming." The heirs may also be considered to be separate "persons" with respect to other farming operations if all conditions are met for such operation.

Continued on the next page

--334 Case Examples - Estates (Continued)--

C

Example 3

Situation: Y Estate is formed in August 1990 upon the death of Individual Y.

- Before death, Individual Y had been determined to be "actively engaged in farming" and had entered into a contract to participate in the 1990 ARP.

- Y Estate will continue to farm the acreage that was leased to Individual Y, as a successor-in-interest. Y Estate will hire any labor and management that is needed for the farming operation.

Determination: Y Estate is considered to be "actively engaged in farming" because Individual Y was determined to be "actively engaged in farming" and had executed a contract to participate in the program before death. However, to continue to be "actively engaged in farming" for the following year, the heirs or personal representative of the estate will have to provide a significant amount of active personal labor or active personal management, and the estate will have to provide a significant amount of capital, equipment, or land.

--335 Completing CCC-502D, Farm Operating Plan for Payment Eligibility Review for an Estate or Trust--

A
Introduction

The following forms are required for both estates and trusts:

- CCC-501A (see paragraph 201)
- CCC-502D.

B
Who Should Complete CCC-502D

CCC-502D should only be completed by estates and trusts.

C
When to File

File CCC-502D with COC no later than the date specified in paragraph 50.

D
Supporting Data

COC shall require adequate supporting data to make proper "actively engaged in farming" and "person" determinations according to paragraph 52.

E
Related Forms

If any member of this entity is another entity or a joint operation, that entity or joint operation will be required to provide CCC-502B, CCC-502C, or CCC-502D depending on the type of entity that is a member.

The entity completing CCC-502D will be required to submit CCC-501A for itself and every entity that is a member of itself. Each **individual** who has direct or indirect interest in the entity filing CCC-502D and wants to receive payment through that entity shall file CCC-501B with COC.

Continued on the next page

*--335 Completing CCC-502D, Farm Operating Plan for Payment Eligibility Review for an Estate or Trust (Continued)

F
Completing CCC-502D

Have the producer complete CCC-502D according to this table.

Item Number	Instruction
1	Enter county name.
2	Enter program year.
3	Enter State.--*
4	Enter the entity's name and current mailing or street address.
5	Enter the entity's employer ID number.
6	Check the applicable box for the type of entity for which this form is being completed.
7	Enter the date this entity was formed.
8	For each member of this entity, provide the requested information. If a member has both a Social Security number and an employer ID number, provide both numbers. List any position that the individual member holds in the entity in the "Position" column and any salary or bonus that the individual member receives in the "Salary/Bonus" column. If any member of the entity is related to any other member of the entity, explain the relationship in the "family member's relationship" column. Be sure to include the name of the grantor if this entity is a revocable trust and the name of the executor if the entity is an estate, even if these individuals or entities have no interest in the entity. Indicate if the member has signature authority for the entity.
9	If any member of the entity is an alien lawfully admitted into the U.S., this member must show the County Office his or her Alien Registration Receipt Card. Such member must display this card to be considered an alien lawfully admitted into the U.S. for the purposes of this program. Any member of this entity who is not an alien lawfully admitted into the U.S., or a U.S. citizen, is required to provide a significant contribution of active personal labor, land, and capital to the farming operation, in addition to other requirements, to be eligible for certain program benefits. List any members of this entity that are not U.S. citizens or aliens lawfully admitted into the U.S., in *--item 9 A. If any members of this entity are entities with aliens as members, those individual members of the member entities must meet the same requirements as aliens that are members of this entity. Complete the requested information in items 9 B and 9 C regarding such members that are entities.--*

Continued on the next page

*--335 Completing CCC-502D, Farm Operating Plan for Payment Eligibility Review for an Estate or Trust (Continued)

F
Completing
CCC-502D
(Continued)

Item Number	Instruction--*
10	If any member of this entity will be under 18 years of age as of the applicable status date of this program year, enter the requested information. Be sure to enter information for both of such member's parents or guardians and if they have both types of ID numbers, enter both. If either of such member's parents or guardians have ANY interest in a farming operation, enter information with regard to such member's parents or guardians farming operation on line number (1), (2), or (3) corresponding to the line number of the parents name.
11	If any member of this entity, the spouse of any member of this entity, or any of the minor children of any member of this entity has any other farming interests (including interests in corporations, partnerships, trusts, estates, or other similar entities that have a farming operation), check the applicable box and complete the applicable sections of this form. If no member of this entity, no member's spouse, nor any minor children of a member of this entity have any other farming interests, check "No" and go to ***--**item 15.**--***
12	For each additional farming interest a member of this entity has, enter the requested information.
13	For each additional farming interest a spouse of a member of this entity has, enter the requested information.
	If the farming interests of a member's spouse was brought into the marriage as a separate operation**and** has been kept totally separate from all of the member's farming operations, check "Yes" in the applicable box, otherwise check "No" in the applicable box. To be considered "totally separate," all aspects of the member's farming operation, including financing and records, must be kept distinct from the spouse's farming operation.
14	For each additional farming interest a minor child of a member of this entity has, enter the requested information.
15	Enter the requested information for all land that is part of the entity's farming operation. If all land that ***--**is part of the entity's farming operation is owned by the entity and "No" was checked in item 11, go to item 18 after completing this item.**--*** In the case of cash leased land, only enter the rental rate per acre if such land is being leased to or from someone who shares in the production or proceeds of the production in the entity's farming operation. If this land is cash leased from someone who does not share in the production or proceeds of the production of the farming operation, enter "Cash." If land is leased for a share of the crop, enter the percentage of the crop that the landlord receives. If different rates apply on the same parcel, provide the breakdown of rates. If additional space is needed for this item, complete CCC-502 Continuation and attach to CCC-502D.

Continued on the next page

*--335 Completing CCC-502D, Farm Operating Plan for Payment Eligibility Review for an Estate or Trust (Continued)

F Completing CCC-502D (Continued)

Item Number	Instruction
16	Enter the percent of the total capital requirements of the entity's farming operation that the entity provides. If the entity does not provide any capital, enter "0%" and go to item 17.--*
17	Enter the requested information for all equipment used in the farming operation. Check the "Owned" box only if the equipment is owned by the entity. For each line, enter the percentage represented by such line of the total equipment used in the farming operation. Calculate applicable percentages by rental value of such equipment. Leased equipment includes equipment provided by a custom farmer. It will be necessary to provide a copy of the equipment lease to the County Office if it being leased from an individual or entity that shares in the production or proceeds of the production.
18	If any of the entity's contributions of capital, equipment, or land were acquired as the result of a loan, *--check the applicable box and provide the requested information in item 18 B.--* The entity will be required to provide the detail information if the loan was made by or guaranteed by an individual or entity with an interest in the entity's farming operation. If that is the case, identify which contribution the loan relates to, the individual or entity who made or guaranteed the loan, and what type of interest the individual or entity has in the entity's farming operation.
19	Enter the entity's best estimate of the percentage and/or hours of the total amount of labor required for the entity's farming operation that will be provided personally by members of the entity, provided by hired personnel or entities, and provided by other sources such as unpaid family and friends. Hired labor includes labor provided by a custom farmer. It is important that the entity provide the names of the members who are providing the active personal labor.
20	Enter the entity's best estimate of the percentage of the total amount of management required for the entity's farming operation that will be provided personally by members of the entity, and that will be provided by hired personnel or entities.
	For any management that a member of the entity provides personally, provide a narrative of the type of management duties such member of the entity performs. COC is required to make a determination of whether or not the management the members of the entity provide is critical to the profitability of the entity's farming operation and this determination may determine whether the entity is eligible for program payments.
21	Check the applicable box if the entity believes, based on the information submitted, that the entity is "actively engaged in farming" and a "person" separate and distinct from any other individual or entity for payment limitation purposes. Check the applicable box and provide the names of the applicable individuals or entities if the entity believes, based on the information submitted, that the entity should be combined as 1 "person" with another individual or entity for payment limitation purposes.
22	*--Signature and date.--*

Continued on the next page

*--335 Completing CCC-502D, Farm Operating Plan for Payment Eligibility Review for an Estate or Trust (Continued)

G Example of CCC-502D

The following is an example of a completed CCC-502D.

Form Approved - OMB No. 0560-0096

CCC-502D (12-14-99) U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation

FARM OPERATING PLAN FOR PAYMENT ELIGIBILITY REVIEW FOR AN ESTATE OR TRUST

1. COUNTY: Rockingham
2. PROGRAM YEAR: 2000
3. STATE: VA

NOTE: *The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The Agriculture Act of 1949, as amended, and the Food Security Act of 1985, as amended, authorize the collection of the data on this form which will be used in applying statutory payment eligibility and limitation provisions. Furnishing this data is voluntary; however, without it we may be unable to establish your maximum eligibility for program payments. This data may be furnished to any agency responsible for enforcing these provisions.*

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0096. The time required to complete this information collection is estimated to range from 30 minutes to 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. ***RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.***

4. Producer's Name and Address

Kathy Wolfe Trust
Rte. 10 Box 28
Harrisonburg, VA 22081

5. Employer Identification No.: 42-7640205

6. Type of Entity (Check One)
- [X] Irrevocable Trust
- [ ] Revocable Trust
- [ ] Estate

7. Date Entity Formed: 01-15-XX

FOR COUNTY OFFICE USE ONLY
Was an Alien Registration Receipt Card shown? YES [ ] NO [ ]
Status Date:

8. Members - For all heirs or beneficiaries having an interest in the entity.

Heir's or Beneficiary's Name	Social Security/ Employer ID Number(s)	% Share	Salary/Bonus	Family Member Relationship	Position	Signature Authority for the Entity
Rick Wolfe	213-73-1174	80	--	Spouse of Grantor	Beneficiary	No
Tillie Saylor	213-29-1431	20	--	Sister of Grantor	Beneficiary	No
Executor's or Grantor's Name Kathy Wolfe	213-71-3656					No

9. Citizenship

A. Are ALL heirs or beneficiaries U.S. citizens or aliens lawfully admitted into the U.S.?
- [X] **Yes.** If an alien lawfully admitted into the U.S., show the County Office an Alien Registration Receipt Card and go to Item 10.
- [ ] **No.** List ALL aliens not lawfully admitted into the U.S. and complete Item 9B.

B. Are any heirs or beneficiaries an entity?
- [ ] **Yes.** Complete Item 9C.
- [X] **No.** Go to Item 10

C. Are ALL members of the entity(ies) U.S. citizens or aliens lawfully admitted into the U.S.?
- [ ] **Yes.** If an alien lawfully admitted into the U.S., show the County Office an Alien Registration Receipt Card and go to Item 10.
- [ ] **No.** List ALL members of the entity who are aliens not lawfully admitted into the U.S. and go to Item 10.

10. Heir(s) or Beneficiary(ies) Who Are Minors

Is any heir or beneficiary under 18 years of age? [ ] **YES** *(provide the following information)* [X] **NO** *(Go to Item 11)*

Heir's or Beneficiary's Name and Date of Birth	Parents' or Guardians' Name and Social Security/Employer ID Number(s)	Parents' or Guardians' Address
(1)		
(2)		

If any heir's or beneficiary's parents or guardians have any interest in a farming operation, complete the following for each heir's or beneficiary's parent or guardian.

Name of Farming Interest(s)	Social Security/Employer ID Number(s) of Farming Interest	County(ies) and State(s) Where Located
(1)		
(2)		

11. Farming Interests

Do any heirs or beneficiaries, including spouses and minor children have any interest in a farming operation which is conducted under any name other than as listed in Item 4?
- [X] Yes, one or more heirs or beneficiaries have other farming interests. (Complete Item 12)
- [ ] Yes, one or more heir's or beneficiary's spouses have other farming interests. (Complete Item 13)
- [ ] Yes, one or more heir's or beneficiary's minor children have other farming interests. (Complete Item 14)
- [ ] No, no heir or beneficiary including spouses and minor children has any other farming interests. (Complete Item 15)

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

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Continued on the next page

*--335 Completing CCC-502D, Farm Operating Plan for Payment Eligibility Review for an Estate or Trust (Continued)

G
Example of CCC-502D (Continued)

CCC-502D (Page 2 of 4) (12-14-99)

12. Other Farming Interests

Enter the following information for **ALL** interests each heir or beneficiary has in a farming operation. Go to Item 15 if any heir's or beneficiary's spouse or minor children have no other farming interest(s).

Name of Heir or Beneficiary	Name of Farming Interest(s)	Social Security/Employer ID Number(s) of Farming Interest	County(ies) and State(s) Where Farming Interest(s) are Located
Rick Wolfe	Wolfe Pack, Inc.	32-4337921	Rockingham, VA

13. Other Farming Interests of Heir's or Beneficiary's Spouse

Enter the following information for **ALL** interests each heir's or beneficiary's spouse has in a farming operation. Go to Item 15 if any heir's or beneficiary's minor children have no other farming interest(s).

Spouse's Name	Name and Social Security/Employer ID Number of Farming Interest(s)	Was Farm Acquired Before Marriage and Kept Totally Separate?		County(ies) and State(s) Where Farming Interest(s) are Located
		Yes	No	

14. Other Farming Interests of Member's Minor Children

Enter the following information for **ALL** interests each heir's or beneficiary's minor children have in a farming operation, and go to Item 15.

Child's Name	Name of Farming Interest(s)	Social Security/Employer ID Number(s) of Farming Interest	County(ies) and State(s) Where Farming Interest(s) are Located

15. Land

Enter the following information for all land this estate or trust owns and/or leases. If ALL land in this farming operation is owned and operated by the estate or trust, enter the farm number, County and State, check "Owned," and enter the cropland acres.

Farm No.	County(ies) and State(s) Where Farm(s) is Located	Enter "✔"			Name of Person Whom Land is Leased to and/or From	Cropland Acres	Rental Rate $ per Acre/ % Crop Share	Enter "✔" if the land interest is the same as last year.
		Owned	Leased To	Leased From				
132	Augusta, VA	✔	✔		Mark Coleman	65	Cash	✔
29	Rockingham, VA	✔				90		✔

16. Capital

If the estate or trust does not provide any capital for this farming operation, enter 0% and go to Item 17.

What percent of the capital required for this farming operation does the estate or trust provide? 100 %

17. Equipment

A. Owned Equipment: If ALL equipment used in this farming operation is owned by the entity, check "Owned" and go to Item 18.
B. Leased Equipment: Enter the following information for ALL leased equipment used in this farming operation.

Enter "✔"			Percent of Total "Owned" and "Leased From" Equipment	Name of Person Whom Equipment is Leased To and/or From	Does the Person Whom Equipment is Leased To or From Have an Interest in this Farming Operation?	
Owned	Leased To	Leased From			YES	NO
		✔	100 %	Rick Wolfe		X
			%			
			%			

--*

Continued on the next page

*--335 Completing CCC-502D, Farm Operating Plan for Payment Eligibility Review for an Estate or Trust (Continued)

G Example of CCC-502D (Continued)

CCC-502D (Page 3 of 4) (12-14-99)

18. Capital, Equipment, or Land

A. Was any of this estate's or trust's contribution(s) of capital, equipment, or land acquired as a result of a loan?

[ ] **Yes**, go to Item 18B.

[X] **No**, go to Item 19.

B. Was such loan acquired from or cosigned by an individual or entity who has ANY interest in this farming operation? *(Such interest may be as a landowner or another tenant.)*

[ ] **Yes**, enter the following information: [ ] **No**, go to Item 19.

Contribution	Name of Individual or Entity	Individual's or Entity's Interest in the Farming Operation

19. Labor

A. Active Personal Labor: If no labor is provided by the heir(s), personal representative(s), or beneficiary(ies) for this farming operation, go to Item 19B.

List each heir, personal representative, or beneficiary who provides active personal labor.

Name(s): Rick Wolfe

What estimated TOTAL percent or hours of active personal labor is provided by the heir(s), personal representative(s), or beneficiary(ies)?

100 % _____ hours

B. Hired Labor: Enter the estimated percent or percent of labor required for this farming operation which is hired and the heir's, personal representative's, or beneficiary's name that contributes the hired labor. If no labor is hired, go to Item 20.

Name of Heir, Personal Representative, or Beneficiary	Hours or Percent

C. Type and estimated percent or hours of other labor.

Type	Percent	Hours
	%	
	%	
	%	
	%	

20. Management

A. Active Personal Management. If the heir(s), personal representative(s), or beneficiary(ies) do not provide active personal management to the farming operation, go to Item 20B.

Enter the estimated TOTAL percent of the farming operation's management responsibility which is active personal management provided by the heir(s) or beneficiary(ies). 100 %

List each heir, personal representative, or beneficiary who provides active personal management and the type of managerial duties performed.

Name(s)	Type of managerial duties performed

B. Hired Management. If no management is hired, go to Item 21.

Enter the estimated percent of hired management. 100 %

21. Person Status for Payment Limitation Purposes

We believe the information entered on this document and any supporting documentation supports a finding that:

[X] This estate or trust is a "person" actively engaged in farming separate and distinct from any other individual or entity.

[ ] This estate or trust is a "person" actively engaged in farming that is combined with another individual or entity. List the individual(s) or entity(ies) with whom this estate or trust should be combined.

22. Certification

I certify that all the information entered on this document and any supporting documentation is true and correct. I understand furnishing incorrect information will result in forfeiture of payments and the assessment of a penalty. I will timely provide written notification to the Farm Service Agency committees for the county and State listed on this form of any changes in this farming operation.

SIGNATURE	TITLE	DATE
/s/ Kathy Wolfe Trust by Samuel Fox	***Trustee***	***03-04-XX***

--*

336-360 (Reserved)

Section 6 Trusts

361 Overview

A Introduction

This section describes determinations and procedures that relate to trusts.

B In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
362	Revocable and Irrevocable Trusts	4-202
363	"Person" Determinations	4-203
364	"Actively Engaged in Farming" Determinations	4-205
365	Case Examples	4-206
366	Required Forms	4-210

362 Revocable and Irrevocable Trusts

A
Types of Trusts

For payment limitation purposes, there are 2 types of trusts.

Type	Characteristics
Revocable trust	• Can be modified or terminated by the grantor or the assets revert to the grantor after a specific period of time • Does not meet the criteria for an irrevocable trust
Irrevocable trust	• May not be modified or terminated by the grantor • The grantor does not have any future, contingent, or remainder interest in the corpus of the trust • For trusts established after January 1, 1987, does not provide for the transfer of the corpus of the trust to the remainder beneficiary in less than 20 years from the date the trust is established, except in cases where the transfer is contingent upon the remainder beneficiary achieving at least the age of majority or upon the death of the grantor or income beneficiary. **Note:** All other trusts not meeting these requirements shall be considered revocable trusts.

B
Scrutiny of Trusts

All trusts that receive payments shall be carefully scrutinized to ensure that the trusts are legitimate entities and have not been created solely for the purposes of evading payment limitation provisions.

County Offices shall:

- require producer to provide a copy of the trust agreement unless the trust is a revocable trust
- determine whether provisions are included in the trust that would require the trust to be considered a revocable trust for payment limitation purposes.

363 "Person" Determinations - Trusts

A
General Rule

--[7 CFR 1400.103]** For payment limitation purposes, a trust is eligible to be**-- considered a separate "person" from any other individual or entity, if the trust:

- has a separate and distinct interest in the land or crop involved
- exercises separate responsibility for this interest
- maintains funds or accounts separate from that of any other individual or entity for this interest.

B
Revocable Trust Combined With Grantor

Revocable trusts are combined with the grantor of the trust.

Note: See subparagraph D to determine whether the beneficiary should also be combined with the grantor and the revocable trust.

C
Trusts With Minor Beneficiaries

For trusts with 1 or more minor children as beneficiaries and the minor does not qualify as a separate "person" according to paragraph 254, the minor child's interest is considered to be the parent's or court-appointed person's interest.

Note: If the minor child is the sole beneficiary or if all the minor children are under the same parent or court-appointed person's care, the trust, the minor, and the parent or court-appointed person are combined as 1 "person."

Continued on the next page

D
Guidelines for Determining "Person"

Use this table to determine whether a trust is a separate "person" from the beneficiary or beneficiaries.

IF the trust has...	THEN the trust...
only 1 beneficiary	is combined as 1 "person" with the beneficiary.
• 2 or more beneficiaries that are not combined as 1 "person" • farming interests separate and distinct from all individuals or entities including the beneficiaries	is a separate "person" from the beneficiaries. **Note:** See subparagraph C if all beneficiaries are minors.
1 or more beneficiaries and these beneficiaries have more than 50 percent interest in this trust and 1 or more other trusts **Note:** Include interests of beneficiaries combined as 1 "person."	is combined with all other trusts that have these common beneficiaries holding more than 50 percent interest. ***--Note:** Combine only similar trusts, that is, irrevocable trust with another irrevocable trust.**--***

E
Programs Not Requiring Determination of "Actively Engaged"

If a program requires a determination of "persons" but not a determination of "actively engaged in farming," the following is also required to be eligible for payments or benefits:

- the claimed share of the profits or losses of the farming operation must be commensurate with the contributions to the farming operation
- contributions at risk.

364 "Actively Engaged" Determinations - Trusts

A

Rule

***--[7 CFR 1400.205]** An irrevocable or revocable trust shall be considered to--* be "actively engaged in farming" if all of the requirements in this table are met.

Item	Requirement
1	The trust separately makes a significant contribution of capital, equipment, or land, or a combination thereof.
2	Income beneficiaries that make contributions of active personal labor or active personal management, have a combined interest of at least 50 percent, and collectively make a significant contribution to the farming operation.
3	The trust's share of the profits or losses from the farming operation is commensurate with the contribution to the farming operation.
4	The trust's contributions are at risk.
5	The trust has provided a tax ID number of the trust unless the trust is a revocable trust and the grantor is the sole income beneficiary or all grantors and beneficiaries of the revocable trust are combined as 1 "person". ***--Note:** A single ID number may not be used to pay both a trust and an individual in the same year.--*
6	The trust has provided a copy of the trust agreement to COC, unless the trust is a revocable trust.

--365 Case Examples - Trusts--

A
Irrevocable Trust Example 1

Situation: EF Trust meets the requirements to be considered an irrevocable trust for payment limitation purposes. The trust, with Individuals E and F each having an interest of 50 percent, contributes a significant amount of capital to the farming operation. Each beneficiary contributes a significant amount of active personal management. All labor is hired. The land and equipment are leased. The trust's share of the profits or losses from the farming operation are commensurate with the trust's contributions to the operation and the contributions are at risk. Individual E also has another farming interest as an individual.

Determination: EF Trust is considered to be "actively engaged in farming" since the trust provides capital, and the beneficiaries contribute a significant amount of active personal management. The trust is considered to be 1 "person" for payment limitation purposes. Individual E may also be considered a separate "person" with respect to Individual E's individual farming operation.

B
Irrevocable Trust Example 2

Situation: Individual G is a 100 percent income beneficiary of G Trust which meets the requirements to be considered an irrevocable trust for payment limitation purposes. G Trust contributes a significant amount of both equipment and capital to the farming operation. Individual G contributes at least 50 percent of the operation's active personal labor. G Trust leases all land and hires all management and 50 percent of the labor. Individual G also has farming interests as an individual.

Determination: G Trust is considered to be "actively engaged in farming." Individual G and G Trust are considered to be 1 "person" for payment limitation purposes because Individual G is the sole income beneficiary of the trust.

Continued on the next page

--365 Case Examples - Trusts (Continued)--

C
Irrevocable Trust Example 3

Situation: Testamentary Trust Z and Trust Y meet the requirements to be considered an irrevocable trust for payment limitation purposes. Trust Z has beneficiaries A, B, and C, and is the owner and operator of a farming operation. Trust Y has beneficiaries A, B, and C. The corpus of the Trust Y consists of stocks, bonds, notes receivables, urban real estate, and cropland that is share leased to a separate individual.

Determination: Testamentary Trust Z and Trust Y are considered to be "actively engaged in farming" under the landowner provision. However, Testamentary Trust Z and Trust Y are considered to be 1 "person" for payment limitation purposes because the same 2 or more beneficiaries have more than a 50 percent interest in 2 or more irrevocable trust.

D
Irrevocable Trust Example 4

Situation: The terms of a late husband's will made certain specific bequests of cash and nonfarm property to persons other than his widow. The balance of the estate, including farmland, is distributed to a testamentary trust. The widow has the sole right to the income of the trust during her lifetime. At the time of her death, the trust is to be terminated and the property distributed to her heirs.

Determination: Since the widow has the sole right to income of the trust during her lifetime, she is considered the sole beneficiary and therefore, 1 "person" with the trust for payment limitation purposes. The trust would be considered to be "actively engaged in farming" because of the landowner provision.

Continued on the next page

E

Revocable Trusts Example 1

Situation: ST Trust is a revocable trust with Individuals S and T as beneficiaries, each having an interest of 50 percent.

- Individual U is the grantor.
- ST Trust contributes a significant amount of both capital and equipment to the farming operation.
- The beneficiaries each contribute a significant amount of active personal management to the operation.
- All land is leased and all labor is hired.
- The trust's share of the profits or losses from the farming operation are commensurate with its contribution to the operation and the contributions are at risk.

Determination: ST Trust is considered to be "actively engaged in farming." ST Trust and Individual U are considered to be 1 "person" for payment limitation purposes because Individual U is the grantor of a revocable trust.

Continued on the next page

H
Revocable Trust Example 2

Situation: BP Trust is a revocable trust with Individual B and Minor P as beneficiaries.

- Grandfather G is the grantor.
- Individual B contributes a significant amount of active personal management to the farming operation.
- The trust provides all the capital and land.
- The trust also hires a person to provide the labor required for the farming operation.
- Minor P does not provide any contribution to the farming operation.

Determination: BP Trust is considered to be "actively engaged in farming." One beneficiary provides the required contribution of active personal management and the trust provides the required contribution of capital and land. BP Trust and Grandfather G are considered to be 1 "person" for payment limitation purposes because Grandfather G is the grantor of the revocable trust.

--366 Required Forms - Trusts--

A
Forms Required for Trusts

The following forms are required for trusts:

- CCC-501A (see paragraph 201)
- CCC-501B (see paragraph 218)
- CCC-502D (see paragraph 335).

367-390 (Reserved)

Part 5 Handling Determinations

391 Overview

A Introduction

This table outlines the responsibilities of each level in the payment limitation process.

Level	Responsibility
COC	Determinations not made by the State Office Documenting determinations Distribution of payments End-of-year reviews Redelegation of authority Appeals
County Office	Notifying producer of COC determination Recording COC determination Posting to Payment Limitation Register Filing payment limitation documentation * * * End-of-year reviews Reports
DD	Monitoring COC determinations Monitoring CO actions Corrective action Errors and problems

391 Overview (Continued)

A Introduction (Continued)

Level	Responsibility
State Office	*--Initial determinations of "persons" and "actively engaged in farming" for joint operations receiving payment with 6 or more members--* Documenting determinations Providing training Providing assistance to all levels End-of-year reviews Accumulating reports
STC	End-of-year reviews Questioned determinations

B In This Part

The following sections are included in this part.

Section	Title	Page
1	COC Responsibilities	5-3
2	County Office Responsibilities	5-25
3	Reserved	
4	DD Responsibilities	5-165
5	STC Responsibilities	5-185
6	Washington Responsibilities	5-211

Section 1 COC Responsibilities

392 Overview

A Introduction

This section:

- provides instructions to COC's on how to handle their portion of the determination process
- informs COC's of the time limit for making initial determinations and what to do if the applicant has not provided enough information for a favorable finding.

B In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
393	COC Determinations	5-4
394	Completing CCC-503A	5-6
395	COC Requirements to Make a Timely Determination	5-7
396	Redelegating Authority	5-9
397	Meritorious Relief	5-10

393 COC Determinations

A Introduction

COC shall make the initial review and determinations of “actively engaged in farming” and “person.”

*--B Determination Deadlines

This table provides requirement deadlines for COC to make “person” and “actively engaged in farming” determinations and producer notification.

IF CCC-502 is filed for programs...	THEN make...

not requiring “actively engaged in farming” determination	• “person” determination and notify producer within 60 calendar days of the date the applicable CCC-502 was filed
	
	• “actively engaged in farming” determination within 60 calendar days of the later of the following:
	
	  • the date an application or contract to participate for programs subject to “actively engaged in farming” determination is filed
	
	  • the date a new or updated CCC-502 is filed, if applicable.
	
	  Note: If no changes or violations have occurred, a producer is not required to file a new or updated CCC-502 in the same program year.

requiring “actively engaged in farming” determination	“person” and “actively engaged in farming” determinations and notify producer within 60 calendar days of the date the applicable CCC-502 is filed.

--*

393 COC Determinations (Continued)

C Insufficient Information

If the file does not contain adequate information for COC to make the determinations, COC shall request additional information. This does not extend COC's 60 calendar day time limit to make the initial determinations.

Note: If the file does not contain sufficient information for a favorable determination, COC shall make the determination, based on the file as it exists, to avoid a "default determination."

D Combined Individuals or Entities

When 2 or more individuals or entities are determined to be 1 "person" for payment limitations purposes, the determination applies to all programs for which limitations are applicable.

E Distribution of Payments

For combined individuals and or entities, if the parties involved cannot agree on how to distribute the program payments, COC shall determine the distribution.

F Appeal of Determination

COC shall hear appeals by applicants of the initial COC determinations of "actively engaged in farming" and "person."

394 Completing CCC-503A

A Introduction

COC shall use CCC-503A to document the initial determinations of “actively engaged in farming” and “person”.

B Documenting Determinations

Record the factors that COC used to make the “actively engaged in farming” and “person” determinations on CCC-503A. Significant contributions shall be identified and recorded.

C Narrative of Determination

A short narrative explaining the determining factors in the COC determination shall be documented on CCC-503A, item 7.

Example: Zinnel Farms, Inc., provides a significant contribution of capital and equipment. The single stockholder owning 100 percent provides a significant contribution of active personal management. All contributions of Zinnel Farms, Inc., are commensurate and at risk.

394 Completing CCC-503A (Continued)

D Example 1

*--

REPRODUCE LOCALLY. *Include form number and date on all reproductions.*

CCC-503A (12-14-99)

U.S. DEPARTMENT OF AGRICULTURE
Commodity Credit Corporation

COUNTY COMMITTEE WORKSHEET FOR "ACTIVELY ENGAGED IN FARMING" AND "PERSON" DETERMINATIONS

1. PRODUCER'S NAME: DM Farms
2. COUNTY AND STATE: Lee, IA
3. PROGRAM YEAR: 2000

4. Check the appropriate block.

[ ] Individual [X] General Partnership [ ] Joint Venture [ ] Corporation [ ] Other
[ ] Limited Partnership [ ] Estate [ ] Irrevocable Trust [ ] Revocable Trust _____

5. "ACTIVELY ENGAGED IN FARMING" DETERMINATION

The following are several different types of producers and what such type of producer must contribute to the farming operation in order to be considered "actively engaged in farming."

The required inputs must be a significant contribution, as defined in 1-PL, PART 2. The inputs of capital, equipment, or land may be contributed singly or in any combination. One input of capital, equipment or land must not be acquired as a result of a loan from or cosigned by a source who has an interest in the farming operation. Active personal labor and active personal management may be contributed as a single or combined input. The total contribution for an individual or entity must be commensurate with the claimed shares of the profits or losses from the farming operation and the contributions must be at risk.

A. TYPES OF PRODUCERS	B. REQUIREMENTS FOR INPUT OF CAPITAL, EQUIPMENT, AND LAND	C. REQUIREMENTS FOR INPUT OF LABOR AND MANAGEMENT
Individual:	Capital, equipment, **or** land **or** a combination thereof	Active personal labor **and/or** Active personal management
Landowner:	Land	N/A
Sharecropper:	N/A	Active personal labor
Joint Operation: Operation #1	Capital, equipment **or** land or a combination thereof **(Provided by Members)**	Active personal labor **and/or** Active personal management **(Provided by Members)**
Operation #2	Capital, equipment, **or** land or a combination thereof **(Provided by Joint Operation)**	Active personal labor **and/or** Active personal management **(Provided by Members)**
Corporation, Limited Partnership, Other similar entity:	Capital equipment, **or** land or a combination thereof **(Provided by Corporation)**	Active personal labor **and/or** Active personal management **(Provided by shareholders collectively owning at least 50% of shares)**
Estate:	Capital, equipment, **or** land or a combination thereof **(Provided by Estate)**	Active personal labor **and/or** Active personal management **(Provided by Heir(s) or Personal Representative)**
Irrevocable and Revocable Trusts:	Capital, equipment, **or** land or a combination thereof **(Provided by Trust)**	Active personal labor **and/or** Active personal management **(Provided by Beneficiary(ies)**
Adult Family Member:	N/A	Active personal labor **and/or** Active personal management
Foreign: Persons	Land and Capital	Active personal labor **(Provided by Foreign Individual)**
Corporations (If more than 10% foreign ownership)	Land and Capital	Active personal labor **(Provided by Foreign Individual)**

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--*

394 Completing CCC-503A (Continued)

D Example 1 (Continued)

*--

CCC-503A (Reverse) (12-14-99)

PRODUCER'S NAME: DM Farms

6. "PERSON" DETERMINATIONS

Answer the following questions by entering " √ " in the applicable column. For joint operations ONLY, in the applicable column:
1. Enter a " √ " if the answer applies to all members.
2. If the answer does not apply to all members, but does apply to a majority of the members enter:
   a. A " √ " for the majority of the members.
   b. The initials for the remaining members.

		YES	NO	N/A
A.	Is this producer a U.S. citizen or an alien lawfully admitted into the U.S.?	X		
B.	If this producer is a minor, have all the provisions in 1-PL, Part 4 concerning minors been met?			X
C.	If this producer's spouse has an interest in a farming operation, does either spouse have more than one interest in a farming operation earning payments?		D.W.	M.W.
D.	If this producer's spouse has an interest in another farming operation, was such interest acquired before marriage and kept totally separate and distinct?		D.W.	M.W.
E.	If equipment or land is leased, are the rates customary for the area?			X
F.	If a joint operation, are the member's shares commensurate with the contributed inputs?	X		
G.	If a cash rent tenant, have the applicable cash rent tenant provisions been met according to 1-PL Part 2?			X
H.	If an Indian tribal venture, has a certification from BIA or the Indian tribal council been provided?			X
I.	If a corporation, does one stockholder, including shares owned by a spouse or minor children, own more than 50% in the corporation?			X
J.	If a corporation, do the same 2 or more stockholders own more than 50% in 2 or more corporations?			X
K.	If an estate, would an heir have been combined with the deceased individual?			X
L.	If an estate, has the estate been in existence for 2 years?			X
M.	If a trust, does the trust provide for modification or interest by the grantor, or if established after January 1, 1987, provide for transfer to the remainder beneficiary in less than 20 years?			X
N.	If an irrevocable trust or revocable trust, is there a sole beneficiary?			X
O.	If an irrevocable trust, or revocable trust, do the same 1 or more beneficiaries hold more than 50% in 2 or more irrevocable trusts or revocable trusts?			X
P.	If a revocable trust, does the grantor have any other farming interest(s)?			X
Q.	If a State, political subdivision, or an agency thereof, does the combined State producer have any other farming interest (such as a beneficiary of a trust)?			X
R.	If there is an increase in "persons," have 1 or more changes according to 1-PL, Part 2 been met?			X

7. "ACTIVELY ENGAGED IN FARMING" AND "PERSON" DETERMINATIONS

A. Based on the information provided, is this producer considered to be actively engaged in farming? Yes [ ] No [ ]

B. For joint operations ONLY, is each member considered to be actively engaged in farming? Yes [X] No [ ]

C. Provide a short narrative explaining the determining factors. For joint operations ONLY, indicate the determination and determining factors for each member.

D. Williams and M. Williams each provide a significant contribution of active personal labor and active personal management. DM Farms provides a significant contribution of capital and owned equipment. All contributions are commensurate with the claimed shares.

D. Based on the information provided, the following are considered 2 "person(s)" for payment limitation purposes.

D. Williams

M. Williams

SIGNATURE OF COMMITTEE MEMBER	DATE
/s/ Peter Donnellson	*04-29-XX*

--*

394 Completing CCC-503A (Continued)

E Example 2

*--

REPRODUCE LOCALLY. *Include form number and date on all reproductions.*

CCC-503A (12-14-99)

U.S. DEPARTMENT OF AGRICULTURE
Commodity Credit Corporation

COUNTY COMMITTEE WORKSHEET FOR "ACTIVELY ENGAGED IN FARMING" AND "PERSON" DETERMINATIONS

1. PRODUCER'S NAME: Boone Farms Inc.
2. COUNTY AND STATE: Warren, IA
3. PROGRAM YEAR: 2000

4. Check the appropriate block.

[ ] Individual [ ] General Partnership [ ] Joint Venture [X] Corporation [ ] Other
[ ] Limited Partnership [ ] Estate [ ] Irrevocable Trust [ ] Revocable Trust _____

5. "ACTIVELY ENGAGED IN FARMING" DETERMINATION

The following are several different types of producers and what such type of producer must contribute to the farming operation in order to be considered "actively engaged in farming."

The required inputs must be a significant contribution, as defined in 1-PL, PART 2. The inputs of capital, equipment, or land may be contributed singly or in any combination. One input of capital, equipment or land must not be acquired as a result of a loan from or cosigned by a source who has an interest in the farming operation. Active personal labor and active personal management may be contributed as a single or combined input. The total contribution for an individual or entity must be commensurate with the claimed shares of the profits or losses from the farming operation and the contributions must be at risk.

A. TYPES OF PRODUCERS	B. REQUIREMENTS FOR INPUT OF CAPITAL, EQUIPMENT, AND LAND	C. REQUIREMENTS FOR INPUT OF LABOR AND MANAGEMENT
Individual:	Capital, equipment, **or** land **or** a combination thereof	Active personal labor **and/or** Active personal management
Landowner:	Land	N/A
Sharecropper:	N/A	Active personal labor
Joint Operation: Operation #1	Capital, equipment **or** land or a combination thereof **(Provided by Members)**	Active personal labor **and/or** Active personal management **(Provided by Members)**
Operation #2	Capital, equipment, **or** land or a combination thereof **(Provided by Joint Operation)**	Active personal labor **and/or** Active personal management **(Provided by Members)**
Corporation, Limited Partnership, Other similar entity:	Capital equipment, **or** land or a combination thereof **(Provided by Corporation)**	Active personal labor **and/or** Active personal management **(Provided by shareholders collectively owning at least 50% of shares)**
Estate:	Capital, equipment, **or** land or a combination thereof **(Provided by Estate)**	Active personal labor **and/or** Active personal management **(Provided by Heir(s) or Personal Representative)**
Irrevocable and Revocable Trusts:	Capital, equipment, **or** land or a combination thereof **(Provided by Trust)**	Active personal labor **and/or** Active personal management **(Provided by Beneficiary(ies)**
Adult Family Member:	N/A	Active personal labor **and/or** Active personal management
Foreign: Persons	Land and Capital	Active personal labor **(Provided by Foreign Individual)**
Corporations (If more than 10% foreign ownership)	Land and Capital	Active personal labor **(Provided by Foreign Individual)**

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--*

394 Completing CCC-503A (Continued)

E Example 2 (Continued)

*--

CCC-503A (Reverse) (12-14-99)

PRODUCER'S NAME: Boone Farms Inc.

6. "PERSON" DETERMINATIONS

Answer the following questions by entering " √ " in the applicable column. For joint operations ONLY, in the applicable column:
1. Enter a " √ " if the answer applies to all members.
2. If the answer does not apply to all members, but does apply to a majority of the members enter:
   a. A " √ " for the majority of the members.
   b. The initials for the remaining members.

		YES	NO	N/A
A.	Is this producer a U.S. citizen or an alien lawfully admitted into the U.S.?	X		
B.	If this producer is a minor, have all the provisions in 1-PL, Part 4 concerning minors been met?			X
C.	If this producer's spouse has an interest in a farming operation, does either spouse have more than one interest in a farming operation earning payments?			X
D.	If this producer's spouse has an interest in another farming operation, was such interest acquired before marriage and kept totally separate and distinct?			X
E.	If equipment or land is leased, are the rates customary for the area?	X		
F.	If a joint operation, are the member's shares commensurate with the contributed inputs?			X
G.	If a cash rent tenant, have the applicable cash rent tenant provisions been met according to 1-PL Part 2?	X		
H.	If an Indian tribal venture, has a certification from BIA or the Indian tribal council been provided?			X
I.	If a corporation, does one stockholder, including shares owned by a spouse or minor children, own more than 50% in the corporation?		X	
J.	If a corporation, do the same 2 or more stockholders own more than 50% in 2 or more corporations?		X	
K.	If an estate, would an heir have been combined with the deceased individual?			X
L.	If an estate, has the estate been in existence for 2 years?			X
M.	If a trust, does the trust provide for modification or interest by the grantor, or if established after January 1, 1987, provide for transfer to the remainder beneficiary in less than 20 years?			X
N.	If an irrevocable trust or revocable trust, is there a sole beneficiary?			X
O.	If an irrevocable trust, or revocable trust, do the same 1 or more beneficiaries hold more than 50% in 2 or more irrevocable trusts or revocable trusts?			X
P.	If a revocable trust, does the grantor have any other farming interest(s)?			X
Q.	If a State, political subdivision, or an agency thereof, does the combined State producer have any other farming interest (such as a beneficiary of a trust)?			X
R.	If there is an increase in "persons," have 1 or more changes according to 1-PL, Part 2 been met?			X

7. "ACTIVELY ENGAGED IN FARMING" AND "PERSON" DETERMINATIONS

A. Based on the information provided, is this producer considered to be actively engaged in farming? Yes [X] No [ ]

B. For joint operations ONLY, is each member considered to be actively engaged in farming? Yes [ ] No [ ]

C. Provide a short narrative explaining the determining factors. For joint operations ONLY, indicate the determination and determining factors for each member.

Boone Farms, Inc. provides a significant contribution of capital, leased equipment, and land. Two stockholders, collectively owning 60 percent, provide a significant contribution of personal management. All contributions of Boone Farms, Inc. are commensurate.

D. Based on the information provided, the following are considered 1 "person(s)" for payment limitation purposes.

Boone Farms, Inc.

SIGNATURE OF COMMITTEE MEMBER	DATE
/s/ Daniel Franklin	*04/29/XX*

--*

395 COC Requirements to Make a Timely Determination

A Introduction

COC shall make the initial determinations of "actively engaged in farming" and "persons" within the deadlines established according to paragraph 393.

Note: See paragraph 425 for required State Office determination.

B Definition

A default determination assumes all individuals or entities are "actively engaged in farming" and the "person" determination is the determination sought by the applicant.

C Rule

If COC does not make the initial determinations within the 60 calendar day time limit, the applicant shall receive a "default determination." COC must still make determinations of "actively engaged in farming" and "person." If the correct determination is different:

- FSA will honor the "default determination" for the current year if the farm operation plan is followed exactly
- the proper determination will apply if the farm operation plan is not followed exactly
- the proper determination will apply the following year if the operation is exactly the same.

Note: See paragraph 652 for end-of-year review requirements for default determinations.

395 COC Requirements to Make a Timely Determination (Continued)

D Number of "Persons"

If an applicant receives a "default determination", the number of "persons" will not exceed the number listed on this table.

Type of CCC-502	"Person" Determination
CCC-502A	The individual will be 1 "person" separate and distinct from any other individual or entity. **Note:** If the individual is a member of a joint operation, the individual's interest in the joint operation and the individual's interest supported by this CCC-502A will be 1 "person".
CCC-502B	***--**Each member of the joint venture or general partnership will be**--*** 1 "person" separate and distinct from any other individual or entity.
CCC-502C	The entity will be 1 "person" separate and distinct from any other individual or entity.
CCC-502D	The entity will be 1 "person" separate and distinct from any other individual or entity.
CCC-502EZ	The individual will be 1 "person" same as for CCC-502A.

E Notification to Producer

See paragraphs 466 and 467 for notification requirements of both the default and correct determination letters to the producer.

396 Redelegating Authority

A Introduction

COC may redelegate their authority to CED to make “actively engaged in farming” and “person” determinations in certain circumstances.

B Circumstances for Redelegation

COC’s authority to make “actively engaged in farming” and “person” determinations may be redelegated to CED when the cases delegated are of a routine nature.

*** * ***

C Spot-Checking Redelegated Determinations

Periodically, COC’s and DD’s shall review a sufficient number of redelegated cases to ensure that proper determinations are being made.

397 Meritorious Relief

A Misaction or Misinformation

--See 7-CP for cases involving misaction or misinformation.--

398 Incorrect Determinations

A Corrective Action

Use this table if a determination is found to be in error by any reviewing authority.

IF a determination is found to be in error...	THEN...

within 60 calendar days of the date the producer filed CCC-502	• the producer shall be immediately notified of the corrected determination and advised of the right to appeal according to 1-APP
	
	• the corrected determination shall be applicable for the current year, unless COC determines and DD concurs that both of the following apply:
	
	  • the error was not so great that the producer should have noticed it
	
	  • the producer, relying on the erroneous written determination and acting in good faith:
	
	  • materially changed plans because of the erroneous determination
	
	  • was not notified in time to comply with the correct determination without suffering a loss.

398 Incorrect Determinations (Continued)

A Corrective Action (Continued)

IF a determination is found to be in error...	THEN...
but not within 60 calendar days of the date the producer filed CCC-502	• the initial determination shall be considered a default determination according to paragraph 395 for the current year and any previous year to which CCC-502 is applicable **Exception:** The correct determination shall apply for the current year if both of the following apply: • the incorrect determination was made in a previous year and considered to be in effect for subsequent years •*--the error was discovered and the producer was notified before either a payment was issued or--* the status date had passed for the current year. • the producer shall be notified of the correct determination according to paragraph 467.

399-410 (Reserved)

Section 2 County Office Responsibilities

411 Overview

A
Introduction

This section provides instruction on County Office responsibilities for:

- maintaining the Payment Limitation Review Register
- printing the Payment Limitation Review Register
- notifying producers of payment eligibility and limitation determinations.

B
In This Section The following subsections are included in this section.

Subsection	Title	Page
1	Multiple State and County Producers	5-26
2	State Office Determinations	5-41
3	Payment Limitation Review Register	5-55
4	Reports	5-75
5	Notifying Producers of Determinations	5-91
6	Filing	5-121

Subsection 1 Multiple State and County Producers

412 Overview

A Introduction

When a producer has interest in 2 or more States or 2 or more counties within a State, a control county must be selected.

This subsection covers the responsibilities and interactions of States and counties involved with multiple State and county producers.

B In This Subsection

The following paragraphs are included in this subsection.

Paragraph	Title	Page
413	Responsibilities of County Office Receiving CCC-502	5-27
414	Control County Responsibilities	5-28
415	Interaction Between Counties	5-29
416	Producers With Multiple State Interests	5-31
417-421	Withdrawn--Amend. 25	
422, 423	Reserved	

413 Responsibilities of County Office Receiving CCC-502

A
Overview

This paragraph explains the basic responsibilities of a County Office that receives CCC-502 from a multiple county producer.

B
Responsibilities

Counties receiving CCC-502 for a multiple county producer shall follow this table.

Step	Action
1	Immediately photocopy all forms and supporting documentation submitted.
2	Prepare a letter advising other County Offices involved of: • the filing date • which county is the control county.
3	Mail the letter with a set of the photocopied documents to each County Office where the producer has a farming interest.

C
Determination Deadline

COC must make *** * *** determinations and notify the producer within 60 calendar days after the producer files CCC-502. The 60 calendar day period begins on the date CCC-502 is filed, regardless of whether or not the office receiving the filing is the control county.

414 Control County Responsibilities

A
Responsibilities

This table contains a list of responsibilities of control counties in different situations.

IF the multiple county producer is involved in...	THEN the control County Office shall...
only 1 farming operation	• make "person" determinations • monitor "permitted entity" designations • make "actively engaged in farming" determinations.
multiple farming operations and all operations are in the control county	• make all "person" determinations • monitor "permitted entity" designations • make all "actively engaged in farming" determinations.
multiple farming operations and all farming operations are not in the control county	• make all "person" determinations • monitor all "permitted entity" designations • make "actively engaged" in farming determinations for the farming operations located in the control county. **Note:** The control county is not responsible for making the "actively engaged" determination for a farming operation located entirely in another county.

B

Designated Control County Offices

The following table provides the designated control County Offices for the listed multiple State producers.

Entity	ID Number	Control County
• Alcoa • NW Alloys	• 25-0317820 • 25-1233642	*--Warwick County FSA Office 1122 So. 8th St. Boonville, IN 47601 812-897-2840--*
Church of Jesus Christ of Latter Day Saints	• 87-0384757 • 87-0274433 • 88-0158527	Benton County FSA Office 620 8th St. Prosser, WA 99350 509-786-2313
• Connecticut General • Connecticut General Life Insurance Co. • Conn Gen Life Insurance • Conn General Life Insurance, Inc. • Ct Gen Life Insurance • Conn Gen Life Insurance, Company • Connecticut Genrl Life, Insurance • Connecticut General Life, Inc. • Conn General • C Gen Life • Conn Gen. Life	06-0303370	Boone County FSA Office 1206 Business Loop 70 West Suite B Columbia, MO 65205 314-443-8701

Continued on the next page

B
Designated
Control County
Offices
(Continued)

Entity	ID Number	Control County
• C Gen c/o D FM MGR Tippett Land & Mort Co. • CIGNA • CIGNA Life Insurance, Co. • CIGNA Farms c/o Larry Bishop • CIGNA Capital Advisors, Inc. • CIGNA c/o Duff Farm Management • CIGNA Invst, Inc. • CIGNA Investments, Inc. • AETNA Life Insurance	06-0303370	Boone County FSA Office 1206 Business Loop 70 West Suite B Columbia, MO 65205 314-443-8701
1st Interstate Bank Owned by First Interstate Bancorp	ID Number Varies	Morrow County FSA Office 430 Heppner-Lexington Hwy. P.O. Box 786 Heppner, OR 97836-0786 503-676-9011
• John Hancock Mutual Life Insurance Company • John Hancock Insurance Company • Hancock Mutual Life Insurance	• 04-1414660 • 04-2482364	Lee County FSA Office P.O. Box 157 Amboy, IL 61310-0157 815-857-3621

Continued on the next page

B
Designated
Control County
Offices
(Continued)

Entity	ID Number	Control County
• Metropolitan Life Insurance Company • Farmer's National Company	• 13-5581829 • 47-0157270	Sarpy County FSA Office P.O. Box 280850 Papillion, NE 68128-0850 402-339-8644
Norwest Bank	ID number varies	***--**Wright County FSA Office 306 A Brighton Ave. Buffalo, MN 55313-2303 612-682-1982**--***
• The Equitable Life Assurance Society of America • Equitable Agri-Business, Inc.	• 13-5570651 • 58-1571529	St. Louis County FSA Office Suite 212 1215 Fern Ridge Parkway St. Louis, MO 63141-4401 314-453-9555
• Travelers Insurance • Circle T Farms • Prospect Co.	• 06-0807418 • 06-0566090 • 51-0099394	Adams County FSA Office 114 East Main Ritzville, WA 99169-1481 509-659-1761

415 Interaction Between Counties

A
Overview

Counties with multiple county producers shall remain in close contact. This paragraph provides the interaction that must take place between counties.

B
Control County Responsibilities

The control county shall:

- notify the producer of the determination within 60 calendar days of the producer filing date

  Note: The control county shall not delay notification to the producer to obtain the concurrence of other COC's.

- notify COC's involved with the multiple county producer of the determinations.

C
Other County Responsibilities, *--Initial Determination

COC's in noncontrol counties receiving notification of an initial determination by the control county COC for a multiple county producer shall respond according to this table.

IF COC's in noncontrol counties...	THEN the noncontrol county shall...
agree with the determination	• notify the control county of the concurrence in writing • update eligibility flags according to 2-PL.
do not agree with the determination made by the control county	• immediately contact the control county to resolve the differences • involve DD's and State Offices if needed to resolve the differences • notify the control county of concurrence in writing and update eligibility flags according to 2-PL when the differences have been resolved.

Note: If the original determination is changed for any reason, the control county shall immediately repeat the procedures in this paragraph.--*

Continued on the next page

***--D**

Other County Responsibilities, Updated Determination

COC's in noncontrol counties receiving notification of an updated determination by the control county COC for a multiple county producer shall take the following action.

IF COC's in noncontrol counties...	THEN that county...
agree with the determination that is being updated	• is not required to respond when the letter sent by the control county indicates that an agreeing response is not needed • shall update eligibility flags according to 2-PL.
do not agree with the updated determination	shall follow the instructions in subparagraph C when a noncontrol county does not agree.**--***

416 Producers With Multiple State Interests

A

COC Determinations for Multiple State Producers

Procedure applicable to multicounty producers shall also be followed for multiple State producers. Counties should communicate directly. State Offices should get involved only if counties do not agree on a determination.

417-421 (Withdrawn--Amend. 25)

422, 423 (Reserved)

Subsection 2 State Office Determinations

424 Overview

A
Introduction

This subsection provides instructions to County Offices for determinations that are required to be made by State Office representatives.

* * *

425 Required State Office Determinations

A Rule on Required State Office Determinations

--[7 CFR 1400.2] State Office review and determination are:--

- required for initial "person" and "actively engaged in farming" determinations for joint operations with 6 or more members

- not required when both of the following apply:

  - the State Office made "person" and "actively engaged in farming" determinations for the joint operation in a previous year

  - *--the producer certifies minor changes in the farming operation and COC determines that the changes will not affect the “person” or “actively--* engaged in farming” determinations previously made by the State.

Notes: State Offices are not required to make initial determinations for Indians receiving payment through affiliation with BIA or on lands owned by or held in trust for an Indian tribal venture.

Complex cases must be reviewed by STC.

COC's shall not make or recommend a determination.

Continued on the next page

B
Related Farming Operations

If State Office is required to make "person" and "actively engaged in farming" determinations for a producer and the producer is also involved in another farming operation as an individual or member of a joint operation or entity:

- CCC-502's for the other farming operations are not required to be sent to the State Office for determination

  Exception: If there is reason to believe the additional CCC-502's would change the determination, the State Office may require CCC-502's for the other farming operations.

- the applicable control COC for the other farming operations shall:

  - make the "actively engaged in farming" and "person" determinations for that farming operation according to paragraph 414

  - notify the producer.

* * *

Continued on the next page

C

Sending File to State Office

If a State Office determination is required according to this paragraph, County Offices shall send, by fastest means possible, new or updated CCC-502's with supporting documentation to State Office no later than 3 workdays following the day the forms were received in the County Office.

Supporting documentation shall include:

•*****--a copy of the production flexibility contract or summary of shares--*****

claimed by the producer

- a copy of CCC-502's or summary of the producer's shares for other farming operations in which the producer has an interest as an individual or member of a joint operation or entity as required by the State Office.

Supporting documentation may also include:

- copy of cash or share leases
- legal documentation concerning:
  - land ownership
  - corporations
  - trusts
  - partnerships
- additional documentation as required by the State Office.

Continued on the next page

D
Notifying Producers of This Requirement

County Offices shall notify applicable producers by letter:

- that CCC-502 and supporting documentation, if applicable, has been sent to the State Office according to the requirement that State Offices make initial *--determinations of "persons" and "actively engaged in farming" for joint operations with 6 or more members--*

- that notification of determinations of "persons" and "actively engaged in farming" will be sent from the State Office.

Continued on the next page

E
Determination Deadlines

This table provides deadlines for the State Office to make "person" and "actively engaged in farming" determinations and producer notification.

IF CCC-502 is filed for programs...	THEN make...
not requiring an "actively engaged in farming" determination	a "person" determination, and notify the producer within 60 calendar days of the date the applicable CCC-502 was filed. **Note:** An "actively engaged in farming" determination is not required until benefits are requested for a program requiring an "actively engaged in farming" determination.

not requiring an "actively engaged in farming" determination, but benefits are later requested for a program requiring an "actively engaged in farming" determination	• a "person" determination, and notify the producer within 60 calendar days of the date the applicable CCC-502 was filed
	
	• an "actively engaged in farming" determination within 60 calendar days of the later of the following:
	
	  • the date the application or contract to participate for the program subject to an "actively engaged in farming" determination is filed
	
	  • the date a new or updated CCC-502 is filed, if applicable.
	
	  Note: If no changes have occurred, the producer is not required to file a new or updated CCC-502 * * *.

requiring an "actively engaged in farming" determination	"person" and "actively engaged in farming" determinations, and notify the producer within 60 calendar days of the date the applicable CCC-502 is filed.

F
Default Determinations

If the State Office does not make the initial determinations within the 60 calendar day time limit, the applicant shall receive a default determination according to paragraph 395.

426, 427 (Withdrawn--Amend. 40)

428-432 (Reserved)

Subsection 3 Payment Limitation Review Register

433 Overview

A Introduction

This subsection covers the use of the Payment Limitation Review Register.

B In This Subsection

The following paragraphs are included in this subsection.

Paragraph	Title	Page
434	Annual File Edit of Payment Limitation Review Register	5-56
435	Accessing Automated Payment Limitation Review Register	5-57
436	Payment Limitation Review Register Field Codes	5-58.6
437	Recording First Time Determinations	5-61
438	Revising Payment Limitation Review Register for a New CCC-502 That Replaces Previous CCC-502	5-63
439	Withdrawn--Amend. 33	

434 Annual File Edit of Payment Limitation Review Register

A
Introduction

***--**The Payment Limitation Review Register:

- is subject to an annual file edit

Note: If a producer filed CCC-502 in a previous year, the annual file edit will create a new current year register for the producer. All fields in the register will be blank except the "Date Last Year 502" field, which will receive information from the previous year "Date Current 502" field.

- shall be maintained for the current and prior year.

B
Start-of-Day Additions and Deletions

To add a producer to the Payment Limitation Review Register, the user must wait for the next start-of-day operation after the producer becomes an active producer in the name and address file.

If a producer is not considered an active producer in the name and address file, the user will not be able to access the Payment Limitation Review Register for that producer. A producer made inactive in the applicable year's name and address file will be deleted from the Payment Limitation Review Register during the next start-of-day operation.**--***

Continued on the next page

C
If File Becomes Unlinked

Subsidiary rollover will not unlink the A.MA.R?M file. If the A.MA.R?M file becomes unlinked for any reason, complete the steps in this table to link the file to the definition **before** accessing the Payment Limitation Review Register.

Step	Action
1	On Menu FAX250, ENTER "1", "Office Automation Functions".
2	***--**On Menu OAA010, ENTER "7", "Query/36".**--***
3	On the Use Query/36 Screen, ENTER "5", "Create, Link, Unlink or type data into a file".
4	On the Work With Disk Files Screen, ENTER: • "8" to link • "A.MA.R?M" as the file name. Replace the question mark with the last digit of the applicable year to process. ***--Example:** ENTER "A.MA.R2M" if the 2002 Payment Limitation Review Register**--*** data is needed.
5	On the Link a Disk File and a Definition Screen, ENTER: • "IDDEF01" for data dictionary name • "AMAR?M" for file definition name. Replace the question mark with the last digit of the applicable year to process.

D
Action Required Before File Edit

Before installation of software that performs the annual file edit, print the Payment Limitation Review Register according to paragraph 450.

Note: Manually update entries on the Payment Limitation Review Register, as required, for the applicable program year.

435 Accessing Automated Payment Limitation Review Register

A Introduction

This paragraph explains how to access the year-specific Payment Limitation Review Register.

B Accessing Payment Limitation Review Register

Access the applicable year's Payment Limitation Review Register according to this table.

Step	Action
1	On Menu FAX250, ENTER "4", "Application Processing".
2	On Screen FAX09002, enter applicable county.
3	On Menu FAX07001, ENTER "9", "Common Provisions".
4	On Menu MA0000, ENTER "4", "Subsidiary File".
5	On Menu MAD000, ENTER "7", "Entity File and Payment Limitation Register".
6	On Menu MAB440B, ENTER "3", "Payment Limitation Review Register".
7	On Menu MAB44N, ENTER "1", "Update Pay Limit Review Register".
8	On Menu MAB12101, enter, as applicable: •***--**"1" for current year • "2" for prior year.**--*** *** * ***
9	On Menu MAB12701, enter, as applicable: • the full ID number to select the producer to update • if the full ID number is unknown, the last 4 digits of ID or last name. **Note**: This will display the Payment Limit Review Register Screen. See paragraphs 437 and 438 for instructions for updating the Payment Limitation Review Register.

Continued on the next page

C
Payment Limit Review Register Selection Screen

This is an example of Screen MAB12701.

***--**

```
*******************************************************************************
* Common Provisions     089-SHASTA COUNTY FSA     SELECTION     MAB12701      *
* Payment Limit Review Register Screen      Version: AB75  04/01/97 08:33 Term AE*
* ---------------------------------------------------------------------------- *
*            Please enter the full ID to select the producer                   *
*             to update.                                                       *
*                                                                              *
*            If the full ID is unknown, enter the last four digits of          *
*             the ID or last name (partial last name accepted).                *
*                                                                              *
*                                                                              *
*                                                                              *
*                                                                              *
*                                                                              *
*                     Last Four of ID ____                                     *
*                                                                              *
*                     ID Number _________ Type _                               *
*                     Last Name _______________                                *
*                                                                              *
*                                                                              *
*                                                                              *
*                                                                              *
*                                                                              *
*                                                                              *
* Cmd7=End                                                Enter-Continue       *
*                                                                              *
*******************************************************************************
```

--*

Continued on the next page

D
Payment Limit Review Register Update Screen

***--**This is an example of Screen MAB12703.

```
*************************************************************************
 Common Provisions    089-SHASTA COUNTY FSA   UPDATE     MAB12703
 Payment Limit Review Register Screen    Version: AB75 03/26/1997 08:33 Term AE
 ---------------------------------------------------------------------------------------------------

 ID Number  999999999   Type S     Name JAMES COUP
 Entity Type  01

                                  MM / DD / CCYY

              Date 502 Received   00 / 00 / 0000
              Date COC Action     00 / 00 / 0000
              Date DD Review      00 / 00 / 0000
              Date Submit STC     00 / 00 / 0000
              Date Notified       00 / 00 / 0000

              Code Letter


 Cmd2-Return to Selection Screen Cmd7-End                Enter-Continue
*************************************************************************
```

E
Validation Procedure

A producer must be considered an "active producer" to be placed on the payment limitation review register. See 2-PL, Exhibit 2 for a definition of "active producer".**--***

436 Payment Limitation Review Register Field Codes

A Introduction

There are fields that must be completed on the Payment Limitation Review Register. This paragraph defines the codes that are used for the fields.

B Codes Defined

This table lists the field codes and their definitions.

Note: Codes are listed in the order in which they are displayed on the screen.

Code	Definition
Id Number	This is the 9-digit ID number with **no** spaces.
Type	This is the ID type used in the name and address file. The types are: • "S" for Social Security number • "E" for employer ID number • "I" for IRS number.
Name	This is the producer's name.
Entity Type	This is the entity type according to this handbook.
Date 502 Received	This is the date the County Office receives a signed, *****--completed CCC-502 for the current year.
Date COC Action	This is the date COC makes the applicable determination.--*****

Continued on the next page

B
Codes Defined (Continued)

Code	Definition
Date DD Review	This is the date DD reviews a determination.
Date Submit STC	This is the date a file was submitted to STC.
Date Notified	This is the date the producer is notified of COC's determination.
Code Letter	This is intended for the notification letter code assigned to a shell document that is used to notify the producer of COC's determination. County Offices are responsible for developing their own shell document and assigning code number. Code numbers are **not** required to be year specific. **Examples:** The code "00" could **not** generate a letter to be sent to an individual or entity. • "01" could send a letter to an individual. • "02" could send a letter to an entity.

C
General Policies for Completing Fields

When entering data in the fields of the Payment Limitation Review Register, enter all dates in month, day, and year order.

--Example:** March 19, 2003, is entered as "031903".**--

--

437 Recording First Time Determinations

A
Introduction

This paragraph describes the process to follow when a producer is added to the payment limitation register for the first time.

B
Recording First Time Determinations

Take the following action when a producer submits CCC-502 for the first time.

Step	Action
1	Access Payment Limit Review Register Screen MAB12701 according to subparagraph 435 B.
2	Follow instructions on Screen MAB12701 for selecting the producer to add or update.
3	If ID selected is an active producer in the name and address file, Screen MAB12702 will be displayed. Screen MAB12702 will show a record containing either of the following. • Dates greater than zero. This producer has filed CCC-502 previously. PRESS "Cmd7" to end process or see paragraph 438 to revise the record. • Dates equal to zero. The Payment Limitation Review Register has not been done for this producer. Go to step 4. **Note:** If ID selected is not found to be an active producer in the name and address file, the user must wait until the next start-of-day after the producer has been added to the name and address file to use the Payment Limitation Review Register for that producer.
* * *	* * *

Continued on the next page

B
Recording
First Time
Determinations
(Continued)
***--**

Step	Action
4	In the "Date 502 Received" field, enter the date the producer files the new CCC-502 for the current year. **Note:** If COC has: • made determinations, go to step 5 • not made actively engaged and person determinations, go to step 9.
5	In the "Date COC Action" field, enter the date COC made its determination on CCC-502, and go to step 6.
6	Leave the "Date DD Review" and "Date Submit STC" fields **blank**. **Note:** If a review of this application is made at a later date by DD or STC, the date of the review should be entered at that time.
7	In the "Date Notified" field, enter the date the County Office mailed the letter notifying the producer of COC's determination.
8	In the "Code Letter" field, enter the type of letter the producer is to receive. **Examples:** • "01" for an individual. • "02" for an entity. **Note:** The County Office must have a shell document or query in place to use the "Code Letter" field.
9	If user wants to: • record the new record, PRESS "Enter" • enter the next entity, PRESS "Cmd2" to return to the selection screen • end the process, PRESS "Cmd7".

--*

438 Revising Payment Limitation Review Register for a New CCC-502 That Replaces Previous CCC-502

A Introduction

Apply the procedure in this paragraph if the producer replaces previous CCC-502 with a new CCC-502.

B Payment Limitation Review Register for Replaced CCC-502

Take the following action for completing the Payment Limitation Review Register if a producer submitted CCC-502 in the previous year, but because of major changes in his or her farming operation or other reasons, he or she was required to submit a new CCC-502 for the current crop year.

Step	Action
1	Access Payment Limit Review Register Screen MAB12701 according to subparagraph 435 B.
2	Follow instructions on Screen MAB12701 for selecting the producer to add or update.
3	If ID number selected is found to be an active producer in the name and address file, Screen MAB12702 will be displayed. Screen MAB12702 will show a record containing either of the ***--**following in the "Date 502 Received" field.**--*** • Date greater than zero. This producer filed a CCC-502 previously. Go to step 4. • Date equal to zero. The producer was not an active producer in this county in the prior year. PRESS "Cmd7" to end process. See subparagraph 437 B to add the producer to the Payment Limitation Review Register.

Continued on the next page

438 Revising Payment Limitation Review Register for a New CCC-502 That Replaces Previous CCC-502 (Continued)

B Payment Limitation Review Register for Replaced CCC-502 (Continued)

Step	Action
4	*--In the "Date 502 Received" field, enter the date the producer--* signs the new CCC-502 for the current year. Decide whether determinations have been made: • if yes, go to step 5 • if no, go to step 9.
5	In the "Date COC Action" field, enter the date COC made its determination for this application.
6	Delete any entries in the following fields: • "Date DD Review" • "Date Submit STC". **Note:** If a review is made at a later date by DD or STC, the date of the review should be entered at that time.

Continued on the next page

438 Revising Payment Limitation Review Register for a New CCC-502 That Replaces Previous CCC-502 (Continued)

B Payment Limitation Review Register for Replaced CCC-502 (Continued)

Step	Action
7	In the "Date Notified" field, enter the date the County Office mailed the letter notifying producer of COC's decision.
8	In the "Code Letter" field, enter the type of letter producer is to receive. **Examples:** • "01" for an individual. • "02" for an entity.
* * *	* * *
9	If user wants to: • record the new record, PRESS "Enter" • enter the next entity, PRESS "Cmd2" to return to the selection screen • end the process, PRESS "Cmd7".

439 (Withdrawn--Amend. 33)

440-447 (Reserved)

Subsection 4 Reports

448 Overview

A
Introduction

--This subsection provides instructions for printing 2 reports that use information obtained from the Payment Limitation Review Register.--

B
In This Subsection

The following paragraphs are included in this subsection.

Paragraph	Title	Page
449	Pending COC Payment Limitation Review Report	5-76
450	Printing Payment Limitation Review Register	5-78

449 Pending COC Payment Limitation Review Report

A
Introduction

A pending COC Payment Limitation Review Report can be printed, as needed, before COC meetings. The report should be used to ensure that determinations are made in a timely manner, thereby avoiding default determinations.

B
Printing Instructions

Print the COC Payment Limitation Review Report according to this table.

Step	Action
1	Access Menu MAB44N according to subparagraph 435 B.
2	ENTER "2", "Print COC Review Report".
3	On Screen MAB12101, ENTER: •*--"1" for current year • "2" for prior year.--* * * *
4	On Screen MAB44N02, enter the printer ID.
5	The report will print on 8 1/2- by 11-inch paper.

Continued on the next page

449 Pending COC Payment Limitation Review Report (Continued)

C
Report Contents

--The report will print a list of producers who have an entry in the "Date 502 Received" field and no entry in the "Date COC Action" field.--

* * *

D
Example

*--This is an example of the Pending COC Payment Limitation Review Report.

```
04/13/97    PENDING COC PAYMENT LIMITATION
                      REVIEW REPORT

     NAME          DATE 502 RECEIVED   DATE COC ACTION

TED ABRAMS            03/08/1997
BONNIE GOEDEL         03/12/1997          03/27/1997
```

--*

* * *

450 Printing Payment Limitation Review Register

A Introduction

The Payment Limitation Review Register can be printed as needed. A list of all producers with an entry in the "Date 502 Received" field for the current year will be printed.

B Printing Instructions

Print the Payment Limitation Review Register according to this table.

Step	Action
1	Access Menu MAB44N according to subparagraph 435 B.
2	ENTER "3", "Print Pay Limit Review Register".
3	On Screen MAB12101, ENTER: •*--"1" for current year • "2" for prior year.--* * * *
4	On Screen MAB44N03, enter the printer ID.
5	The report will print on 8 1/2- by 11-inch paper.

Continued on the next page

450 Printing Payment Limitation Review Register (Continued)

C

Example

This is an example of a printout of the Payment Limitation Review Register.

*--

```
04/13/97        PAYMENT LIMITATION REVIEW REGISTER

 NAME            DATE 502   DATE COC   DATE DD   DATE TO
                 RECEIVED   ACTION     REVIEW     STC

TED ABRAMS       03/08/1997
BONNIE GOEDEL    03/12/1997  3/27/1997              04/02/1997
```

--*

Note: Producers with no entry in the "Date Last Year 502" column have filed new CCC-502's for the current year.

451-461 (Reserved)

Subsection 5 Notifying Producers of Determinations

462 Overview

A Introduction

This subsection provides instructions for notifying producers of payment eligibility and limitation determinations.

B In This Subsection

The following paragraphs are included in this subsection.

Paragraph	Title	Page
463	Notifying Producers of Determinations	5-92
464	"Persons" and "Actively Engaged in Farming" Determinations	5-93
465	Reduced Payments Determinations	5-94
466	Default Determination	5-95
467	Proper Determination	5-96
468	Notification Letters	5-98

463 Notifying Producers of Determinations

A
Introduction

County Offices shall notify producers of COC's payment limitation determinations as soon as possible after the determinations are made.

B
Rule

County Offices shall notify producers of COC's determinations not later than 60 calendar days after the date the applicable CCC-502 was filed.

--Note:** A producer notification letter is only needed for updates to an existing CCC-502 if the previous determinations have changed.**--

C
Types of Notifications

County Offices shall mail the following types of letters to producers:

- notification of reduced payments
- notification of default determinations
- notification of proper determination after default determination
- notification of COC determinations of "actively engaged in farming" and "persons"
- notification to foreign persons determined ineligible for benefits
- notification of COC approval of payment to an entity with more than 10 percent foreign ownership.

D
Additional Information Requests

If COC requests additional information because of insufficient information, County Offices shall prepare a letter to the participant requesting the additional information.

Note: County Offices shall allow producers 15 calendar days to provide the requested information. This does not extend the 60 calendar day time limit for COC to make initial determinations.

464 "Persons" and "Actively Engaged in Farming" Determinations

A
Notification Requirements

Notification letters informing participants of COC's determination shall include the following:

- the "actively engaged in farming" determination
- the "person" determination
- the statement, "This determination is based on the facts as submitted. You are responsible for promptly notifying the County Office of any change which would affect these determinations. Any unrevealed circumstances could require the application of a more restrictive rule."
- ***--**notification to commodity program and CRP contract participants, that determinations will remain in effect for the current and later years unless a change occurs that would affect the determinations
- a statement that the determinations may be appealed within 30 calendar days of notification if the determination is adverse.**--***

465 Reduced Payments Determinations

A
Reduced Payment Notification

County Offices shall notify each entity for which the payment will be reduced because of the "permitted entity rule" within 75 calendar days after the final signup date. This notification will be to each entity and individual with a direct or indirect interest in the entity receiving a payment.

Note: Members of the entity are allowed to adjust among themselves the proceeds designated by the entity or entities.

B
Notification Example

See paragraph 219 for completing CCC-501C.

466 Default Determination

A
Rule

Every participant shall receive a determination not later than 60 calendar days after submitting CCC-502. If COC cannot make an initial determination within the required 60 calendar day period, the producer will receive and be notified of a "default determination".

B
Notification Example

This is an example of a letter notifying the producer of a default determination.

*--

[Letterhead]

Riverside County FSA Office
Box 123
Anytown, CA 92201

Date

Ms. Becky Montana, President
Montana Farms, Inc.
P.O. Box 3
Anytown, CA 92201

Dear Ms. Montana:

The Orange County FSA Committee did not complete its review within 60 calendar days of the date CCC-502 was filed in the county office. Therefore, you will receive the determination that you sought for 200__ provided the information given accurately reflects your farming operation. Montana Farms, Inc., will be considered (*insert the correct determination response*). For example - a "person" for payment limitation purposes, separate and distinct from any other individual or entity.

If it is subsequently determined that the farming operation was not conducted as indicated on the CCC-502, the determination sought by you will no longer automatically apply, and a more restrictive determination may be applied.

[Give appeal rights according to 1-APP.]

Sincerely,

Tom Jones
County Executive Director

--*

467 Proper Determination

A Rule

A "default determination" does not relieve COC from making a proper determination. If the proper determination is different from the "default determination," notify the producer:

- of the proper determination

- ***--**that FSA will honor the "default determination" for the current year if the operating plan is followed exactly.

  Note: The proper determination will apply:

  - for the current year, if it is determined that the farm operating plan is not followed exactly as presented**--***

  - for the following year, if the operation is exactly the same in the following year.

Continued on the next page

B
Notification Example
***--**

This is an example of a letter notifying the producer of proper determination after default determination.

[Letterhead]

Orange County FSA Office
Box 123
Anytown, CA 92680

Date

Ms. Sandra Fields
P.O. Box 3
Anytown, CA 92680

Dear Ms. Fields:

By letter dated _____, we notified you that _____ is (are) considered to be a "person" for (year), separate and distinct from any other individual or entity.

The Orange County FSA Committee has completed a more thorough review of the farm operating plan for (year) and found the original determination to be incorrect. If there are no changes in your operation for (year) and subsequent years, this revised determination will be effective for those years.

Based on the information submitted, the Committee determined that _____
_____.

Based on these understandings, the Committee has determined that _____
_____.

As stated above, this revised determination does not affect the determination given you earlier for this year. However, the determination will be effective for (year) if no changes are made for that year.

This revised determination is based on the facts as submitted. Any unrevealed circumstances could require the application of a more restrictive rule.

[Give appeal rights according to 1-APP.]

Sincerely,

F. Amos
County Executive Director

--*

468 Notification Letters

A Introduction

Use the notification letters in this paragraph as a guide when notifying producers about "actively engaged in farming" and "person" determinations.

B Letter for an Individual

This is an example of a letter notifying the producer of COC determination.

*--

(Letterhead)

Grant County FSA Office
Canyon Blvd.
John Day, OR 97845

Date

Mr. Red Ott
455 Ott Road
John Day, OR 97845

Dear Mr. Ott:

The Grant County FSA Committee has completed its review of your farm operating plan for (year).

Based on the information submitted, the committee determined the following:

- you are "actively engaged in farming" as an individual
- you are one "person" for payment limitation purposes, separate and distinct from any entity or any other individual
- these determinations will remain in effect for the current and subsequent years and you will not be required to file a farm operating plan unless a change occurs that would affect the determination.

Note: A husband and wife are considered 1 “person” for payment limitation purposes, unless they **specifically** request and are determined to be separate “persons” from each other.

This determination is based on the facts as submitted. You are responsible for promptly notifying County FSA Office of any change that would affect these determinations. Any unrevealed circumstances could require the application of a more restrictive rule.

[Give appeal rights according to 1-APP.]

Sincerely,

Jean Juniper
County Executive Director

--*

Continued on the next page

C

Letter for an Entity

This is an example of a letter notifying the producer of COC determination for an entity.

*--

[Letterhead]

Grant County FSA Office
Canyon Blvd.
John Day, OR 97845

Date

Mr. Red Ott, President
Juniper Valley Farms, Inc.
John Day, OR 97845

Dear Mr. Ott:

The Grant County FSA Committee has completed its review of your farm operating plan for (year) for Juniper Valley Farms, Inc. Based upon the information submitted, the committee understands that Juniper Valley Farms, Inc., is a properly chartered corporation having 2 stockholders owning no more than 50 percent of the stock. Corporate interests are as follows:

Individual/Entity	ID Number	Percent Interest
Red Ott	544 45 7854	50
Susan Farr	544 45 7855	50

Based on these understandings and the information submitted on CCC-502, Farm Operating Plan for Payment Eligibility Review and CCC-501B, Designation of "Permitted Entities", the committee has determined the following:

- the corporation is "actively engaged in farming"
- the corporation is considered a "person" for payment limitation purposes, separate and distinct from any other individual or entity
- both stockholders designated the corporation as a permitted entity; therefore, 100 percent of any payment earned, within the applicable payment limitation, will be paid
- these determinations will remain in effect for the current and subsequent years and you will not be required to file a farm operating plan unless a change occurs that would affect the determination.

This determination is based on the facts as submitted. You are responsible for promptly notifying County FSA Office of any change that would affect these determinations. Any unrevealed circumstances could require the application of a more restrictive rule.

[Give appeal rights according to 1-APP.]

Sincerely,

Jean Juniper
County Executive Director

--*

D

Letter for a Combined Entity

This is an example of a letter notifying the producer of COC determination for a combined entity.

*--

[Letterhead]

Booker County FSA Office
Box 123
Anytown, NE 68841

Date

Ms. Samantha Johnson, President
Johnson Farms, Inc.
Box 3
Anytown, NE 68841

(Underlined areas represent language to be developed specific to each case)

Dear Ms. Johnson:

The Booker County FSA Committee has completed its review of the farm operating plan for (year) for Johnson Farms, Inc.

From the information submitted, the committee understands that Johnson Farms, Inc. is a properly chartered corporation having three stockholders. The stockholders and their share of outstanding stock are as follows:

Individual/Entity	ID Number	Percent Interest
Samantha Johnson	462 53 4890	33
Herb Johnson	483 34 5674	33
Jim Smith	386 45 9923	34

Herb and Samantha Johnson are husband and wife and together own more than 50 percent of the outstanding stock. Therefore, Mr. and Ms. Johnson are considered as one "person", together, with the corporation. All earnings of Samantha Johnson, as an individual; Herb Johnson, as an individual; and all earnings of the corporation, must be charged against one limitation.

Jim Smith is considered as a separate "person" for earnings he has as an individual.

--*

Continued on the next page

D
Letter for a
Combined Entity
(Continued)
***--**

Based on these understandings, the Committee has determined that Johnson Farms, Inc., is actively engaged in a farming operation and there are 2 "persons" for payment limitation purposes. They are:

1 Samantha Johnson, as an individual
Herb Johnson, as an individual
Johnson Farms, Inc., a corporation.

2 Jim Smith, as an individual.

This determination is based on the facts as submitted. You are responsible for promptly notifying County FSA Office of any change that would affect these determinations. Any unrevealed circumstances could require the application of a more restrictive rule.

[Give appeal rights according to 1-APP.]

Sincerely,

John Smith
County Executive Director

--*

469 Shell Documents for Notification Letters

A Introduction

Use shell documents to mail a large number of letters with the same information to different producers. When establishing these letters, do the following:

- update the Payment Limitation Review Register after COC's determination, if applicable
- create a query containing producer information from the Payment Limitation Review Register
- prepare shell documents for specific purposes.

B Updating the Register

Update the Payment Limitation Review Register after COC's determination and before mailing the notification letters, if applicable. Follow this table to update the register.

IF the producer...	THEN follow paragraph...	* * *
was entered on the register for the first time in the current year	437.	* * *
filed CCC-502 in a prior year and filed a new CCC-502 because of changes to farming operation	438.	* * *

Continued on the next page

C
Rule

Enter the date the letter is to be mailed in the "Date Notified" field before printing the shell documents.

"Code Letter" is the notification letter code that will be assigned to a specific letter.

D
Creating Query

Create a query that contains the producer's information as recorded on the Payment Limitation Review Register. Follow this table when creating the query.

Step	Action
1	Access the Query Screen.
2	ENTER "A.MA.R?M" for the file name. Enter the last digit of the applicable year to process where the question mark is placed. ***--Example:** ENTER "A.MA.R2M" if the 2002 Payment Limitation Review Register--* data is needed. **Note:** Change "A" to "B", etc., for each additional county on system, if applicable.
3	ENTER "QRPRADJ1" for the library name.
4	On the Select and Sequence Fields Screen, include the field names that will be used in the shell document. **Notes:** At a minimum, ENTER "FORMAT" as a field name. Other field names may be used in the body of the letter, such as "COCDTE".
5	On the Select Records Screen, enter the following: •*--COC Notice Date EQ 020304 • Type of Letter EQ 06. **Note:** Replace the "020304" and "06" with the numbers that were entered on the--* Payment Limitation Review Register.

Continued on the next page

469 Shell Documents for Notification Letters (Continued)

E

Shell Document

Shell documents are letters that can be used with queries. Shell documents allow County Offices to mail the same letter to many producers with different addresses. When using shell documents, do the following:

- prepare shell documents for the specific needs of the County Office using the sample letters in paragraph 468 as a guide

- ***--**include the "Code Letter" number assigned for different shell documents in the shell document name

  Note: See the definition of "Code Letter" in paragraph 436.

  Example: If the "Code Letter" number for a letter to be mailed to an individual is "01", the document name might be "NOTIF01".

- change the "Code Letter" number in the query each time a notification letter with a different format is used

- change the "Date COC Action" in the query each time the date of the notification changes

  Note: See the definition of "Date COC Action" in--*****
  paragraph 436.

- see DW/36 Online Information Tutorial, Sections 11.4.1.4.1 and 11.4.1.4.2, for help in merging the query with the shell document.

470-480 (Reserved)

Subsection 6 Filing

481 Overview

A
Introduction

This subsection provides instructions for the filing and maintenance of payment eligibility and payment limitation documents.

B
In This Subsection

The following paragraph is included in this subsection.

Paragraph	Title	Page
482	Filing Payment Limitation Documentation	5-122

482 Filing Payment Limitation Documentation

A
Introduction

County Offices shall file applicable payment limitation documentation received from the producer and other County Offices.

B
How to File

County Offices shall file this documentation:

- in separate folders
- alphabetically by producer.

483-493 (Reserved)

Section 3 (Reserved)

494-513 (Reserved)

Section 4 DD Responsibilities

514 Overview

A Introduction

DD's are responsible for monitoring all COC determinations for correctness and timeliness. DD's shall also monitor County Office actions resulting from the COC determinations.

B Responsibilities

DD's shall:

- verify that needed determinations are being made
- review a sufficient number of COC payment limitation determinations to ensure that the determinations are correct
- ensure that determinations are made within the 60 calendar day period by reviewing with the County Office the proper procedure to record the filing of CCC-502's on either the manual or automated CCC-503B.

C Reviewing Procedure

DD's shall ensure that COC's and County Offices are correctly implementing procedure for "actively engaged in farming" and "person" determinations.

DD's shall review the following procedure with COC's and County Offices each year.

Procedure	Reference
"Actively engaged" determinations	Part 2, Section 7
"Person" determinations	Part 2, Section 6
Processing determinations	Part 5, Sections 1 and 2

Continued on the next page

514 Overview (Continued)

D
In This Section The following paragraphs are included in this section.

Paragraph	Title	Page
515	Monitoring COC Determinations	5-167
516	Corrective Action	5-168
517	DD Disagreement With COC Determination	5-170

515 Monitoring COC Determinations

A
Introduction

--**DD shall monitor COC initial, end-of-year, scheme or device, and default determinations to ensure that proper and timely**-- determinations are made.

B
Initial Determinations

DD shall review initial COC determinations to ensure that COC has timely:

- made determinations that properly considered:
  - significant contributions
  - commensurate contributions
  - "person" determinations
- and properly notified producers of determinations
- and adequately monitored determinations for multiple county producers.

Continued on the next page

C
End-of-Year Determinations

DD shall review a number of cases selected for end-of-year review to ensure:

- reviews are made in a timely manner
- cases for review were properly selected
- documentation was sufficient to support the determination
- correct determinations were made based on documentation provided.

Note: DD's are encouraged to review documentation before COC determination. In all cases, DD should review before producer is notified of the outcome of the review.

***--D**
Scheme or Device Determinations

DD shall:

- provide assistance to COC, as appropriate
- concur with COC's determination of scheme or device before the producer is notified of the determination
- initial COC determination in COC minutes.**--***

---

516 Corrective Action

A Introduction

If DD review of COC determinations or County Office handling of the determinations reveals errors or other problems, DD shall take immediate and appropriate action.

B Guidelines

DD shall determine the magnitude of the situation when errors or problems are discovered. Based on the magnitude, DD shall determine how to provide assistance to correct the situation.

DD shall use this table to decide the best way to handle the situation.

IF the error or problem is...	THEN...
isolated to a small number of cases	review with COC or County Office the correct procedure and corrective action, if applicable.
widespread	• review with COC or County Office the correct procedure and corrective action • contact State Office specialist to determine whether additional action, such as training, is necessary.
recurring after DD's guidance to correct	contact State Office specialist for assistance in correcting the situation.

Continued on the next page

516 Corrective Action (Continued)

C
Subsequent Review

After subsequent visits to the County Office, DD shall review to determine whether:

- errors or problems have been resolved
- COC or County Office is following procedure.

D
Report to State Office

DD shall be prepared to report to STC or State Office any errors or problems encountered in the district.

* * *

517 DD Disagreement With COC Determination

A
Introduction

DD's do not have authority to overrule COC determinations.

B
Disagreement on Determination

If a disagreement on the determination cannot be resolved at the local level, DD shall:

- submit the case with all documentation to STC for a determination
- transmit the file with a memorandum containing a short narrative explaining:
  - why COC determination is believed to be incorrect
  - DD's recommended determination.

518-528 (Reserved)

Section 5 STC Responsibilities

529 Overview

A
Introduction

STC and State Office specialist are responsible for providing guidance and training for County Offices, COC's, and DD's to properly implement the procedures contained in this handbook.

B
In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
530	STC Responsibilities	5-186
531	State Office Specialist Responsibilities	5-189

530 STC Responsibilities

A
Introduction

STC has authority over COC's, County Offices, DD's, and State Office specialist to implement the payment limitation program.

B
Responsibilities

STC shall:

- assign a State program specialist the program responsibility
- resolve questioned COC determinations
- establish a date by which end-of-year reviews must be completed
- establish a date for submitting end-of-year review report
- determine whether COC's followed procedure to determine that an interest of less than 10 percent will be considered substantial beneficial interest
- be responsible for reviewing *** * *** cases involving initial determinations of "persons" and "actively engaged in farming" for *** * *** joint operations consisting of 6 or more members.

Continued on the next page

530 STC Responsibilities (Continued)

C
STC Authority

STC may take any action authorized or required to be taken by COC which is not taken by that committee. STC may also:

- correct, or require COC to correct, any action taken by that committee which is not according to the provisions of the program
- require COC to withhold taking any action which is not according to this handbook.

D
Assigning Program Specialist

STC shall assign a State program specialist the overall responsibility for the day-to-day administration of payment limitation determinations.

E
Questioned COC Determinations

STC shall resolve determinations that are questioned by DD. STC shall complete this responsibility by reviewing material submitted by DD according to paragraph 517.

Continued on the next page

F
End-of-Year Reviews

STC shall specify a date by which all end-of-year reviews must be completed within the State. STC shall take into consideration the following:

- different dates may be established for specific areas within the State

- an action, such as marketing of a crop, may not be completed at the time of the review

  Note: Do not consider the determination incorrect simply because the action is not completed by the established date.

- some factors to be considered may require verification beyond the STC-established completion date

  Note: The end-of-year review should be completed to the extent that followup actions are known and scheduled.

- the date final payments will be made.

Note: This paragraph shall be supplemented by each State Office to specify dates by which end-of-year reviews shall be completed.

* * *

531 State Office Specialist Responsibilities

A
Introduction

The State Office specialist is assigned the overall responsibility for the day-to-day operation of the payment limitation program within the State. The State Office specialist shall:

- provide training
- provide technical assistance
- accumulate reports.

B
Training

The State Office specialist shall train COC, DD, and County Offices in the procedures of the payment limitation program. Each year, the State Office specialist shall assess training needs within the State and provide training as necessary.

***--C**
Technical Assistance

The State Office specialist shall provide technical assistance to all**--***
levels within the State by:

- assisting with reviews of any determination questioned by DD
- obtaining assistance of OIG, if appropriate, for scheme or device determination
- following up on DD reports of improper or insufficient COC determinations

Continued on the next page

C
Technical Assistance (Continued)

- preparing cases, as necessary, for STC determinations
- selecting a sufficient number of CED's and program assistants to serve as members of district teams to conduct end-of-year reviews.

Notes: Review team members shall **not** participate in the review of producers who operate in the same county that employs the review team member.

The State Office specialist shall oversee progress and adequacy of findings by requiring reports, as appropriate.

D
Accumulating Reports

The State Office specialist shall:

- monitor the number of "default determinations" made by each County Office
- be prepared to provide a cumulative report of the total number of "default determinations" in the State to DAFP, if requested
- require a report of end-of-year reviews from each County Office on CCC-502EYR, according to paragraph 706.

Continued on the next page

E
Required Determinations

State Offices shall:

- make initial determinations of "persons" and "actively engaged in farming" for *** * *** joint operations receiving payment with 6 or more members

  *** * ***

- **not** make "person" determinations for all other farming operations in which the producer is involved as an individual or member of a joint operation or entity.

  Notes: The State Office shall only determine whether the producer is a combined or separate "person" from any other individual or entity.

  The control County Office shall make all other "person" and "actively engaged in farming" determinations according to paragraph 414.

  Example: Producer is 1 of 6 members of a general partnership. The producer also is a stockholder of a corporation.

  The State Office shall only determine whether the producer is a combined or separate "person" from the corporation or any other individual or entity.

  The designated control County Offices shall make all other "person" and "actively engaged in farming" determinations for the corporation.

Continued on the next page

531 State Office Specialist Responsibilities (Continued)

F
Priority of Determinations

Determinations shall be sorted to prioritize determinations involving newly filed CCC-502's and operations with payments exceeding $40,000.

If the volume of determinations prevents timely determinations in all cases, producers shall receive a default determination according to paragraph 466.

G
Required Action for Determinations

State Offices shall:

- notify applicable producers of determinations made according to this handbook
- notify designated control county for the producer of determinations
- maintain CCC-503B for determinations made by State Office
- conduct end-of-year reviews for determinations required to be made by State Office.

532-547 (Reserved)

Section 6 Washington Responsibilities

548 Overview

A
Introduction

Washington has the overall responsibility for program administration.

B
In This Section

The following paragraph is included in this section.

Paragraph	Title	Page
549	General Responsibilities	5-212

549 General Responsibilities

A
General Supervision

--[7 CFR 1400.2]** The provisions of this handbook shall be administered**-- under the general supervision and direction of the Executive Vice President, CCC and the Administrator, FSA.

B
DAFP Authority

--[7 CFR 1400.2 (d)]** DAFP may take any action authorized or required**-- to be taken by either COC or STC which is not taken by that committee. DAFP may also:

- correct or require COC or STC to correct any action taken by that committee which is not according to the provisions of the program
- require COC or STC to withhold taking any action which is not in keeping with provisions of this handbook.

550-561 (Reserved)

Part 6 (Withdrawn--Amend. 31)

Section 1 (Withdrawn--Amend. 31)

562-568 (Withdrawn--Amend. 31)

569 (Withdrawn--Amend. 27)

570-580 (Reserved)

Section 2 (Withdrawn--Amend. 31)

581-593 (Withdrawn--Amend. 31)

594-604 (Reserved)

Section 3 (Withdrawn--Amend. 31)

605-610 (Withdrawn--Amend. 31)

611-622 (Reserved)

Section 4 (Withdrawn--Amend. 31)

623-625 (Withdrawn--Amend. 31)

--

*--Part 6.5 AGI

626 Overview

A Introduction

This part provides instructions and uniform methods for State and County Offices to determine:

- the adjusted and average AGI for program participants
- acceptable certifications from program participants
- compliance with AGI requirements for payment eligibility
- commensurate reductions of payments if AGI requirements are not met
- program payments and benefits subject to AGI requirements
- data-sharing compliance information with other agencies.--*

627 Average AGI Limitation

A Rule

--[7 CFR 1400.600]** An individual or entity shall not be eligible to receive**--
certain program benefits during a crop, program, or FY if **both** of the following apply:

- the average AGI of the individual or entity exceeds 2.5 million
- less than 75 percent of the average AGI is derived from farming, ranching, or forestry operations.

*--628 Applicability of Average AGI Limitation

A Applicability to Programs and Benefits

[7 CFR 1400.600 (c)] Effective for FY's 2003 through 2007, program benefits**--***
subject to this provision include the following:

- direct and counter-cyclical payments
- marketing loan gains
- LDP's
- conservation and environmental quality incentive programs as specified under the following:
  - Farm Security and Rural Investment Act of 2002, Title II
  - Food Security Act of 1985, Title XII.

***--Note:** This includes all benefits, cost-share payments, easements, and rental payments under programs such as:

- Conservation Corridor Demonstration Program
- Conservation Reserve Program
- Conservation on Private Grazing Land
- Conservation Security Program
- Desert Terminal Lakes
- Environmental Quality Incentives Program
- Farm and Ranchland Protection Program
- Grasslands Reserve Program
- Great Lakes Basin Program for Soil Erosion and Sediment Control
- Wetlands Reserve Program
- Wildlife Reserve Program

- any other program that this provision is made applicable by statute and regulation.**--***

--628 Applicability of Average AGI Limitation (Continued)--

A Applicability to Programs and Benefits (Continued)

Exceptions: The following are not subject to this provision:

- benefits earned by States, counties, and other municipalities, and Indian Tribes
- CRP contracts and other multi-year agreements approved and effective before October 1, 2002
- payments to vendors for technical services or assistance provided in conjunction with programs under the following:
  - Farm Security and Rural Investment Act of 2002, Title II
  - Food Security Act of 1985, Title XII.

629 AGI Definitions and Determinations

A Definitions

[7 CFR 1400.601] AGI is for an:

- individual, the amount reported to IRS on the appropriate tax filing documents as AGI
- entity, the comparable measure as provided in this handbook.

Average AGI for the individual or entity is the average of AGI, or comparable measure, of the individual or entity over the 3 tax years immediately preceding the year for which benefits are requested.

Note: Exclude any year(s) that the individual or entity did not have income or had AGI considered as zero.

Income from farming, ranching or forestry operations is income derived from producing crops, livestock, or unfinished raw forestry products.

Note: Include income from:

- sale of land (including easement rights and development rights) used for farming, ranching, and forestry operations
- sale of farm water rights
- rental of land used for farming, ranching, and forestry operations
- commercial hunting fees on land used for farming, ranching, and forestry
- sale of farm equipment subject to depreciation expense as reported to the IRS
- Federal agriculture and conservation program payments.

Exclude income from the following:

- processing, packaging, or packing
- transporting
- commission from marketing for others
- investment income even if invested funds came from farming, ranching, or forestry.

629 AGI Definitions and Determinations (Continued)

*--A Definitions (Continued)

Income from fishing includes amounts received from catching, taking, harvesting, cultivating, or farming aquatic resources such as fish, shellfish, crustacea, and other aquatic forms of animal or vegetable life. (IRS Publication 595, Tax Highlights for Commercial Fisherman.)

B Sources of Income Data

Income from farming, ranching, and forestry operations is:

- recorded on the IRS Schedule F, Form 4835, or comparable form, as allowed by applicable tax code
- reflected in and attached to Form 1040 or other appropriate income tax return filed by the individual or entity with the IRS for tax purposes.

Income from fishing is:

- is recorded on the IRS Schedule C, or Schedule C-EZ, or comparable form as allowed by applicable tax code
- reflected in and attached to Form 1040 or other appropriate income tax return filed by the individual or entity with the IRS for tax purposes.

C Determinations

Income reported by the individual or entity to the IRS on the Schedule C, Schedule C-EZ, Schedule F, Form 4835, or a comparable form, will be acceptable to FSA as income derived from farming, ranching, forestry, and fishing operations for AGI compliance purposes.

The reviewing authority shall defer to these information sources for AGI compliance determinations for questionable cases.**--***

630 Certification of Average AGI

A Certification

To comply with the AGI requirement for the applicable crop year, an individual or entity shall provide one of these items:

- a statement by a certified public accountant or an attorney that the average AGI does not exceed the limitation

- CCC-526

- ***--**the appropriate document or form when AGI certification is part of the application for a specific program. (See Exhibit 6.)**--***

An individual or entity with multi-county farming interests is required to submit only 1 average AGI certification; and it may be submitted in any County Office in which an interest is held. However, the control County Office shall make any required AGI compliance determinations. This data shall be shared in the same manner as other payment eligibility and payment limitation determinations. If AGI compliance determination is adverse, the producer notification shall be issued from the committee of the control County Office with associated appeal rights. See 1-APP.

Certifications are required for all individual and entities, including embedded entities to the fifth level to determine compliance.

Notes: Use CCC-502's as a guide to determine the certifications required.

Substantial beneficial interest rules do not apply.

POA may be used to complete certification statements.

Lack of required certification will result in payment ineligibility.

The certification must be submitted according to the deadlines established by the applicable programs and before issuing any benefit subject to these provisions.

*--630 Certification of Average AGI (Continued)

B Example of CCC-526

This form is available electronically.

CCC-526
(10-15-03)

U.S. DEPARTMENT OF AGRICULTURE
Commodity Credit Corporation

PAYMENT ELIGIBILITY
AVERAGE ADJUSTED GROSS INCOME CERTIFICATION

1A. County FSA Office or Service Center Address *(Include Zip Code)*

1B. Telephone Number *(Include Area Code)*:

The authority to collect the following information is Pub. L. 107-171. This authority allows for the collection of information without prior OMB approval mandated by the Paperwork Reduction Act of 1995.

NOTE: *The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a), as amended. The Farm Security and Rural Investment Act of 2002 (Pub. L. 107-171), and the regulations at 7 CFR Part 1400, as amended, authorize the collection of the information required by this certification. The information will be used to establish payment eligibility in accordance with the requirements of the law for applicants who are requesting program benefits subject to these provisions. Providing this information is voluntary; however, failure to furnish the requested information will result in a determination of ineligibility for program benefits. This information may be used by and provided to other agencies, IRS, Department of Justice, other State or Federal law enforcement agencies, and in response to orders of a court magistrate, or administrative tribunal. All information provided herein is subject to verification by the Commodity Credit Corporation. As provided in various statutes, failure to provide true and correct information may result in civil suit or criminal prosecution and the assessment of penalties or pursuit of other remedies.* ***PLEASE RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OR SERVICE CENTER OFFICE.***

2A. Individual or Entity's Name and Address *(Include Zip Code)*

2B. Telephone Number *(Include Area Code)*:

3. Program Year

4. Identification Number *(SSN or Tax ID No.)*

CERTIFICATION OF AVERAGE ADJUSTED GROSS INCOME: Each individual or entity that requests program benefits must complete a certification of average adjusted gross income.

By signing this form, I acknowledge that:

- all definitions, requirements, and examples on Page 3 of this form were reviewed;
- this certification of average adjusted gross income is true and correct, and will be considered a continuous certification through 2007, unless changes or revisions are submitted;
- it is my responsibility to timely notify FSA in writing of any changes in the farming, ranching or forestry operation, or financial status that may affect this certification;
- evidence such as tax records, certified public accountant's certification, or other documentation may be required to validate this certification.

5. Type of Operation *(Check One)*

☐ Individual *(Complete Item 6)*
☐ Trust or Estate *(Complete Item 7)*
☐ Corporation *(Complete Item 8)*
☐ Limited Partnership, Limited Liability Company, Limited Liability Partnership or Similar Entity *(Complete Item 9)*
☐ Tax-Exempt or Non-Profit Organization *(Complete Item 10)*

6. **Individual** For individuals that file the IRS Form 1040, specific lines on the form represent the adjusted gross income and the income from farming, ranching or forestry operations. The income from farming, ranching or forestry is derived from the schedule F, IRS form 4835 or comparable form.

A. The average of the adjusted gross income, as specified on the IRS Form 1040 (or similar item on IRS Forms for individuals) for the applicable 3 years, was $2.5 million or less. YES ☐ NO ☐

If "NO", proceed to Item 6B.

B. The average of the amount reported to be from farming, ranching, or forestry operations on the IRS Form 1040 (or similar on Form 1040A or 1040EZ) for the applicable years, was at least 75 percent of the amount represented as adjusted gross income on the Form 1040 (or comparable amount on Form 1040A or 1040EZ). YES ☐ NO ☐

C. Signature

Date (MM-DD-YYYY)

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

--*

*--630 Certification of Average AGI (Continued)

B Example of CCC-526 (Continued)

CCC-526 (Page 2 of 3) (10-15-03)

CERTIFICATION OF AVERAGE ADJUSTED GROSS INCOME *(Continuation)*

7. **Trust or Estate** For a trust or estate, the adjusted gross income is the total income and charitable contributions reported to IRS on the IRS Form 1041, or comparable forms. The income for farming, ranching and forestry is derived from the Schedule F, IRS form 4835 or comparable form.

A. The average of the adjusted gross income as defined above, and reported to the IRS for the applicable 3 years, was $2.5 million or less. YES ☐ NO ☐

If "NO", proceed to Item 7B.

B. The average of the amount represented to be from farming, ranching, or forestry operations as reported to the IRS for the applicable years, was at least 75 percent of the amount used for 7A above. YES ☐ NO ☐

C. Signature | Date (MM-DD-YYYY)

8. **Corporation** For a corporation, the adjusted gross income is the total of the final taxable income and any charitable contributions reported to the IRS on Form 1120, or comparable forms. The income from farming, ranching and forestry is derived from the Schedule F, IRS form 4835 or comparable form.

A. The average of the adjusted gross income as defined above and reported to the IRS for the applicable 3 years, was $2.5 million or less. YES ☐ NO ☐

If "NO", proceed to Item 8B.

B. The average of the amount represented to be from farming, ranching, or forestry operations as reported to the IRS for the applicable years, was at least 75 percent of the amount of used for 8A above. YES ☐ NO ☐

C. Signature | Date (MM-DD-YYYY)

9. **Limited Partnership (LP), Limited Liability Company (LLC), Limited Liability Partnership (LLP) or Similar Entity** For an LP, LLC or LLP, the adjusted gross income is the total income from trade or business activities plus guaranteed payments to the members as reported to the IRS. The income from farming, ranching and forestry is derived from the Schedule F, IRS form 4835 or comparable form.

A. The average of the adjusted gross income as defined above and reported to the IRS for the applicable 3 years, was $2.5 million or less. YES ☐ NO ☐

If "NO", proceed to Item 9B.

B. The average of the amount represented to be from farming, ranching, or forestry operations as reported to the IRS for the applicable years, was at least 75 percent of the amount used for 9A above. YES ☐ NO ☐

C. Signature | Date (MM-DD-YYYY)

10. **Tax-exempt or Non-profit Organization** For a tax-exempt and non-profit organization, the adjusted gross income is the unrelated business taxable income excluding any income from non-commercial activities as reported to the IRS. The income from farming, ranching and forestry would be derived from the schedule F, or IRS form 4835 or comparable form.

A. The average of the adjusted gross income as defined above and reported to the IRS for the applicable 3 years, was $2.5 million or less. YES ☐ NO ☐

If "NO", proceed to Item 10B.

B. The average of the amount represented to be from farming, ranching or forestry interests as reported to the IRS for the applicable years, was at least 75 percent of the amount used for 10A above. YES ☐ NO ☐

C. Signature | Date (MM-DD-YYYY)

--*

630 Certification of Average AGI (Continued)

B Example of CCC-526 (Continued)

CCC-526 (Page 3 of 3) (10-15-03)

AVERAGE ADJUSTED GROSS INCOME

The Farm Security and Rural Investment Act of 2002 included average adjusted gross income as a payment eligibility requirement. Any individual or entity requesting certain 2003 through 2007 program payments will be subject to this provision. Any individual or entity that is determined to have an average adjusted gross income, as defined, that is less than 75 percent from farming, ranching or forestry operations and that exceeds $2.5 million will be ineligible for any covered benefit during the applicable year.

DEFINITIONS AND OTHER INFORMATION

Average Adjusted Gross Income means the average of the adjusted gross income or comparable measure of the individual or entity over the preceding 3 tax years. For instance, if 2003 program benefits are requested, the tax years for average adjusted gross income determination would be 2002, 2001 and 2000.

Entity means 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, as determined by the Secretary.

The manner in which the Adjusted Gross Income can be determined for an entity can be found in the regulations at 7 CFR Part 1400.

Commensurate Reduction means that any covered benefit issued to an entity, general partnership, or joint venture shall be reduced by an amount that is commensurate with the direct or indirect ownership interest the entity, general partnership, or joint venture of each individual who does not comply with the adjusted gross revenue requirement.

Certification of Compliance means that an individual or entity shall provide either a certification by a certified public accountant that the average adjusted gross income does not exceed the requirement; or provide information and documentation regarding the adjusted gross income through other procedures established by the Secretary.

Income from farming, ranching or forestry means income derived from producing crops, livestock, or unfinished raw forestry products.

Special Rules for Certain Individual and Entities are applicable to those entities that are not required to file a tax return, and individuals and entities that did not have taxable income in one or more tax years used to determine the 3-year average. Please consult with personnel at your local FSA office or service center for more information.

EXAMPLES

Situation 1 - Joe Smith requests benefits from the Direct and Counter-Cyclical Payment Program and from a Conservation Reserve Program contract approved effective for 2003. Mr. Smith's average adjusted gross income exceeds $2.5 million and was all from farming and livestock operations.

Determination - At least 75 percent of the average adjusted gross income was received from farming, ranching and forestry operations. Therefore, Mr. Smith complies with the adjusted gross income requirement and is eligible for the program benefits requested.

Situation 2 - Grace Jones is a share rent landowner and requests benefits from the Direct and Counter-Cyclical Payment Program on a contract with her tenant. Ms. Jones' average adjusted gross income was less than $2.5 million and over 75 percent was from non-agricultural interests.

Determination - Less than 75 percent of the average adjusted gross income was from farming, ranching and forestry, but the amount was less than $2.5 million. Therefore, Ms. Jones is eligible for the program benefits requested.

Situation 3 - William Davis is a share rent landowner and requests benefits from the Direct and Counter-Cyclical Payment Program on a contract with his tenant. Mr. Davis' average adjusted gross income was greater than $2.5 million and over 75 percent was from non-agricultural sources.

Determination - Less than 75 percent of the average adjusted gross income was from farming, ranching and forestry, and exceeds $2.5 million. Therefore, Mr. Davis is ineligible for the program benefits requested.

Situation 4 - Mark Johnson is a 25 percent stockholder in Johnson Farms, Inc. Johnson Farms requests benefits from the Direct and Counter-Cyclical Payment Program. The average adjusted gross income for Johnson Farms was all from farming and ranching. The average adjusted gross income for each of the stockholders was mostly from non-agricultural sources and the amounts were less than $2.5 million with the exception of Mark.

Determination - Any program benefit issued to an entity, general partnership, or joint operation shall be reduced by an amount commensurate with the direct or indirect ownership interest of an individual or entity who has an average adjusted gross income in excess of $2.5 million. Therefore, Johnson Farms is eligible for the benefits requested, but reduced by the 25 percent, which represents the interest held by Mark.

--*

631 Rules for Special Cases

A Acceptable Documentation

--**For an individual or entity, including a foreign individual or entity, that does not have tax**--
records or is not required to file tax returns, acceptable forms of documentation of AGI may include, but are not limited to the following:

- financial statements
- annual public financial disclosures
- annual budgets and statement of operations
- other documentation as deemed acceptable by the reviewing authority.

B Churches, Clubs, Fraternal Organizations, Societies, and Similar Associations

Individuals who attend a church or belong to a club, fraternal organization, association, or similar type of entity that is requesting payments or benefits:

- do not hold an ownership interest in the entity
- are not required to submit an AGI certification for the entity to meet AGI provision.

C Multi-year Contracts and Agreements

For program contracts and agreements that extend more than 1 crop, program, or fiscal year, the average AGI determination will:

- be based on the 3 tax years preceding the year for which the contract or agreement is approved

- apply for the entire term of the contract or agreement.

631 Rules for Special Cases (Continued)

*--D Succession-in-Interest

The average AGI limitation does not apply to multi-year contracts, such as a CRP contract, that were effective before October 1, 2002. The average AGI provision was not part of the original contract or agreement when executed.

If succession occurs to a multi-year contract or agreement that was effective:

- **before** FY 2003, the successor(s) **will not** be subject to AGI provisions on this contract or agreement

- for FY 2003 or subsequent years, the successor(s) **will** be subject to AGI provisions on this contract or agreement.**--***

*--632 Determination of AGI and Average AGI

A Determining Adjusted AGI--*

Determine AGI according to the following table.

IF certification is by...	THEN AGI is the...
an individual filing a separate tax return	amount reported as AGI on the final Federal tax return for the individual for the applicable year.
an individual filing a joint tax return	full amount reported as AGI on the final Federal tax return for the applicable year. **Exception:** A certification is provided by a certified public accountant or an attorney that specifies what the amounts would have been if separate tax returns would have been filed for the applicable year.
a corporation, including subchapter S corporation	total taxable income plus the amount of charitable contributions as reported on the final Federal tax return for the applicable year.
a limited liability partnership, limited partnership, limited liability company, or similar type of organization	income from trade or business activities plus the amount of guaranteed payments to the members as reported on the final Federal tax returns for the applicable year.
an estate or trust	adjusted total income plus charitable deductions as reported on the final Federal tax return for the applicable year.
a tax-exempt or non-profit organization	unrelated business taxable income as reported to IRS less any income that CCC determines to be from noncommercial sources.

Note: See Exhibit 10 for examples of IRS tax return forms.

*--632 Determination of AGI and Average AGI (Continued)

B Determining Average AGI (Continued)

Determine the average AGI according to the following table:

IF determination is for an:	THEN average AGI is:
• individual • entity in business in existence for all of the applicable 3-year period	the average of AGI, including losses for the 3 tax years immediately preceding the applicable crop, program, or fiscal year. **Note:** This includes entities not required to file a Federal tax return, or an entity that did not have taxable income in 1 or more years of the applicable 3-year period.
entity not in business for all of the applicable 3-year period	the average AGI, including losses, for only those years in the base period that the new entity was in business.

--*

***--632 Determination of AGI and Average AGI (Continued)**

C Rule for "New" Entity

A new entity shall not be considered "new" to the extent that it takes over an existing operation and has any elements of common ownership or interests with the preceding entity, or individuals and entities, with an interest in the "old" entity.

The income of the "old" entity will be averaged with the income of the "new" entity for the base period if any of the elements of commonality are present.

Example for 2003: Twin Farms Corporation (TFC) is comprised of John Smith (50 percent) and John Smith (50 percent).

The average AGI from the years 2000, 2001, and 2002 for TFC was $3 million and less than 75 percent was derived from farming, ranching, or forestry operations.

TFC was determined ineligible for 2003 program benefits as a result of exceeding the average AGI limitation. TFC had $3 million in AGI for 2003.

Example for 2004: Smith LLC is comprised of John Smith (5 percent), Joe Smith (5 percent), and TFC (90 percent).

Smith LLC takes over the farming operation previously represented as that of the TFC.

The average AGI for Smith LLC for 2004 payment eligibility purposes will be $3 million, the average of AGI of Smith LLC and TFC for the years 2001, 2002, and 2003. Smith LLC is ineligible for 2004 program benefits subject to the average AGI limitation.--*****

633 Selecting Cases for Review

A Selecting Cases

Reviews for compliance with AGI requirement may:

- be initiated by COC or STC representative
- be selected on a nation-wide basis by DAFP.

B Verifying Compliance

Information necessary to verify compliance includes but is not limited to the following:

- Federal and State income tax returns
- financial statements
- balance sheets
- reports prepared for other government agencies
- information prepared for a private lender
- other credible information of income for the qualification period.

Note: Federal and State income tax information may be requested by the reviewing authority if that is the only means to establish compliance with AGI provisions.

The reviewing authority shall make every effort to safeguard the confidentiality of the information provided.

Note: Information provided by program participants to verify compliance with the provisions of this part shall not be subject to any requests submitted under FOIA.

C Notification of Selection

Program participants selected for review shall be notified in writing of:

- the nature and reason for the review
- suggested sources and types of information most helpful
- the established deadline to submit the information
- consequences of failing to timely provide the requested information.

633 Selection of Cases for Review (Continued)

D Failure to Provide Information

Failure to timely provide correct and accurate information to establish compliance with AGI requirement will result in any of the following:

- ineligibility for all program payments subject to this requirement for the applicable year
- required refund of all such program benefits affected
- possible civil suit or criminal prosecution.

If requested information is not timely provided:

- notify the program participant of the ineligibility for payments from the affected programs

- include appeal rights according to 1-APP.

634 Commensurate Reduction

A Commensurate Reduction of Payments

--[7 CFR 1400.603]** Any payment and benefit earned by an entity or joint**--
operation shall be reduced by an amount that is commensurate with the direct and indirect interest of any member or shareholder who either:

- is determined to have an average AGI in excess of the limitation
- fails to timely submit a certification statement.

Ownership interest in an entity shall be reviewed to the fifth level, if applicable, to determine applicable commensurate share reductions.

Note: If at the fifth level the ownership interest is not held by an individual, then that share represented by such interest is not be eligible for payment or benefits.

The reduction in payment and benefits applies to:

- the crop, program, or fiscal year
- all program payments and benefits to which AGI applies.

635 Average AGI and NRCS Program

A Data-sharing with NRCS

NRCS:

- administers some programs for which payments and benefits subject to the average AGI limitation are issued
- has the responsibility of program coordination and delivery.

FSA has the responsibility for the data collection and determination of AGI compliance for those program participants.

Upon request from NRCS, FSA will supply AGI compliance data for the participants specified in that request.

If the participant is on FSA records as a program participant in FSA administered programs, FSA will provide the following:

- AGI certification statement submitted by that producer
- a cover letter that states whether this individual or entity was considered in compliance with AGI, based on the information provided
- screen print of the eligibility file that shows the ‘value’ set for the corresponding AGI compliance determination for the producer.

This certification will be continuous for subsequent years unless the participant revises such certification, or FSA determines otherwise.

If a statement is not on file:

- FSA will request such certification from the such program participant
- FSA will make the corresponding AGI compliance determination
- provide same notice as specified above.

636-649 (Reserved)

*--Part 7 End-of-Year Reviews

650 Overview

A Introduction

The initial determinations required by this handbook are made by the reviewing authority based on the producer's certification of the farming operation as represented on CCC-502 and supporting documents.

To maintain the integrity of payment limitation and payment eligibility provisions, end-of-year reviews are conducted to ascertain that farming operations were carried out as represented when initial determinations were made.

B In This Part

The following sections are included in this part.

Section	Title	Page
1	Selection and Notification	7-2
2	Documentation	7-31
3	Conducting Reviews	7-56
4	Reports	7-181

--*

*--Section 1 Selection and Notification

651 Overview

A
Introduction

This section provides instructions for selecting and notifying producers of the end-of-year review.

B
In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
651	Overview	7-2
652	Selection Process	7-3
653	Producer Notification	7-5
654-660	Reserved	

--*

652 Selection Process

A Introduction

Producers selected for an end-of-year review may be chosen for the following reasons:

- a judgmental selection by DAFP
- a required spot check
- an additional case selected for review by the reviewing authority.

B Judgmental Selection

A judgmental selection is performed on a nationwide basis to select producers for review using criteria including, but not limited to:

- the restructure of a farming operation in the past year by the addition of a new partner, deletion of a partner, change in stockholders, etc.
- the formation of a new farming operation in the past year
- a comparison of farming operations to determine whether an individual is involved in more than 1 operation
- farming operations earning more than a specified dollar amount.

C Required Spot Checks

A default determination made according to paragraph 466 must be selected as an end-of-year review if the proper determination made according to paragraph 467 differed from the default determination.

***--Note:** Determinations involving FSA employees are required to be selected--* for review only if selected according to this paragraph.

Continued on the next page

D
Additional Cases

In addition to those cases which are judgmentally selected, or otherwise required to be selected, the following cases will also be selected for end-of-year review:

- any case which the reviewing authority has reason to believe the farm operating plan was not followed as represented
- any cases considered necessary by a State Office representative to maintain program integrity.

E
Timing End-of-Year Reviews

Complete end-of-year reviews by the date established by STC, according to paragraph 530.

F
Waiver Authority for State Offices

State Offices may waive judgmentally selected end-of-year reviews under the following circumstances:

- farming operations involving **only** a husband and wife
- *--farming operation was previously reviewed in the last 3 years, did not--* receive an adverse determination, and the reviewing authority has no reason to believe there has been changes which affect the original determination
- farming operation is an entity with no embedded entities and members do not have other farming interests receiving program payments
- farming operations with **all** land meeting the landowner exemption
- farming operation did not participate in any program in the year selected.

Notes: State Offices shall include the number of any waived judgmentally selected reviews in the remarks sections of the final CCC-502EYR.

Any waiver request not within State Offices' approval authority may be sent to DAFP, along with adequate justification to support the request.

653 Producer Notification

A Introduction

After being notified, the producer is responsible for providing requested documents in a timely manner. This paragraph contains information to be included in the producer notification letter and explains what the producer must do after receiving the notification letter.

B Producer Notification

Producers who are required to submit documents shall be notified about their selection for an end-of-year review no later than 90 calendar days before the end-of-year review completion date established by STC according to paragraph 530.

The notification letter shall contain the following:

- purpose of the end-of-year review
- documents required to be submitted
- the requirement to submit documents to the County Office within 30 calendar days
- actions that will be taken if documents are not submitted
- notification that the producer will receive results of the end-of-year

--review when the review is complete.--

Continued on the next page

***--653 Producer Notification (Continued)**

C
Producer Responsibility

It is the responsibility of the producer to submit requested documents within 30 calendar days from the date requested.

Note: It is recognized that some requested documents, such as crop sales documents, may not be available when the producer submits other documentation. The producer must submit all documents that are available at the time. The reviewing authority shall schedule followup action to obtain additional information if necessary.**--***

Continued on the next page

D
Sample Notification Letter
***--**

This is an example of a letter notifying a producer of being selected for an **end-of-year review**.

[Letterhead]

Any County FSA Office
502 Spotcheck Ave.
Some City, US 55555

Date

Wandering Brook, Inc.
Fred Friendly, President
777 Lucky Day Road
Some City, State 55555

Dear *Mr. Friendly*:

Your farming operation has been selected for a 200X payment limitation and payment eligibility end-of-year review.

End-of-year reviews are conducted annually on a number of farm operating plans submitted by producers. Initial payment limitation and payment eligibility determinations are made based on the producer's certification of how the farming operation will be conducted for the year.

To ensure overall program integrity, it is necessary that actual farming operations be reviewed and documented. Accordingly, your farming operation will be reviewed to determine whether the farming operation was carried out in 200X as represented on the CCC-502, Farm Operating Plan for Payment Eligibility Review, on which the initial payment limitation and payment eligibility determinations were based.

[Delete the following paragraphs that are not applicable to the producer.]

To verify capital contributions, documents and information are required as follows:

- operating loan documents
- income and expense ledgers
- canceled checks for expenditures, such as:
    - fertilizer
    - seed
    - fuel
    - equipment leases and purchases
    - land leases and purchases
    - hired labor and management
    - any other farming operation expenditures.

--*

Continued on the next page

***--653 Producer Notification (Continued)**

D
Sample
Notification
Letter
(Continued)

To verify land contributions, documents and information are required as follows:

- lease agreements
- sales contracts
- property tax statements
- canceled checks associated with land.

To verify equipment contributions, documents and information are required as follows:

- equipment listings
- lease agreements
- purchase contracts
- canceled checks associated with equipment.

To verify labor contributions, documents and information are required as follows:

- documentation of who provided actual labor contributions and type of labor
- employee time sheets or books, if applicable
- canceled checks for hired labor, if applicable.

To verify management contributions, documents and information are required as follows:

- documentation of who provided actual management contributions and specific duties
- canceled checks for hired management
- documents showing signature of individual involved in management, such as:

  - canceled checks for significant purchases
  - loan documents
  - lease and purchase agreements
  - sales documents.

Other documents and information necessary to make a complete review includes, but is not limited to, the following:

- crop sales documents
- warehouse ledgers
- gin ledgers
- corporation papers, including documentation of share ownership

--*

Continued on the next page

D
Sample
Notification
Letter
(Continued)
***--**

- partnership agreements or articles of partnership
- trust agreements
- legal documents and contracts
- accounting records
- court records
- crop insurance documents.

Please provide the requested information to this office within 30 calendar days of the date of this letter. We will photocopy and return the documents and written information you submit. Copies of the documents and information will be forwarded to the individual(s) who will be conducting the actual review and documenting their findings. The (*Any County FSA Committee or State FSA Office, as applicable*) will then make determinations based on findings-of-fact supported by the documents and information you provide. Therefore, it is important that you provide complete and accurate documentation.

You may also be contacted for an interview to obtain additional information and clarification concerning contributions to the farming operation and transactions about the farming operation. During the interview, you may be requested to provide access to additional records.

Upon completion of the review, you will be notified of the results of the review and any further action required.

If, within 30 calendar days of the date of this letter, you have **not** provided adequate documentation for the reviewing authority to make its findings and determinations, you will be:

- determined ineligible for the 200X crop, program or fiscal year benefits

- notified of the revised determination, and given appeal rights

- required to refund payments earned as a result of the previous payment eligibility and payment limitation determination.

Thank you for your cooperation. If you have any questions, please contact this office.

Sincerely,

James E. Cricket
County Executive Director

--*

654-660 (Reserved)

--

*--Section 2 Documentation

661 Overview

A
Introduction

Producers selected for the end-of-year review must provide adequate documents for the reviewing authority to determine that the farming operation was carried out as represented when initial determinations were made.

B
In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
661	Overview	7-31
662	Required Documentation	7-33
663	Failure to Provide Documentation	7-37
664-670	Reserved	

--*

*--662 Required Documentation

A
Introduction

This paragraph contains instructions for obtaining documents to verify the entries made on CCC-502.

B
What to Verify

The reviewing authority must obtain adequate documents to verify that:

- inputs used to determine significant contributions to the farming operation were significant
- contributions were commensurate with claimed shares of the farming operation
- contributions were at risk
- the "person" determination is correct
- "permitted entity" designation was proper based upon ownership shares of an entity

  Note: This applies only to entities where individuals were required to designate "permitted entities."

- land ownership has been accurately reported when the landowner rules were used in the original determination
- any other pertinent factors used in making the original determination are substantiated.

C
Filing Evidence

County Office personnel shall photocopy documents obtained during the end-of-year review process. File the photocopies with other payment limitation documents. It may not be necessary to photocopy all documents received; however, a sufficient number should be filed to support the determination made by the reviewing authority.**--***

Continued on the next page

662 Required Documentation (Continued)

D

Examples of Required Documents

Adequate documentation is required to verify whether contributions are commensurate and significant. This table lists examples of documents used to verify these contributions.

Contribution	Examples of Documents

Capital	• Operating loan documents
	• Income and expense ledgers
	• Canceled checks for expenditures, such as:
	
	  • fertilizer
	  • seed
	  • chemicals
	  • fuel
	  • equipment leases and purchases
	  • land leases and purchases
	  * * *
	  • hired labor or management
	  • other farming operation expenditures

Land	• Lease agreements • Sales contracts • Property tax statements • Canceled checks associated with land
Equipment	• Lease agreements • Purchase contracts • Equipment listings • Canceled checks associated with equipment

Continued on the next page

D
Examples of Required Documents (Continued)

Contribution	Examples of Documents
Labor	• Employee time sheets or books • Canceled checks for hired labor
Management	• Canceled checks for hired management • Documents showing signature of person involved in management. **Examples:** Canceled checks for significant purchases Loan documents Lease and purchase agreements Sales documents

E
Examples of Other Documents Needed

Other documents that may be needed to make a complete review could include, but are not limited to, the following:

- crop sales documents
- warehouse ledgers
- gin ledgers
- corporation papers, including documentation of share ownership
- partnership agreements or articles of partnership
- trust agreements
- legal documents and contracts
- accounting records
- court records
- *--crop insurance documents.--*

Note: The reviewing authority shall not request income tax returns from producers. However, income tax returns may be accepted to make the determinations if the producer **voluntarily** provides them.

663 Failure to Provide Documentation

A Introduction

Producers selected for an end-of-year review must provide the reviewing authority with requested documents. This paragraph explains the adverse actions that will be taken if a producer does not comply with this requirement.

B Documentation Not Provided

A producer's failure to submit end-of-year review documentation shall result in the following actions.

IF the producer...	THEN the producer shall be...
• refuses to provide the requested information • does not provide information within 30 calendar days	• determined not "actively engaged in *--farming" for the year of the review and all later years until eligibility can be re-established--* • notified of the revised determination, and given appeal rights • required to refund payments earned as a result of the previous "actively engaged in farming" determination, according to the applicable program handbook. **Note:** Follow 58-FI for issuing the initial notification letter. **Note:** This determination does not require COC action.

Note: The reviewing authority may extend the deadline to provide information if merited by unusual circumstances.

Continued on the next page

***--663 Failure to Provide Documentation (Continued)**

C

County Office Action

After a producer is determined not "actively engaged in farming", County Offices shall update the:

- "actively engaged" eligibility records through the eligibility file or the entity file
- automated CCC-503B.**--***

664-670 (Reserved)

*--Section 3 Conducting Reviews

671 Overview

A
Introduction

This section provides the required action and worksheets to be used to conduct end-of-year reviews.

B
In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
671	Overview	7-55
672	Responsibilities	7-57
673-676	Reserved	
677	Checklist of Documents Received	7-69
678	End-of-Year Review Checklist	7-73
679	Worksheet 1, Capital Contribution	7-81
680	Worksheet 2, Equipment Contribution	7-87
681	Worksheet 3, Land Contribution	7-93
682	Worksheet 4, Combination of Capital, Equipment, and Land Contributions	7-103
683	Worksheet 5, Active Personal Labor Contribution	7-107
684	Worksheet 6, Active Personal Management Contribution	7-113
685	Worksheet 7, Combination of Active Personal Labor and Active Personal Management Contributions	7-119
686	Worksheet 8, Substantive Change	7-123
687	Worksheet 9, "Persons" and Other Determinations	7-129
688-697	Reserved	
698	Worksheet 20, Summary of Findings	7-161
699-704	Reserved	

--*

672 Responsibilities

A Introduction

This paragraph provides guidelines for required action for conducting end-of-year reviews.

B Review Teams

Members of the review team, established according to paragraph 531, shall:

- complete the review of all cases according to paragraph 652

- *--obtain additional documentation directly from producers whenever it is needed to determine that actual farming operations are or are not in compliance with approved farm operating plans

- document end-of-year review conclusions and make recommendations for action by the initial review authority.--*

C Determinations by Initial Reviewing Authority

The reviewing authority that made the initial determination for the *--producer selected for end-of-year review shall:

- thoroughly review conclusions and recommendations submitted by the review team

- collect any additional information needed to make an informed determination.--*

Note: If the State Office made the initial determination for the producer, the State Office shall make the end-of-year review determination.

Continued on the next page

D
Required Action and Responsibility

Follow this table to determine required action and responsibility.

Step	Action	Responsibility
1	Producer selection	•*--Judgmental selection: DAFP--* • All other cases: initial reviewing authority
2	Producer notification	Initial reviewing authority
3	Accumulation of requested information **Note:** Documents shall be copied and returned to the producer.	Producer's designated control County Office
4	Assigning and coordinating reviews	State Office specialist
5	Reviewing documents and fact findings	Review team member or members under the supervision of the State Office specialist
6	Determination and producer notification	Initial reviewing authority
7	End-of-year reports	• Designated control County Office • State Office

Continued on the next page

672 Responsibilities (Continued)

E
Discrepancies Follow this table if discrepancies with the farm operating plan are discovered.

IF a discrepancy is discovered that...	THEN notify the producer of...
does not affect the original determination * * *	the discrepancy and confirm the original determination.
affects the original determination	• the not "actively engaged in farming" determination or other revised determination • the amount of payments to refund, if applicable **Note:** See 58-FI. • the producer's appeal rights.

673-676 (Reserved)

*--677 Checklist of Documents Received

A
Checklist

Use this checklist to indicate the documents submitted by the producer and initial and date.

If a contribution or determination is not applicable, ENTER "√" beside N/A.

Name of Case _____ **ID No.** _____

Contribution or Determination	Documentation Required	Initials and Date

Capital	• __ Operating loan documents
	• __ Income and expense ledgers
	• Canceled checks for expenditures, such as:
	  • __ fertilizer
	  • __ seed
	  • __ chemicals
	  • __ fuel
	  • __ equipment leases and purchases
	  • __ land leases and purchases
	  • __ livestock and livestock related purchases
	  • __ hired labor or management
	  • __ other farming operation expenditures
	  specify: _____
		__ N/A

Land	• __ Lease agreements • __ Sales contracts • __ Property tax statements • __ Canceled checks associated with land • __ Other specify: _____	__ N/A

--*

Continued on the next page

***--677 Checklist of Documents Received (Continued)**

A Checklist (Continued)

Contribution or Determination	Documentation Required	Initials and Date
Equipment	• __ Lease agreements • __ Purchase contracts • __ Equipment listings • __ Canceled checks associated with equipment • __ Other specify: _____	__ N/A
Labor	• __ Employee time sheets or books • __ Canceled checks for hired labor • __ Other specify: _____	__ N/A

--*

Continued on the next page

677 Checklist of Documents Received (Continued)

A Checklist (Continued)

Contribution or Determination	Documentation Required	Initials and Date
Management	• __ Canceled checks for hired management • __ Loan documents • __ Lease and purchase agreements • __ Sales documents • __ Other specify: _____	__ N/A
Commensurate	• __ Program documents specify: _____ • __ Crop sales documents • __ Warehouse ledgers • __ Gin ledgers • __ Corporation papers, including ownership share • __ Partnership agreements • __ Trust agreements • __ Legal documents and contracts • __ Accounting records • __ Court records •*--_ Crop insurance documents--* • __ Other specify: _____	

678 End-of-Year Review Checklist

A

Checklist Follow the steps in this table to conduct end-of-year reviews. Attach documents and additional information as appropriate.

Name of Case _____ **ID No.** _____

Step	Process	Action	Initials and Date
1	Producer selection	Indicate how the case was selected: •*--__ judgmental selection by DAFP--* • __ required spot check • __ other case required by the reviewing authority.	
2	Producer notification	Date of letter notifying producer of selection: _____ **Note:** The requested documents and information were provided by the producer on _____	

Continued on the next page

A Checklist (Continued)

Step	Process	Action	Initials and Date

3	Initial review of information	Review documents and information initially provided by the producer to determine whether an interview with the producer is required.
		
		--Note:** Producers shall be interviewed before making end-of-year determinations unless the reason for not interviewing the producer is obvious and adequately justified in writing.**--
		
		Is interview with producer required? __ Yes __ No
		
		• If yes:
		  • date the producer was notified _____
		  • go to step 4.
		
		• If no:
		  • give justification for not interviewing the producer
		  • go to step 5.
		
		_____
		_____
		_____	

Continued on the next page

*--678 End-of-Year Review Checklist (Continued)

A Checklist (Continued)

Step	Process	Action	Initials and Date
4	Producer contact	Interview the producer(s) or representative of the selected case and obtain details of the farming operation and the method of operation for the crop year. **Note:** Consider interviewing separately (without farm manager or principal spokesperson) those producers that are suspected of knowing nothing about the farming operation. Date of producer interview _____ General interview information • In discussing the farming operation, does the producer's(s') description of the operation differ with other available information? __ Yes __ No **Note:** If yes, explain. _____ _____ _____ • If applicable, advise the producer(s) that accounting records will need to be reviewed and the lending agency of the producer(s) may need to be contacted to verify financing information.	

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Continued on the next page

***--678 End-of-Year Review Checklist (Continued)**

A
Checklist
(Continued)

Step	Process	Action	Initials and Date
5	Determine value of farming operation	Was the total value of farming operation determined? __ Yes __ No • If yes, how was the value computed? _____ _____ • If no, how were significant contributions determined? _____ _____	
6	Determine significant contributions	Determine whether all producers of the selected case made the significant "left-hand" and/or "right-hand" contribution as determined by the reviewing authority when making the initial determination. **Notes:** Complete worksheets 1 through 7 as applicable. See 1-PL, paragraphs 679 through 688. If the producer does not meet the requirements for the factors listed by COC, determine whether other factors would qualify the producer.	

--*

Continued on the next page

678 End-of-Year Review Checklist (Continued)

A
Checklist
(Continued)

Step	Process	Action	Initials and Date
7	Determine commensurate and at risk contributions	***--**Review documentation provided by the producer to support contributions. Determine whether the**--*** producer's contributions are commensurate with the claimed share of profits or losses from the farming operation and at risk. See paragraphs 156 through 159. **Note:** If provided, review the producer's tax return to determine whether income or loss was distributed according to the claimed interest in the farming operation. Are the producer's contributions commensurate with the claimed share of the profits or losses from the farming operation? __ Yes __ No • If yes, explain and justify. • If no, explain and justify. _____ _____ _____ _____ _____	
8	Determine "persons"	Based on the information reviewed, determine whether the "person" determinations were correct. Complete worksheets 8 and 9, as applicable. See paragraphs 686 and 687.	

Continued on the next page

*--678 End-of-Year Review Checklist (Continued)

A Checklist (Continued)

Step	Process	Action		Initials and Date
9	Determine applicability of other rules	Determine whether cash-rent tenant, foreign person, scheme or device, or other rules apply.		
		IF rules needed for...	**THEN see...**	
		cash-rent tenants	paragraphs 171 through 173.	
		foreign person	paragraphs 233 through 237.	
		scheme or device	paragraph 71.	
10	Summary of findings	Summarize findings on worksheet 20, and forward documents and findings to initial reviewing authority. **Note:** See paragraph 698.		

--*

*--679 Worksheet 1, Capital Contribution

A

Worksheet 1 Use this worksheet to determine whether capital qualified as a significant contribution.

Name of Case _____ **ID No.** _____

Was capital used as a significant contribution? __ Yes __ No

- If yes, complete this worksheet.
- If no, go to worksheet 2.

Step	Action	
1	Determine how the capital used as a significant contribution was acquired. **Note:** Check the appropriate block or blocks, and go to the corresponding step of this worksheet.	
	__ Direct out-of-pocket input by individual, entity, joint operation, or members of joint operation. Go to step 2.	__ Capital borrowed by individual, entity, joint operation, or member of joint operation. Go to step 3.

--*

Continued on the next page

*--679 Worksheet 1, Capital Contribution (Continued)

A
Worksheet 1
(Continued)

Step	Action
2	**Determinations if direct out-of-pocket capital input** • If the capital was funded by an individual, entity, or member of the joint operation, were these contributions made directly to the farming operation? __ Yes __ No **Note:** If no, explain. • If a joint operation in which the capital is contributed by a member or members of the joint operation rather than the joint operation itself, review member accounting records, checks, and loan documents to determine amounts invested. • Was each member's contribution of capital commensurate with their share of the operation? __ Yes __ No __ N/A **Note:** If no, other contributions may justify the claimed share of the operation • Interview the individual, entity representative, or member of the joint operation to ensure that capital contributions were out of pocket if not adequately established by documentation. Determine whether they borrowed the capital to provide their contribution. Was capital borrowed? __ Yes __ No • If yes, go to step 3. • If no, go to step 4.

--*

Continued on the next page

***--679 Worksheet 1, Capital Contribution (Continued)**

A
Worksheet 1
(Continued)

Step	Action
3	**Determination if capital was borrowed** If the capital contribution was borrowed: • interview the producer to determine from whom the capital was borrowed, and annotate the lender's name _____ _____ • indicate the percentage of capital contribution that was borrowed • review accounting records to determine whether the capital was contributed directly to the farming operation • arrange with the producer to contact the lender and review the loan file • was the loan acquired as a result of a loan being made to, guaranteed by, or secured by an individual, entity, member of a joint operation or any other joint operation with an interest in the farming operation? __ Yes __ No **Note:** If yes, the capital contribution may not qualify as a significant contribution. _____ _____

--*

Continued on the next page

A
Worksheet 1
(Continued)

Step	Action
* * *	* * *

4	**Determination of significant contribution**
	
	Did the producer provide the initial reviewing authority an estimated expense report for the year? __ Yes __ No
	
	• If yes, verify that the contribution equals at least 50 percent of the estimated expenses.
	
	• If no, how did the reviewing authority determine that the individual's or entity's contribution was equal to 50 percent of the total capital necessary to conduct the farming operation?
	
	_____
	_____
	
	Based on the review of the capital represented by the farming operation as qualifying, did the farming operation or individuals meet the requirements for a significant contribution of capital? __ Yes __ No
	
	• If yes, the farming operation has met its significant "left-hand" contribution.
	• If no:
	
	  • the farming operation has **not** met the requirements for significant "left-hand" contributions without additional "left-hand" contributions
	
	  • go to step 5.

5	Summarize the facts involved in this determination, develop findings as appropriate, and go to worksheet 2. _____ _____ _____ _____

*--680 Worksheet 2, Equipment Contribution

A
Worksheet 2 Use this worksheet to determine whether equipment qualified as a significant contribution.

Name of Case _____ **ID No.** _____

Was equipment used as a significant contribution? __ Yes __ No

- If yes, complete this worksheet.
- If no, go to worksheet 3.

Step	Action	
1	Determine how the equipment used as a significant contribution was acquired. **Note:** Check the appropriate block or blocks, and go to the corresponding step of this worksheet.	
	__ Owned by an operation or its members. Go to step 2.	__ Leased by an operation or its members. Go to step 3.

--*

Continued on the next page

***--680 Worksheet 2, Equipment Contribution (Continued)**

A
Worksheet 2
(Continued)

Step	Action
2	**Equipment owned and contributed by individual, entity, or joint operation** • Did the farming operation or its members own **all** of the equipment used in the farming operation? __ Yes __ No **Note:** Review accounting or tax depreciating records, if provided, and other information to confirm ownership of the equipment by the individual, entity, or joint operation. If no, did the producer own a sufficient amount of equipment to conduct the farming operation and to meet the significant contribution requirement? __ Yes __ No • If the farming operation is conducted by an individual, entity, or joint operation, was the equipment contributed directly to the farming operation by the individual, entity, or joint operation? __ Yes __ No __ N/A If no, use of the equipment to qualify as a significant contribution is questionable. Explain fully how the individual, entity, joint operation, or member of the joint operation contributed the equipment. _____ _____ _____ _____

--*

Continued on the next page

*--680 Worksheet 2, Equipment Contribution (Continued)

A
Worksheet 2
(Continued)

Step	Action

2	**Equipment owned and contributed by individual, entity, or joint operation (Continued)**
	
	• For equipment contributed to the farming operation, determine whether this equipment was acquired as a result of a loan. If the equipment was acquired as a result of a loan, was the loan made to, guaranteed by, or secured by any individual, joint operation, entity, or member of a joint operation that has an interest in the farming operation? __ Yes __ No
	
	  • If no, equipment may be used as a significant contribution.
	
	  • If yes, obtain and copy information about the loan, and discuss with both the producer and County Office to determine whether significant contribution requirements were violated.

3	**Equipment leased and contributed by individual, entity, or joint operation** Determine what equipment was leased and from whom the equipment was leased. Obtain copies of relevant lease documents and equipment listings. Was the equipment leased from someone with an interest in the farming operation? __ Yes __ No • If no, leased equipment may qualify as a significant contribution to the farming operation.

--*

Continued on the next page

A
Worksheet 2
(Continued)

Step	Action
3	• If yes: • is the leased equipment necessary for a significant contribution of equipment? __ Yes __ No **Note:** If no, explain fully and go to step 4. _____ _____ • explain fully the interest of the lessor in the farming operation _____ _____ _____ • determine and explain how payments were made for the equipment. _____ _____ _____ **Note:** If the equipment was leased by the hour, day, or acre, payment basis must be ***--**made in a timely manner. Review accounting records, checks, and billing**--*** invoices.

Continued on the next page

***--680 Worksheet 2, Equipment Contribution (Continued)**

A
Worksheet 2
(Continued)

Step	Action
3	**Equipment leased and contributed by individual, entity, or joint operation (Continued)** • were equipment lease payments properly paid? __ Yes __ No • If no, go to step 4. • If yes, was capital borrowed by the individual, entity, or joint operation from any other individual, entity, or joint operation with an interest in the farming operation? __ Yes __ No **Note:** If yes, explain how the farming operation paid for the cash-leased equipment. Obtain and copy necessary documents to support the finding. _____ _____ _____ If no, interview the producer and determine why lease agreements were not paid in a timely manner. _____ _____ _____ _____

--*

Continued on the next page

680 Worksheet 2, Equipment Contribution (Continued)

A
Worksheet 2
(Continued)

Step	Action
4	**Determination of significant contribution** ***--**How did the initial reviewing authority determine the total rental value of the**--*** equipment? _____ _____ Based on the review of the equipment used in the farming operation, did the equipment qualify as a significant contribution? __ Yes __ No • If yes, the individual, entity, or joint operation has met the "left-hand" contribution requirement. • If no, go to step 5.
5	Summarize the facts involved in this determination, develop findings as appropriate, and go to worksheet 3. _____ _____ _____ _____

681 Worksheet 3, Land Contribution

A

Worksheet 3 Use this worksheet to determine whether the land qualified as a significant contribution.

Name of Case _____ **ID No.** _____

Was land used as a significant contribution? __ Yes __ No

- If yes, complete this worksheet.
- If no, go to worksheet 4.

Step	Action		
1	Determine how the land used as a significant contribution was acquired. **Note:** Check the appropriate block or blocks, and go to the corresponding step of this worksheet.		
	__ Landowner: individual, entity, or joint operation Go to step 2.	__ Landowner: owned and contributed by members of joint operation Go to step 3.	__ Crop-share lease: individual, entity, or joint operation Go to step 4.
	__ Cash-leased: individual, entity, or joint operation ***--**Go to step 5 and complete worksheet 9.5.**--***	__ Land contributed by combination of methods Go to applicable steps.	

Continued on the next page

A
Worksheet 3
(Continued)

Step	Action
2	**Determinations if land is owned by individual, entity, or joint operation** ***--**Obtain and review documents supporting ownership of land, such as deeds or other title documents.**--*** **Note:** If not available from the County Office, this information should be filed with the appropriate county court. • Was ownership of the land established by the status date? __ Yes __ No **Note:** If no, the individual, entity, or joint operation cannot qualify under the landowner provisions as "actively engaged in farming." • During the review of the deed and/or title documents, determine whether the land was acquired by "Contract of Deed," "Deed of Trust," "Land Contract," or other similar arrangement. **Note:** This is considered to be acquired as a result of a loan.

Continued on the next page

*--681 Worksheet 3, Land Contribution (Continued)

A
Worksheet 3
(Continued)

Step	Action
2	**Determinations if land is owned by individual, entity, or joint operation (Continued)** • Was this land acquisition guaranteed by, or secured by an individual, entity, or other joint operation, including members, that have an interest in the farming operation? __ Yes __ No **Note:** If yes, the land cannot qualify as a significant contribution to the farming operation. Document and copy appropriate information. _____ _____ _____ _____ • If the landowner provision is used by a joint operation holding title to the land, review the joint operation agreement for dissolution of the operation. Does this agreement provide that, upon dissolution, the title to the land owned or proceeds from the sale of the land will revert to the individual members according to their respective shares? __ Yes __ No **Note:** If no, the landowner provisions cannot be used unless the regional attorney advises that state law provides that, upon dissolution of the joint operation, the land will be sold and the proceeds divided according to each member's share in the joint operation and there is no documentation otherwise.

--*

Continued on the next page

***--681 Worksheet 3, Land Contribution (Continued)**

A
Worksheet 3
(Continued)

Step	Action
3	**Determinations if land is owned and contributed by member or members of joint operation** • Obtain and review the deed or other title documents for the land. **Note:** If not available from the County Office, this information should be filed with the appropriate county court. Was ownership of the land established before the status date? __ Yes __ No **Note:** If no, the individual, entity, or joint operation cannot qualify under the landowner provisions as "actively engaged in farming." _____ _____ • During the review of the deed and/or title documents, determine whether the land was acquired by "Contract of Deed," "Deed of Trust," "Land Contract," or other similar arrangement. **Note:** This is considered to be acquired as a result of a loan. • Was this land acquisition guaranteed by, or secured by an individual, entity, or other joint operation, including members, that have an interest in the farming operation? __ Yes __No • If no, go to step 4. • If yes, the land cannot qualify as a contribution to the farming operation. Document and copy appropriate information. _____ _____ _____

--*

Continued on the next page

A
Worksheet 3
(Continued)

Step	Action
4	**Determinations if land is crop-share leased** • Obtain and review the lease agreements between the farming operation and the landowner. Does the lease agreement require a minimum cash payment? __ Yes __ No **Note:** If yes, *** * *** determine if it is a cash or share lease. _____ _____ • Review the accounting records, crop settlement sheets, or other records and compare the ***--**percentage division of proceeds to the percentage of division on applicable contracts and applications.**--*** • Was the landowner's share of the production the same as reported to FSA? __ Yes __ No **Note:** If no, discuss this with the producer to determine why the landowner's share was different than that reported. _____ _____ • Was the land leased from someone with an interest in the farming operation other than as a landlord? __ Yes __ No **Note:** If yes, explain. _____ _____ _____

Continued on the next page

A
Worksheet 3
(Continued)

Step	Action
5	***--Determinations if land is considered cash-leased by individual, entity, or joint--* operation** • Review CCC-502 and cash-lease agreements. Determine who the land was leased from and if they had an interest in the farming operation. Was the land leased from someone with an interest in any crop or crop proceeds in the farming operation? __ Yes __ No *** * *** • If the cash-leased land is owned and contributed by someone with an interest in the farming operation, determine by interviewing the member or their representative and by reviewing documents, if the land is mortgaged and if the loan to acquire the land was made by, guaranteed by, or secured by, anyone having an interest in the farming operation. **Note:** A "Contract of Deed," "Deed of Trust," "Land Contract," or other similar arrangement is considered to be acquired as the result of a loan. _____ _____ _____

Continued on the next page

***--681 Worksheet 3, Land Contribution (Continued)**

A
Worksheet 3
(Continued)

Step	Action
6	**Determination of significant contribution** How did the reviewing authority determine total rental value of the land? **Note:** Rental value will not be listed on CCC-502 unless the land is leased from someone with an interest in the operation. _____ _____ _____

--*

Continued on the next page

A
Worksheet 3
(Continued)

Step	Action
6	**Determination of significant contribution (Continued)** • Compare the land owned and leased by the farming operation and used to determine the producer "actively engaged in farming" with all land operated by the farming operation. Use the producer's CCC-502 and obtain other County Office records, such as the producer farm index and producer payment record, to identify all farms operated. Did the producer operate more land than was initially used by COC to make the "actively engaged in farming" determination? __ Yes __ No • If yes, determine and explain how the contribution was found to equal 50 percent of the individual's or entity's commensurate share. _____ _____ • Based upon this comparison of the land operated by the producer to the land initially used by COC in making determinations, does the land owned and/or leased by the farm operation qualify for inclusion as a significant contribution and have a value equal to at least 50 percent of the individual's, entity's, or joint operation's commensurate share of the total rental value of the land? __ Yes __ No **Note:** If no, the individual, entity, or joint operation cannot qualify as "actively engaged in farming" using land as its significant contribution.
7	Summarize the facts involved in this determination, develop findings as appropriate, and go to worksheet 4. _____ _____ _____

*--681.5 Worksheet 3.5, Cash-Rent Tenant

A

Worksheet 3.5 Use this worksheet to determine whether the producer meets the cash-rent tenant rule.

Step	Action
1	If the producer is a cash-rent tenant, did the producer provide a contribution of active personal labor to the farming operation? ___ Yes ___ No • If yes, complete worksheet 5 to determine if the contribution of active personal labor was significant. • If no, complete worksheet 2 and worksheet 6 to determine if the producer provided a combination of significant contributions of equipment and management.
2	Upon completion of the applicable contribution worksheets, does the producer meet the cash-rent tenant rules of paragraph 172? ___ Yes ___ No • If yes, complete step 3 and go to worksheet 9. • If no, determine the producer ineligible for payment on the cash-rented land. Complete step 3 and go to worksheet 9.
3	Summarize the facts involved in this determination, develop findings as appropriate, and go to worksheet 9. _____ _____ _____

--*

*--682 Worksheet 4, Combination of Capital, Equipment, and Land Contributions

A

Worksheet 4 Use this worksheet to determine whether a combination of capital, equipment, and land qualified as a significant contribution.

Name of Case _____ **ID No.** _____

Was any combination of capital, equipment, and land used to qualify as a significant contribution? __ Yes __ No

- If yes, complete this worksheet.
- If no, go to worksheet 5.

Step	Action		
1	If the contribution is a combination of the 3 "left-hand" inputs (capital, equipment, and land): • check the appropriate block or blocks and complete the applicable worksheets using the 30 percent contribution requirement to determine whether any rules have been violated for the appropriate contributions • go to step 2 of this worksheet after completing the appropriate worksheets. _____ _____ _____		
	__ Capital Go to worksheet 1.	__ Equipment Go to worksheet 2.	__ Land Go to worksheet 3.

--*

Continued on the next page

***--682 Worksheet 4, Combination of Capital, Equipment, and Land Contributions (Continued)**

A
Worksheet 4
(Continued)

Step	Action
2	**Determinations** How did the reviewing authority determine that the combined contribution of "left-hand" inputs was equal to 30 percent of the individual's or entity's commensurate share of the total value of the farming operation? _____ _____ _____ Does the actual contribution of the inputs equal to 30 percent of the individual's or entity's commensurate share of the total value of the farming operation? __ Yes __ No • If yes, the requirements for significant "left-hand" contribution have been met. • If no, the requirements to be "actively engaged in farming" have not been met unless exception applies.
3	Summarize the facts involved in this determination, develop findings as appropriate, and go to worksheet 5. _____ _____ _____ _____ _____

--*

*--683 Worksheet 5, Active Personal Labor Contribution

A

Worksheet 5 Use this worksheet to determine whether active personal labor qualified as a significant contribution.

Name of Case _____ **ID No.** _____

Was active personal labor used as a significant contribution? __ Yes __ No

- If yes, complete this worksheet.
- If no, go to worksheet 6.

Step	Action
1	• Review CCC-502 and interview the individual or individuals contributing active personal labor. • Determine by interview or documentation if the individual or individuals indicated as contributing labor know how many hours of labor it takes for the farming operation and how many hours they provided. • Is there any record of hours worked by the contributing individual or individuals? __ Yes __ No **Note:** If yes, review and obtain copies to document the determination. _____ _____ _____

--*

Continued on the next page

***--683 Worksheet 5, Active Personal Labor Contribution (Continued)**

A
Worksheet 5
(Continued)

Step	Action

2	Is this a joint operation? __ Yes __ No
	
	• If yes:
	
	  • determine whether labor, performed by a member of a joint operation, was excluded as a contribution
	
	  Note: If a member of joint operation is paid for any part of the contribution, the contribution cannot be counted.
	
	  • review accounting records and determine whether salaries were paid by the joint operation to any members.
	
	• If no, go to step 3.
	
	_____
	_____
	_____

--*

Continued on the next page

***--683 Worksheet 5, Active Personal Labor Contribution (Continued)**

A
Worksheet 5
(Continued)

Step	Action
3	Determine whether the individual could have provided the labor reported on CCC-502. • Was the individual living away from the farm? __ Yes __ No • Did the individual correctly report his or her residence to the County Office? __ Yes __ No **Note:** Consider interview with the individual (without manager or principal present), if information indicates that it is doubtful the individual provided active personal labor to the farming operation. _____ _____ _____
4	Review the payroll and accounting records. Was the individual paid for labor? __ Yes __ No • If no, go to step 5. • If yes, how much was the individual paid and who paid the labor cost? _____ _____ _____

--*

Continued on the next page

***--683 Worksheet 5, Active Personal Labor Contribution (Continued)**

A
Worksheet 5
(Continued)

Step	Action
5	Determine: • how "draws" upon capital accounts were considered at the end of the year when the profit or loss was disbursed • for joint operations, if commensurate shares were maintained for the members. _____ _____ _____
6	Compare the claimed labor contribution to the operation shown on CCC-502 with the findings of actual contribution, and determine whether there is a significant difference. _____ _____
7	Summarize the facts involved in this determination, develop findings as appropriate, and go to worksheet 6. _____ _____ _____ _____

--*

*--684 Worksheet 6, Active Personal Management Contribution

A
Worksheet 6 Use this worksheet to determine whether active personal management qualified as a significant contribution.

Name of Case _____ **ID No.** _____

Was active personal management used as a significant contribution? __Yes __ No

- If yes, complete this worksheet.
- If no, go to worksheet 7.

Step	Action
1	Review the description of management shown on CCC-502. _____ _____ _____

2	Is this a joint operation? __ Yes __ No
	• If yes:
	  • determine whether management, performed by a member of a joint operation, was excluded as a contribution
	  Note: If a member of joint operation is paid for any part of the contribution, the contribution cannot be counted.
	  • review accounting records and determine whether salaries were paid by the joint operation to any members.
	• If no, go to step 3.
	_____
	_____
	_____

--*

Continued on the next page

***--684 Worksheet 6, Active Personal Management Contribution (Continued)**

A
Worksheet 6
(Continued)

Step	Action
3	If documentation does not adequately establish management contributions, interview the individual(s) and discuss management. • Does the individual(s) have knowledge of the farming operation commensurate with claimed contribution of management? __ Yes __ No _____ _____ • Ask the individual(s) how the management duties performed help the profitability of the farming operation. _____ _____ _____ • Compare the written description of management on CCC-502 with the individual's comments. **Note:** Consider interview with individual (without manager or principal present), if information indicates it is doubtful the individual provided active personal management. _____ _____ _____
4	Has the individual(s) prepared written management reports during the year? __ Yes __ No • If no, go to step 5. • If yes, review and obtain copies. _____ _____ _____

--*

Continued on the next page

***--684 Worksheet 6, Active Personal Management Contribution (Continued)**

A
Worksheet 6
(Continued)

Step	Action
5	Compare all the individual's residences with the farm location. Was onsite management provided? __ Yes __ No • If yes, how often? _____ • If no, how are management duties performed? _____ _____ _____
6	Determine: • how "draws" upon capital accounts were considered at the end of the year when the profit or loss was disbursed • for joint operations, if commensurate shares were maintained for the members. _____ _____ _____
7	Compare the reported management contribution to the operation with the review results, and determine whether there is a significant difference.
8	Summarize the facts involved in this determination, develop findings as appropriate, and go to worksheet 7. _____ _____ _____ _____

--*

*--685 Worksheet 7, Combination of Active Personal Labor and Active Personal Management Contributions

A

Worksheet 7 Use this worksheet to determine whether a combination of active personal labor and active personal management qualified as a significant contribution.

Name of Case _____ **ID No.** _____

Was a combination of active personal labor and active personal management used to qualify as a significant contribution? __ Yes __ No

- If yes, complete this worksheet.
- If no, go to worksheet 8.

Step	Action
1	Review the description of labor and management shown on CCC-502. _____ _____ _____ Complete worksheets 5 and 6 to determine that the combination of active personal labor and active personal management has a critical impact on the profitability of the farming operation in an amount at least equal to the significant contribution of either consideration when taken alone. _____ _____ _____

--*

Continued on the next page

*--685 Worksheet 7, Combination of Active Personal Labor and Active Personal Management Contributions (Continued)

A
Worksheet 7
(Continued)

Step	Action
2	Determine how the reviewing authority determined that the contribution would have a critical impact on the profitability of the farming operation. _____ _____ _____ _____
3	Summarize the facts involved in this determination, develop findings as appropriate, and go to worksheet 8. _____ _____ _____ _____

--*

686 Worksheet 8, Substantive Change

A

Worksheet 8 Use this worksheet to determine whether the substantive change qualified as a significant contribution.

Name of Case _____ **ID No.** _____

Did an increase in "persons" occur from the previous year? __ Yes __ No

- If yes, complete this worksheet.
- If no, go to worksheet 9.

Step	Action	Finding
1	Was substantive change required? __ Yes __ No • If yes, go to step 2. • If no, write the reason in the "Finding" column and go to worksheet 9. ***--Example:** The formation of a husband and wife joint venture does not require substantive change.**--***	
2	If substantive change was required, list what COC considered substantive change.	

Continued on the next page

***--686 Worksheet 8, Substantive Change (Continued)**

A
Worksheet 8
(Continued)

Step	Action		Finding
3	Include the substantive change that occurred. **Note:** Go to the following step containing the substantive change that occurred.		
	Step	**Action**	
	A	If addition of **adult family member**, determine whether the adult family member qualifies according to paragraph 295.	
	B	If change in **land rental** from cash-lease to share-lease, determine whether the change qualifies a landowner only.	
	C	If a **20 percent increase in cropland,** determine whether the change qualifies according to paragraphs 93 through 97.	
	D	If a **change in ownership of equipment or land**, determine whether the change qualifies according to paragraphs 93 through 97.	
	E	If **addition of equipment** not previously involved in the farming operation, determine whether the change qualifies according to paragraphs 93 through 97.	
	F	If a **20 percent increase in livestock**, determine whether the change qualifies according to paragraphs 93 through 97.	

--*

Continued on the next page

***--686 Worksheet 8, Substantive Change (Continued)**

A
Worksheet 8
(Continued)

Step	Action	Finding
4	Summarize the facts involved in this determination, develop findings as appropriate, and go to worksheet 9.	

--*

*--687 Worksheet 9, "Persons" and Other Determinations

A

Worksheet 9 Use this worksheet to determine whether "person" determinations and other determinations were correctly made.

Name of Case _____ **ID No.** _____

Step	Determination	Action	Finding
1	Other farming interests	Did the producer indicate any other farming interests, including interests of spouse and minor children? • If yes, verify that all were reported by reviewing system reports. • If no, verify by reviewing system reports, such as the entity interest report.	

--*

Continued on the next page

687 Worksheet 9, "Persons" and Other Determinations (Continued)

A
Worksheet 9
(Continued)

Step	Determination	Action	Finding
2	"Person"	Review the initial "person" determination to determine whether any combined "person" rule applies. Is there a combined "person" involved in this case? __ Yes __ No **Note:** If yes, explain.	
3	Other	Do any other rules apply? __ Yes __ No **Example:** Cash-rent tenant • If yes, specify and go to worksheet 20. • If no, go to worksheet 20.	

***--688 Worksheet 9.5, Additional Space for Notes**

A
Worksheet 9.5 Use this worksheet for additional space for notes.

Page __ of __

(Reproduce as needed)**--***

689-697 (Reserved)

698 Worksheet 20, Summary of Findings

A

Worksheet 20 Use this worksheet to summarize findings for the initial reviewing authority.

Name of Case _____ **ID No.** _____

*--

Factor	Yes	No	Questioned	N/A	Handbook or Worksheet Reference
CCC-502 followed					
Significant contribution of land					
Significant contribution of capital					
Significant contribution of equipment					
Significant contribution of "left-hand" combination					
Significant contribution of active personal labor					
Significant contribution of active personal management					
Significant contribution of "right-hand" combination					
Share of profits and losses commensurate with contributions					
Contributions at risk					
Cash-rent tenant rule met					
Foreign person rule met					
Substantive change requirements met					
Separate "person" requirements met					
Initial "person" determination correct					
Initial "actively engaged in farming" determination correct					

--*

***--698 Worksheet 20, Summary of Findings (Continued)**

A
Worksheet 20
(Continued)

"Actively Engaged in Farming" Findings

"Person" Findings

Other Findings

Comments

699-704 (Reserved)

*--Section 4 Reports

705 Overview

A
Introduction

This section provides instructions for preparing the End-of-Year Review Report (PA-122R).

B
In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
705	Overview	7-181
706	County Office End-of-Year Payment Limitation Review Report (PA-122R)	7-182
707	State Office End-of-Year Payment Limitation Review Report (PA-122R)	7-185

--*

706 County Office End-of-Year Payment Limitation Review Report (PA-122R)

A
Introduction

This paragraph instructs County Offices to submit Report PA-122R to the State Office.

B
Report Date

STC shall establish a date or dates for County Offices to submit this report to the State Office for review. See paragraph 530.

C
Report Format

County Offices shall use CCC-502EYR to report end-of-year reviews to the State Office.

Note: On CCC-502EYR, item 10, "Dollar Amount", record the total actual and projected amount of payments or benefits for which the producer is known to be ineligible as a result of the end-of-year review.

*** * ***

Continued on the next page

706 County Office End-of-Year Payment Limitation Review Report (PA-122R) (Continued)

D
Example of CCC-502EYR

Following is an example of CCC-502EYR.

*--

REPRODUCE LOCALLY. Include form number and date on reproductions.

CCC-502EYR (03-27-96) U.S. Department of Agriculture Commodity Credit Corporation **End-of-Year Report of Payment Limitation Review** (Report No. PA-122R)	1. Reporting Office (Counties include State) 2. Reporting Date / 3. Year Reported 4. Report Status: Progress Report ☐ Revised Report ☐ Negative Report ☐ Final Report ☐

Type of Selection	Number of Reviews		Number of Discrepancies Found (If any, complete Items 8, 9 & 10)
	Selected	Completed	
5. Judgmental (Required by DAFP)			
6. Required spot check			
7. Additional cases selected by reviewing authority			

Explanation of Discrepancies - Attach additional sheets if needed. Insert office name on attachments.

8. ID Number	9. Discrepancy Found	10. Action Taken	11. Dollar Amount

12. Remarks

13. Signature of CED for County Report, SED for State Report	Date

--*

707 State Office End-of-Year Payment Limitation Review Report (PA-122R)

A
Introduction

To assess the overall effectiveness of end-of-year reviews, a report summarizing results of reviews conducted is required.

B
Report Format

State Offices shall do the following.

Step	Action
1	Review County Offices' Report PA-122R's
2	Use CCC-502EYR to summarize totals of County Offices' CCC-502EYR's, items 4, 5, and 6.
3	If discrepancies were reported by County Offices, attach a copy of the County report to the State Office report.
4	***--**Send the State Offices' Report PA-122R to PECD.**--*** Ensure that a County Office's report is attached, if applicable, according to step 3. **Note:** If the report cannot be filed within 6 months after receipt of ***--**DAFP's selections, notify PECD. Negative reports are required.**--***

C
Example of CCC-502EYR

See subparagraph 706 D for an example of CCC-502EYR.

Reports, Forms, Abbreviations, and Redelegations of Authority

Reports

Following is the report required in this handbook.

Report Control Number	Title	Reporting Period	Submission Date	Negative Report	Reference
PA-122R (CCC-502EYR)	End-of-Year Payment Limitation Review	As required	As required	Required	706, 707

Forms

This table lists all forms referenced in this handbook.

Number	Title	Display Reference	Reference
CCC-501A	Member's Information	201	Text
CCC-501B	Designation of "Permitted Entities"	218	Text
CCC-501C	Notification of Reduced Payments	219	
CCC-502 Continuation	Continuation Sheet for Leased or Owned Land (Use With CCC-502A, CCC-502B, CCC-502C, CCC-502D, CCC-502EZ)	55	Text
CCC-502A	Farm Operating Plan for Payment Eligibility Review for an Individual	277	Text
CCC-502B	Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership	297	Text
CCC-502C	Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities	316	Text
CCC-502D	Farm Operating Plan for Payment Eligibility Review for an Estate or Trust	335	Text
CCC-502EYR	End-of-Year Report of Payment Limitation Review (Report No. PA-122R)	706	531, 707
CCC-502EZ	Farm Operating Plan for Payment Eligibility Review for an Individual	278	Text
CCC-502U	Update for CCC-502, Farm Operating Plan for Payment Eligibility Review	55	50, 436
CCC-503A	County Committee Worksheet for "Actively Engaged in Farming" and "Person" Determinations	394	237, 584

Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

Forms (Continued)

Number	Title	Display Reference	Reference
CCC-504 (Optional) 1/	Worksheet to Blend Shares and Determine Percent of Cropland Factor	134, 158	567
CCC-526	Payment Eligibility Average Adjusted Gross Income Certification	630	35, 50, 52, 256
CCC-1155	Application for Payment (National Wool Act)		215
CRP-1	Conservation Reserve Program Contract		17
FSA-211	Power of Attorney		215
FSA-229	Application for Trade Adjustment Assistance (TAA) for Individual Producers	Ex. 6	630
FSA-707	Self Mailer 6" x 11" for Automated Processing		219
I-151	Alien Registration Receipt Card	235	236, 278, 297
I-551	Alien Registration Receipt Card	235	236, 278, 297
IRS-990	Return of Organizations Exempt From Income Tax	Ex. 10	199
IRS-990-T	Exempt Organization Business Income Tax Return	Ex. 10	199
IRS-1040	U.S. Individual Income Tax Return	Ex. 10	
IRS-1040 Schedule F	Profit or Loss From Farming	Ex. 10	
IRS-1041	U.S. Income Tax Return of Estates and Trusts	Ex. 10	
IRS-1065	U.S. Return of Partnership Income	Ex. 10	
IRS-1120	U.S. Corporation Income Tax Return	Ex. 10	

1/ This form is obsolete.

Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

Approved Abbreviation	Term	Reference
ACA	Agricultural Credit Association	257
AGI	adjusted gross income	Text
AMA	Agriculture Management Assistance	16, 22
CEM	combined producer	608, 625
DAFP	Deputy Administrator, Farm Programs	93
DCP	Direct and Counter-Cyclical Program	3, 16, 18
EQIP	Environmental Quality Incentive Program	16, 22
FCB	Farm Credit Bank	257, 313
FLBA	Federal Land Bank Association	257
FLM	Farm Loan Manager	52.5
IFM	integrated farm maintenance	158
PCA	Production Credit Association	257
POA	power of attorney	630
RCC	resource conserving crops	158
TAA	Trade Adjustment Assistance	16, 22, Ex. 6

Redelegations of Authority

This table lists redelegations of authority in this handbook.

Redelegation	Reference
Administering handbook provisions	549
Making determinations' decisions	396, 530
Monitoring determinations	514, 515

Definitions of Terms Used in This Handbook

Active Personal Labor

Active personal labor is defined as personally providing physical activities necessary in a farming operation.

These activities include physical activities:

- involved in land preparation, planting, cultivating, harvesting, and marketing of agricultural commodities
- required to establish and maintain conserving cover crops or conserving use acreages
- required in livestock operations.

Active Personal Management

Active personal management is defined as personally providing:

- the general supervision and direction of activities and labor involved in the farming operation
- services, whether performed on-site or off-site, reasonable related and necessary to the farming operation, including any of the following:
    - supervision of activities necessary in the farming operation
    - business-related actions that include discretionary decision making
    - evaluation of the financial condition and needs of the farming operation
    - assistance in structuring or preparing financial reports or analyses for the farming operation
    - consultations in or structuring of business-related financing arrangements for the farming operation
    - marketing and promoting agricultural commodities produced by the farming operation
    - acquiring technical information used in the farming operation
    - any other management function necessary to conduct the farming operation and for which the operation would ordinarily be charged a fee.

Definitions of Terms Used in This Handbook (Continued)

Adequate Documentation

Adequate documentation is whatever documentation is required by the reviewing authority to make proper "actively engaged in farming", "person" determinations, and the determination of average adjusted gross income compliance.

Adjusted Gross Income

--**Adjusted gross income is for an individual, the amount reported to IRS on the appropriate tax filing document as adjusted gross income; and, for an entity, the comparable measure, as provided in this handbook.**--

Agricultural Credit Association

Agricultural Credit Association is an agricultural lending entity resulting from the merger of PCA and FLBA. When the merger is approved by FCA, this entity becomes the short-, intermediate-, and long-term direct lender for its territory.

Assumed Name Operation

An assumed name operation is a farming operation that conducts itself using a business name.

Attribution

Attribution is crediting payments made to entities, such as corporations, estates, trusts and limited partnerships, to "real persons" based on the share of the entity held by the individual stockholder, heir, beneficiary, etc.

Average Adjusted Gross Income for the Individual or Entity

Average adjusted gross income for the individual or entity is the average of the adjusted gross income, or comparable measure, of the individual or entity over the 3 tax years immediately preceding the year for which benefits are requested.

Note: Exclude any year(s) that the individual or entity did not have income or had adjusted gross income considered as zero.

Definitions of Terms Used in This Handbook (Continued)

Capital

For payment limitation purposes, capital consists of the funding provided by an individual or entity to the farming operation for the operation to conduct farming activities.

Corporation

A corporation is an entity recognized by law comprised of 1 or more individuals or entities, which has certain rights and duties.

Note: For payment limitation purposes, a subchapter S corporation is included in this definition.

Default Determination

A default determination assumes all individuals or entities are "actively engaged in farming" and the "person" determination is the determination sought by the applicant.

Embedded Entity

An embedded entity is an entity that has an interest, directly or indirectly, as a stockholder, member, beneficiary, or heir, in another entity that is earning payments.

Entity

An entity is a corporation, joint stock company, association, limited liability company, limited partnership, irrevocable trust, revocable trust, estate, charitable organization, or other similar organization including any organization participating in the farming operation as a partner in a general partnership, a participant in a joint venture, a grantor of a revocable trust, or as a participant in a similar organization.

Note: A joint operation is not an entity for payment limitation purposes.

Definitions of Terms Used in This Handbook (Continued)

Equipment

For payment limitation purposes, equipment is the machinery and implements needed by the farming operation to conduct activities of the farming operation.

This includes:

- machinery and implements needed for:
  - land preparation, planting, cultivating, or harvesting of the crops involved
  - establishing and maintaining conservation cover crops or conservation use of acreages
  - conducting livestock operations
- irrigation equipment that is:
  - not of a permanent nature
  - commonly used in the area.

Definitions of Terms Used in This Handbook (Continued)

Family Member

A family member is an individual to whom another member in the farming operation is related as lineal ancestor, lineal descendant, or sibling, including spouses of those family members who do not make a significant contribution to the farming operation themselves.

The term "family member" shall include:

- great grandparent
- grandparent
- parent
- child, including legally adopted children
- grandchild
- great grandchild
- sibling of the family members in the farming operation
- spouse of family members, if the family member does not make a significant contribution of active personal labor or active personal management to the farming operation as an individual.

Farm Credit Bank

Farm Credit Bank is an agricultural lending entity that is a direct lender of long-term real estate loans and provides funds to PCA's under certain circumstances.

Farming Operation

A farming operation is a business enterprise engaged in the production of agricultural products.

Federal Land Credit Association

Federal Land Credit Association is an entity authorized to provide direct lending formerly offered by FLBA. This entity provides long term lending.

Definitions of Terms Used in This Handbook (Continued)

Foreign Entity

A foreign entity is a corporation, trust, estate, or other similar organization, that has more than 10 percent of its beneficial interest held by individuals who are not:

- citizens of the U.S.
- lawful aliens possessing a valid Alien Registration Receipt Card (Form I-551 or I-151).

Foreign Individual

A foreign individual is someone who is not:

- a citizen of the U.S.
- a lawful alien possessing a valid Alien Registration Receipt Card (Form I-551 or I-151).

Income From Farming, Ranching, or Forestry Operations

Income from farming, ranching or forestry operations is income derived from producing crops, livestock, or unfinished raw forestry products.

Note: Exclude income from the following:

- processing, packaging, or packing
- transporting
- commission from marketing for others
- investment income even if invested funds came from farming, ranching, or forestry
- proceeds from the sale of land used to produce agricultural or forestry products
- farm or forestry implement sales by a retail dealership, unless such implements were subject to depreciation expenses reported to IRS.

***--Income from Fishing**

Income from fishing includes amounts received from catching, taking, harvesting, cultivating, or farming aquatic resources such as fish, shellfish, crustacea, and other aquatic forms of animal or vegetable life. (IRS Publication 595, Tax Highlights for Commercial Fisherman.)**--***

Definitions of Terms Used in This Handbook (Continued)

Joint Operation

A joint operation is a general partnership, joint venture, or other similar business organization in which 2 or more individuals or entities pool their resources, such as land, labor, capital, management, and equipment to conduct the operation.

Land

For payment limitation purposes, land is farmland consisting of cropland, pastureland, wetland, or rangeland that meets the specific requirements of the applicable program.

Limited Partnership

For payment limitation purposes, a limited partnership consists of:

- at least 1 general partner entrusted with managing and controlling the partnership's business
- at least 1 limited partner.

"Left-Hand" Contribution

Significant "left-hand" contribution to the farming operation is 1 or a combination of the following:

- capital
- land
- equipment.

Minor Child

A minor child is an individual that is not 18 years of age on or before the status date of the current year.

Note: Court action conferring majority on such person does not change this person's status as a minor child.

Definitions of Terms Used in This Handbook (Continued)

Paper Changes

Paper changes are changes to the farming operation that are not substantive where the same individuals or entities created by those individuals continue to engage in farming the same land with the same equipment, usually leased from an individual or entity for which the rules would require more restrictive application of the limitation.

Permitted Entity

A permitted entity is an entity that is designated by an individual who is to receive a payment, loan, or benefit under a program subject ***--**to permitted entity rules.

Person

A "person" is:

- an individual, or an individual participating as a member of a joint operation or similar operation

- a corporation, joint stock company, association, limited stock company, limited partnership, irrevocable trust, revocable trust together with the grantor of the trust, estate, or charitable organization including any entity participating in the farming operation as a partner in a general partnership, a participant in a joint venture, a grantor of a revocable trust, or a participant in a similar entity

- a State, political subdivision, or agency thereof.

Note: A cooperative association of producers that market
--**commodities shall **not** be considered the "person," and payments and benefits thereby limited for the commodities marketed for the producers.**--

Definitions of Terms Used in This Handbook (Continued)

Production Credit Association

Production Credit Association is an entity that provides agricultural lending independent of ACA or FCB *** * *.**

Public School

A public school is a primary, elementary, secondary school, college, or university which is directly administered under the authority of a governmental body or which receives a predominant amount of its financing from public funds.

"Right-Hand" Contribution

Significant "right-hand" contribution to the farming operation is 1 or a combination of the following:

- active personal labor
- active personal management.

Sharecropper

A sharecropper is an individual who:

- performs work in connection with the production of the crop under the supervision of the operator
- receives a share of the crop in return for the provision of such labor.

Definitions of Terms Used in This Handbook (Continued)

Substantial Beneficial Interest

A substantial beneficial interest is an ownership interest of either of the following:

- 10 percent or more in any entity.

  Note: In determining whether this interest equals at least 10 percent, all interests in the entity that are owned by an individual or entity, directly or indirectly, shall be taken into consideration.

  ***--Example:** A corporation owns the entity.

- less than 10 percent in an entity if both of the following apply:

  - any individual or entity has a direct or indirect interest of less than 10 percent in more than 1 entity earning payment

  - COC determines that the arrangement was established for the purpose of circumventing the "permitted entity" provisions of the program.

  Note: This determination applies to all interests of the "person" that are less than 10 percent.**--***

Total Value of a Farming Operation

The total value of a farming operation is the total of the costs, excluding the value of active personal labor and active personal management that is contributed by a member of the farming operation, needed to carry out the farming operation for the year for which the determination is made.

Tribal Venture

A tribal venture is a joint operation conducted by members of an Indian tribe.

Menu and Screen Index

The following menus and screens are referenced in this handbook.

Menu or Screen	Title	Reference
FAX250	Primary Selection Menu	434, 435
FAX07001	Application Selection Menu	435
FAX09002	Office Selection Options	435
MAB12101		435, 449, 450
MAB12701	Payment Limitation Review Register Selection Screen	435, 437, 438
MAB12702		437, 438
MAB12703	Payment Limitation Review Register Update Screen	435
MAB44N	Payment Limitation Review Register	435, 449, 450
MAB44N02	Input-Output	449
MAB44N03		450
MAB440B	Entity File	435
MAD000	Subsidiary Main Menu	435
MA0000	Common Management Provisions	435
OAA010	Office Automation Function	434
	Query Screen	469
	Select and Sequence Fields	469
	Select Records	469
	Work With Data in a File	435, 437, 438
	Work With Disk Files	434

***--Program Payment Limitations**

Payment Limitations	
Payment or Benefit	**Limitation**
DCP	
Direct payments for the following covered commodities: • barley • corn • grain sorghum • oats • other oilseeds • rice • soybeans • upland cotton • wheat.	$40,000 per crop year.
Direct payments on peanuts.	$40,000 per crop year.
Counter-cyclical payments for the following covered commodities: • barley • corn • grain sorghum • oats • other oilseeds • rice • soybeans • upland cotton • wheat.	$65,000 per crop year.
Counter-cyclical payments on peanuts.	$65,000 per crop year.
Price Support	
• Any gain realized by a producer from repaying a marketing assistance loan for 1 or more of the following loan commodities at a lower level than the original loan rate established for the loan commodity • Any LDP's received for 1 or more of the following loan commodities. Loan commodities include the following: • barley • corn • grain sorghum • oats • other oilseeds • rice • soybeans • upland cotton • wheat.	$75,000 per crop year.
• Any gain realized by a producer from repaying a marketing assistance loan for 1 or more of the following loan commodities at a lower level than the original loan rate established for the loan commodity • Any LDP's received for 1 or more of the following loan commodities. Loan commodities include the following: • honey • peanuts • mohair • wool.	$75,000 per crop year.

--*

Continued on the next page

***--Program Payment Limitations (Continued)**

Payment Limitations	
Payment or Benefit	**Limitation**
Conservation Programs	
Rental payments including incentive payments made to a person under CRP.	$50,000 per FY.
Cost-share and incentive payments under EQIP.	$450,000 per individual or entity. Individual or entity may not receive, directly or indirectly, cost-share or incentive payments under EQIP that, in aggregate, for all contracts entered into during FY's 2002 through 2007, regardless of the number of contracts entered into by the individual or entity.
NAP	
NAP payments.	$100,000 per crop year.

--*

Example of FSA-229, Application for Trade Adjustment Assistance (TAA) for Individual Producers

This is an example of FSA-229.

This form is available electronically. Form Approved - OMB No. 0551-0040

FSA-229
(09-23-03)

U.S. DEPARTMENT OF AGRICULTURE
Farm Service Agency

APPLICATION FOR TRADE ADJUSTMENT ASSISTANCE (TAA) FOR INDIVIDUAL PRODUCERS

NOTE: *The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The authority for requesting the following information is 7 USC 7333 and 7 CFR Part 1580. The information will be used to determine program eligibility. Furnishing the requested information is voluntary. Failure to furnish the requested information will result in denial of program benefits. This information may be provided to other agencies, IRS, Department of Justice, or other State and Federal law enforcement agencies, and in response to a court magistrate or administrative tribunal. The provisions of criminal and civil fraud statutes, including 18 USC 286, 287, 371, 641, 651, 1001; 15 USC 714m; and 31 USC 3729, may be applicable to the information provided.*

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0551-0040. The time required to complete this information collection is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. ***RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.***

PART A - APPLICATION

1A. Name and Address of Producer (Include Zip Code)	1B. Producer ID No.:	1C. E-mail Address:
	1D. Telephone No. (Include Area Code):	
	1E. Production	1F. Unit of Measure (lbs., tons, cwt., etc.)

FOR FSA USE ONLY

2. Crop Year	3. Commodity	4. Application No.	5. State Code	6. County Code	7A. Name and Address of County FSA Office (Include Zip Code)
					7B. Telephone No. (Include Area Code):

PART B - PRODUCER CERTIFICATION

I certify that: (1) all information entered on this application is true and correct; (2) I am submitting this application solely to receive trade adjustment assistance for farmers, and have not received, nor plan to receive any cash benefits for trade adjustment assistance from the Departments of Labor or Commerce; (3) I reported on the applicable Schedule F (Form 1040), Schedule C or EZ 1040 or Form 4835 that my net farm or fishing income declined from the latest year in which I did not receive an adjustment assistance payment; (4) my Adjusted Gross Income (AGI) is in accordance with regulations at 7 CFR Part 1400-G. I understand that before payments can be made I must: (1) provide acceptable documentation to verify the production quantity entered in Item 1E; (2) provide documentation to support that I have received technical assistance from the Extension Service; (3) provide verifiable documentation of the net farm or fishing income; (4) submit all required documentation on or before September 30 of the current fiscal year. Failure to timely file required documentation will result in denial of payment. I further understand that: (1) FSA will be conducting spot-checks for this program and I authorize FSA access to records held by elevators, processors, etc. or any other agency or organization maintaining records or other substantiating evidence for which I am certifying production as applicable; (2) my maximum payment cannot exceed $10,000 per year and my total TAA payment and counter-cyclical payment cannot exceed $65,000 in any year; (3) I must retain records supporting my application for two years after the date of my final trade adjustment payment and that I may be required to furnish such records on a confidential basis to FSA; (4) knowingly making a false certification is punishable by a fine of not more than $10,000 or imprisonment for not more than 1 year, or both. All information provided herein is subject to verification by the Farm Service Agency. The provision of criminal and civil fraud statutes that apply to this certification, includes 18 USC 286, 287, 371, 641, 651, 1001 and 1014; 15 USC 714m; and 31 USC 3729.

8A. PRODUCER'S SIGNATURE	8B. DATE (MM-DD-YYYY)

PART C - COC DETERMINATION (COUNTY OFFICE USE ONLY)

	YES	NO	DATE DOCUMENTATION RECEIVED
9A. Has the producer provided verifiable documentation of production of the commodity identified in Item 3 and the production in Items 1E and 1F?			
9B. Has the producer provided supporting documentation verifying that the net farm or net fish income declined from the latest year in which no adjustment assistance payment was received?			
9C. Has the producer provided supporting documentation, if requested, that the Adjusted Gross Income is in accordance with regulations at 7 CFR Part 1400-G.			
9D. Has the producer provided proof that technical assistance from the Extension Service (CSREES) has been received?			

10A. Signature of COC or Designee	10B. Date (MM-DD-YYYY)	11. Application Status
		☐ Approved ☐ Disapproved

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

A
Form 990

Form **990** — Department of the Treasury, Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0047 — **2001** — Open to Public Inspection

A For the 2001 calendar year, or tax year beginning , 2001, and ending , 20

B Check if applicable: ☐ Address change ☐ Name change ☐ Initial return ☐ Final return ☐ Amended return ☐ Application pending

Please use IRS label or print or type. See Specific Instructions.
C Name of organization
Number and street (or P.O. box if mail is not delivered to street address) | Room/suite
City or town, state or country, and ZIP + 4

D Employer identification number
E Telephone number ( )
F Accounting method: ☐ Cash ☐ Accrual ☐ Other (specify) ▶

• **Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).**

H and I are not applicable to section 527 organizations.
H(a) Is this a group return for affiliates? ☐ Yes ☐ No
H(b) If "Yes," enter number of affiliates ▶
H(c) Are all affiliates included? ☐ Yes ☐ No (If "No," attach a list. See instructions.)
H(d) Is this a separate return filed by an organization covered by a group ruling? ☐ Yes ☐ No
I Enter 4-digit GEN ▶

G Web site: ▶

J Organization type (check only one) ▶ ☐ 501(c) ( ) ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527

K Check here ▶ ☐ if the organization's gross receipts are normally not more than $25,000. The organization need not file a return with the IRS; but if the organization received a Form 990 Package in the mail, it should file a return without financial data. **Some states require a complete return.**

M Check ▶ ☐ if the organization is **not** required to attach Sch. B (Form 990, 990-EZ, or 990-PF).

L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 ▶

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See Specific Instructions on page 16.)

Revenue	1	Contributions, gifts, grants, and similar amounts received:		
	a	Direct public support	1a	
	b	Indirect public support	1b	
	c	Government contributions (grants)	1c	
	d	**Total** (add lines 1a through 1c) (cash $ _____ noncash $ _____)	1d	
	2	Program service revenue including government fees and contracts (from Part VII, line 93)	2	
	3	Membership dues and assessments	3	
	4	Interest on savings and temporary cash investments	4	
	5	Dividends and interest from securities	5	
	6a	Gross rents	6a	
	b	Less: rental expenses	6b	
	c	Net rental income or (loss) (subtract line 6b from line 6a)	6c	
	7	Other investment income (describe ▶)	7	
	8a	Gross amount from sales of assets other than inventory — (A) Securities / (B) Other	8a	
	b	Less: cost or other basis and sales expenses	8b	
	c	Gain or (loss) (attach schedule)	8c	
	d	Net gain or (loss) (combine line 8c, columns (A) and (B))	8d	
	9	Special events and activities (attach schedule)		
	a	Gross revenue (not including $ _____ of contributions reported on line 1a)	9a	
	b	Less: direct expenses other than fundraising expenses	9b	
	c	Net income or (loss) from special events (subtract line 9b from line 9a)	9c	
	10a	Gross sales of inventory, less returns and allowances	10a	
	b	Less: cost of goods sold	10b	
	c	Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c	
	11	Other revenue (from Part VII, line 103)	11	
	12	**Total revenue** (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12	
Expenses	13	Program services (from line 44, column (B))	13	
	14	Management and general (from line 44, column (C))	14	
	15	Fundraising (from line 44, column (D))	15	
	16	Payments to affiliates (attach schedule)	16	
	17	**Total expenses** (add lines 16 and 44, column (A))	17	
Net Assets	18	Excess or (deficit) for the year (subtract line 17 from line 12)	18	
	19	Net assets or fund balances at beginning of year (from line 73, column (A))	19	
	20	Other changes in net assets or fund balances (attach explanation)	20	
	21	Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21	

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11282Y Form **990** (2001)

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Continued on the next page

*--IRS Tax Return Forms (Continued)

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Part II Statement of Functional Expenses All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. (See Specific Instructions on page 21.)

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22 Grants and allocations (attach schedule) (cash $ _____ noncash $ _____)	22				
23 Specific assistance to individuals (attach schedule)	23				
24 Benefits paid to or for members (attach schedule)	24				
25 Compensation of officers, directors, etc.	25				
26 Other salaries and wages	26				
27 Pension plan contributions	27				
28 Other employee benefits	28				
29 Payroll taxes	29				
30 Professional fundraising fees	30				
31 Accounting fees	31				
32 Legal fees	32				
33 Supplies	33				
34 Telephone	34				
35 Postage and shipping	35				
36 Occupancy	36				
37 Equipment rental and maintenance	37				
38 Printing and publications	38				
39 Travel	39				
40 Conferences, conventions, and meetings	40				
41 Interest	41				
42 Depreciation, depletion, etc. (attach schedule)	42				
43 Other expenses not covered above (itemize): a	43a				
b	43b				
c	43c				
d	43d				
e	43e				
44 **Total functional expenses** (add lines 22 through 43). ***Organizations completing columns (B)-(D), carry these totals to lines 13—15***	44				

Joint Costs. Check ▶ ☐ if you are following SOP 98-2.

Are any joint costs from a combined educational campaign and fundraising solicitation reported in **(B)** Program services? ▶ ☐ **Yes** ☐ **No**

If "Yes," enter **(i)** the aggregate amount of these joint costs $_____; **(ii)** the amount allocated to Program services $_____; **(iii)** the amount allocated to Management and general $_____; and **(iv)** the amount allocated to Fundraising $_____

Part III Statement of Program Service Accomplishments (See Specific Instructions on page 24.)

What is the organization's primary exempt purpose? ▶

All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)

	Program Service Expenses (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.)
a (Grants and allocations $)	
b (Grants and allocations $)	
c (Grants and allocations $)	
d (Grants and allocations $)	
e Other program services (attach schedule) (Grants and allocations $)	
f **Total of Program Service Expenses** (should equal line 44, column (B), Program services) ▶	

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Part IV **Balance Sheets** (See Specific Instructions on page 24.)

	Note: *Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.*			(A) Beginning of year		(B) End of year
Assets	45	Cash—non-interest-bearing			45	
	46	Savings and temporary cash investments			46	
	47a	Accounts receivable	47a			
	b	Less: allowance for doubtful accounts	47b		47c	
	48a	Pledges receivable	48a			
	b	Less: allowance for doubtful accounts	48b		48c	
	49	Grants receivable			49	
	50	Receivables from officers, directors, trustees, and key employees (attach schedule)			50	
	51a	Other notes and loans receivable (attach schedule)	51a			
	b	Less: allowance for doubtful accounts	51b		51c	
	52	Inventories for sale or use			52	
	53	Prepaid expenses and deferred charges			53	
	54	Investments—securities (attach schedule) ▶ ☐ Cost ☐ FMV			54	
	55a	Investments—land, buildings, and equipment: basis	55a			
	b	Less: accumulated depreciation (attach schedule)	55b		55c	
	56	Investments—other (attach schedule)			56	
	57a	Land, buildings, and equipment: basis	57a			
	b	Less: accumulated depreciation (attach schedule)	57b		57c	
	58	Other assets (describe ▶)			58	
	59	**Total assets** (add lines 45 through 58) (must equal line 74)			59	
Liabilities	60	Accounts payable and accrued expenses			60	
	61	Grants payable			61	
	62	Deferred revenue			62	
	63	Loans from officers, directors, trustees, and key employees (attach schedule)			63	
	64a	Tax-exempt bond liabilities (attach schedule)			64a	
	b	Mortgages and other notes payable (attach schedule)			64b	
	65	Other liabilities (describe ▶)			65	
	66	**Total liabilities** (add lines 60 through 65)			66	
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here** ▶ ☐ and complete lines 67 through 69 and lines 73 and 74.				
	67	Unrestricted			67	
	68	Temporarily restricted			68	
	69	Permanently restricted			69	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 70 through 74.				
	70	Capital stock, trust principal, or current funds			70	
	71	Paid-in or capital surplus, or land, building, and equipment fund			71	
	72	Retained earnings, endowment, accumulated income, or other funds			72	
	73	**Total net assets or fund balances** (add lines 67 through 69 OR lines 70 through 72; column (A) **must** equal line 19; column (B) **must** equal line 21).			73	
	74	**Total liabilities and net assets / fund balances** (add lines 66 and 73)			74	

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

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Continued on the next page

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(Continued)

Form 990 (2001) Page 4

Part IV-A **Reconciliation of Revenue per Audited Financial Statements with Revenue per Return** (See Specific Instructions, page 26.)

a	Total revenue, gains, and other support per audited financial statements . . ▶	a
b	Amounts included on line a but not on line 12, Form 990:	
(1)	Net unrealized gains on investments . . $	
(2)	Donated services and use of facilities $	
(3)	Recoveries of prior year grants . . . $	
(4)	Other (specify): ..... $	
	Add amounts on lines (1) through (4) ▶	b
c	Line a minus line b. . . . . ▶	c
d	Amounts included on line 12, Form 990 but not on line a:	
(1)	Investment expenses not included on line 6b, Form 990 . . . $	
(2)	Other (specify): ..... $	
	Add amounts on lines (1) and (2) ▶	d
e	Total revenue per line 12, Form 990 (line c plus line d) . . . . . ▶	e

Part IV-B **Reconciliation of Expenses per Audited Financial Statements with Expenses per Return**

a	Total expenses and losses per audited financial statements . . ▶	a
b	Amounts included on line a but not on line 17, Form 990:	
(1)	Donated services and use of facilities $	
(2)	Prior year adjustments reported on line 20, Form 990 . . . . $	
(3)	Losses reported on line 20, Form 990 . $	
(4)	Other (specify): ..... $	
	Add amounts on lines (1) through (4)▶	b
c	Line a minus line b . . . . . ▶	c
d	Amounts included on line 17, Form 990 but not on line a:	
(1)	Investment expenses not included on line 6b, Form 990. . . $	
(2)	Other (specify): ..... $	
	Add amounts on lines (1) and (2) ▶	d
e	Total expenses per line 17, Form 990 (line c plus line d) . . . . . ▶	e

Part V **List of Officers, Directors, Trustees, and Key Employees** (List each one even if not compensated; see Specific Instructions on page 26.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (If not paid, enter -0-.)	(D) Contributions to employee benefit plans & deferred compensation	(E) Expense account and other allowances

75 Did any officer, director, trustee, or key employee receive aggregate compensation of more than $100,000 from your organization and all related organizations, of which more than $10,000 was provided by the related organizations? ▶ ☐ Yes ☐ No
If "Yes," attach schedule—see Specific Instructions on page 27.

Form **990** (2001)

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Continued on the next page

*--IRS Tax Return Forms (Continued)

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Form 990
(Continued)

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Part VI Other Information (See Specific Instructions on page 27.)

			Yes	No
76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity	76		
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes.	77		
78a	Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return?	78a		
b	If "Yes," has it filed a tax return on **Form 990-T** for this year?	78b		
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement	79		
80a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?	80a		
b	If "Yes," enter the name of the organization ▶ ..... and check whether it is ☐ exempt OR ☐ nonexempt.			
81a	Enter direct or indirect political expenditures. See line 81 instructions . . . 81a			
b	Did the organization file **Form 1120-POL** for this year?	81b		
82a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82a		
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.) . . 82b			
83a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83a		
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	83b		
84a	Did the organization solicit any contributions or gifts that were not tax deductible?	84a		
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	84b		
85	*501(c)(4), (5), or (6) organizations.* **a** Were substantially all dues nondeductible by members?	85a		
b	Did the organization make only in-house lobbying expenditures of $2,000 or less? If "Yes" was answered to either 85a or 85b, **do not** complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.	85b		
c	Dues, assessments, and similar amounts from members . . . 85c			
d	Section 162(e) lobbying and political expenditures . . . 85d			
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices . . . 85e			
f	Taxable amount of lobbying and political expenditures (line 85d less 85e) . . 85f			
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	85g		
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85h		
86	*501(c)(7) orgs.* Enter: **a** Initiation fees and capital contributions included on line 12 . . 86a			
b	Gross receipts, included on line 12, for public use of club facilities . . . 86b			
87	*501(c)(12) orgs.* Enter: **a** Gross income from members or shareholders . . . 87a			
b	Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.) . . . 87b			
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX	88		
89a	*501(c)(3) organizations.* Enter: Amount of tax imposed on the organization during the year under: section 4911 ▶ ____ ; section 4912 ▶ ____ ; section 4955 ▶ ____			
b	*501(c)(3) and 501(c)(4) orgs.* Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction.	89b		
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958. ▶ ____			
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization. ▶ ____			
90a	List the states with which a copy of this return is filed ▶			
b	Number of employees employed in the pay period that includes March 12, 2001 (See instructions.) 90b ____			
91	The books are in care of ▶ ..... Telephone no. ▶ (.....) ..... Located at ▶ ..... ZIP + 4 ▶			
92	*Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of* ***Form 1041***—Check here . . . ▶ ☐ and enter the amount of tax-exempt interest received or accrued during the tax year . . ▶ 92 ____			

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A
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(Continued)

Form 990 (2001) Page **6**

Part VII Analysis of Income-Producing Activities (See Specific Instructions on page 32.)

Note: *Enter gross amounts unless otherwise indicated.*

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue:					
a					
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments					
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue: **a**					
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))					
105 **Total** (add line 104, columns (B), (D), and (E)) ▶					

Note: *Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.*

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See Specific Instructions on page 32.)

Line No. ▼	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See Specific Instructions on page 33.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See Specific Instructions on page 33.)

(a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? ☐ **Yes** ☐ **No**

(b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? ☐ **Yes** ☐ **No**

Note: *If "Yes" to* ***(b)****, file Form 8870* ***and*** *Form 4720 (see instructions).*

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

▶ Signature of officer | Date

▶ Type or print name and title.

Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed ▶ ☐	Preparer's SSN or PTIN (See Gen. Inst. W)
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶		EIN ▶	
		Phone no. ▶ ( )	

Form **990** (2001)

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Continued on the next page

*--IRS Tax Return Forms (Continued)

B
Form 990-T

Form **990-T**

Department of the Treasury
Internal Revenue Service

Exempt Organization Business Income Tax Return
(and proxy tax under section 6033(e))

For calendar year 2001 or other tax year beginning ....., 2001, and ending ....., 20.....
▶ See separate instructions.

OMB No. 1545-0687

2001

A ☐ Check box if address changed

B Exempt under section
☐ 501( )( )
☐ 408(e) ☐ 220(e)
☐ 408A ☐ 530(a)
☐ 529(a)

C Book value of all assets at end of year

Please Print or Type

Name of organization (☐ check box if name changed and see instructions)

Number, street, and room or suite no. (If a P.O. box, see page 7 of instructions.)

City or town, state, and ZIP code

D Employer identification number (Employees' trust, see instructions for Block D on page 7.)

E New unrelated bus. activity codes (See instructions for Block E on page 7.)

F Group exemption number (see instructions for Block F on page 7) ▶

G Check organization type ▶ ☐ 501(c) corporation ☐ 501(c) trust ☐ 401(a) trust ☐ Other trust

H Describe the organization's primary unrelated business activity. ▶

I During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? . . ▶ ☐ Yes ☐ No
If "Yes," enter the name and identifying number of the parent corporation. ▶

J The books are in care of ▶ Telephone number ▶ ( )

Part I Unrelated Trade or Business Income

			(A) Income	(B) Expenses	(C) Net
1a	Gross receipts or sales				
b	Less returns and allowances c Balance ▶	1c			
2	Cost of goods sold (Schedule A, line 7)	2			
3	Gross profit (subtract line 2 from line 1c)	3			
4a	Capital gain net income (attach Schedule D)	4a			
b	Net gain (loss) (Form 4797, Part II, line 18) (attach Form 4797)	4b			
c	Capital loss deduction for trusts	4c			
5	Income (loss) from partnerships and S corporations (attach statement)	5			
6	Rent income (Schedule C)	6			
7	Unrelated debt-financed income (Schedule E)	7			
8	Interest, annuities, royalties, and rents from controlled organizations (Schedule F)	8			
9	Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)	9			
10	Exploited exempt activity income (Schedule I)	10			
11	Advertising income (Schedule J)	11			
12	Other income (see page 9 of the instructions—attach schedule)	12			
13	**Total** (combine lines 3 through 12)	13			

Part II Deductions Not Taken Elsewhere (See page 9 of the instructions for limitations on deductions.)
(Except for contributions, deductions must be directly connected with the unrelated business income.)

14	Compensation of officers, directors, and trustees (Schedule K)		14	
15	Salaries and wages		15	
16	Repairs and maintenance		16	
17	Bad debts		17	
18	Interest (attach schedule)		18	
19	Taxes and licenses		19	
20	Charitable contributions (see page 11 of the instructions for limitation rules)		20	
21	Depreciation (attach Form 4562)	21		
22	Less depreciation claimed on Schedule A and elsewhere on return	22a	22b	
23	Depletion		23	
24	Contributions to deferred compensation plans		24	
25	Employee benefit programs		25	
26	Excess exempt expenses (Schedule I)		26	
27	Excess readership costs (Schedule J)		27	
28	Other deductions (attach schedule)		28	
29	**Total deductions** (add lines 14 through 28)		29	
30	Unrelated business taxable income before net operating loss deduction (subtract line 29 from line 13)		30	
31	Net operating loss deduction		31	
32	Unrelated business taxable income before specific deduction (subtract line 31 from line 30)		32	
33	Specific deduction (Generally $1,000, but see line 33 instructions for exceptions)		33	
34	**Unrelated business taxable income** (subtract line 33 from line 32). If line 33 is greater than line 32, enter the smaller of zero or line 32		34	

For Paperwork Reduction Act Notice, see instructions. Cat. No. 11291J Form **990-T** (2001)

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B
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(Continued)

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Part III Tax Computation

35 **Organizations Taxable as Corporations** (see instructions for tax computation on page 12). Controlled group members (sections 1561 and 1563)—check here ☐. **See instructions** and:
a Enter your share of the $50,000, $25,000, and $9,925,000 taxable income brackets (in that order):
(1) $ (2) $ (3) $
b Enter organization's share of: (1) additional 5% tax (not more than $11,750) $
(2) additional 3% tax (not more than $100,000) $
c Income tax on the amount on line 34 ▶ 35c
36 **Trusts Taxable at Trust Rates** (see instructions for tax computation on page 13) Income tax on the amount on line 34 from: ☐ Tax rate schedule or ☐ Schedule D (Form 1041) ▶ 36
37 **Proxy tax** (see page 13 of the instructions) ▶ 37
38 Alternative minimum tax 38
39 **Total** (add lines 37 and 38 to line 35c or 36, whichever applies) 39

Part IV Tax and Payments

40a Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116) 40a
b Other credits (see page 13 of the instructions) 40b
c General business credit—Check here and indicate which forms are attached: ☐ Form 3800 ☐ Form(s)(specify) ▶ 40c
d Credit for prior year minimum tax (attach Form 8801 or 8827) 40d
e **Total credits** (add lines 40a through 40d) 40e
41 Subtract line 40e from line 39 41
42 Other taxes. Check if from: ☐ Form 4255 ☐ Form 8611 ☐ Form 8697 ☐ Form 8866 ☐ Other (attach schedule). 42
43 **Total tax** (add lines 41 and 42) 43
44 **Payments: a** 2000 overpayment credited to 2001 44a
b 2001 estimated tax payments 44b
c Tax deposited with Form 8868 44c
d Foreign organizations—Tax paid or withheld at source (see instructions) 44d
e Backup withholding (see instructions) 44e
f Other credits and payments (see instructions) 44f
45 **Total payments** (add lines 44a through 44f) 45
46 Estimated tax penalty (see page 4 of the instructions). Check ▶ ☐ if Form 2220 is attached 46
47 **Tax due—**If line 45 is less than the total of lines 43 and 46, enter amount owed ▶ 47
48 **Overpayment—**If line 45 is larger than the total of lines 43 and 46, enter amount overpaid ▶ 48
49 Enter the amount of line 48 you want: **Credited to 2002 estimated tax** ▶ **Refunded** ▶ 49

Part V Statements Regarding Certain Activities and Other Information (See instructions on page 15.)

		Yes	No
1	At any time during the 2001 calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? If "Yes," the organization may have to file Form TD F 90-22.1. If "Yes," enter the name of the foreign country here ▶		
2	During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," see page 15 of the instructions for other forms the organization may have to file.		
3	Enter the amount of tax-exempt interest received or accrued during the tax year ▶ $		

Schedule A—Cost of Goods Sold (See instructions on page 16.)
Method of inventory valuation (specify) ▶

1 Inventory at beginning of year 1
2 Purchases 2
3 Cost of labor 3
4a Additional section 263A costs (attach schedule) 4a
b Other costs (attach schedule) 4b
5 **Total**—Add lines 1 through 4b 5
6 Inventory at end of year 6
7 **Cost of goods sold.** Subtract line 6 from line 5. (Enter here and on line 2, Part I.) 7
8 Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization? Yes ☐ No ☐

Sign Here
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
▶ Signature of officer Date ▶ Title
May the IRS discuss this return with the preparer shown below (see instructions)? ☐ Yes ☐ No

Paid Preparer's Use Only
Preparer's signature ▶ Date Check if self-employed ☐ Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code ▶ EIN
Phone no. ( )

Form **990-T** (2001)

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Continued on the next page

B
Form 990-T
(Continued)

Form 990-T (2001) Page **3**

Schedule C—Rent Income (From Real Property and Personal Property Leased With Real Property)
(See instructions on page 16.)

1 Description of property

(1)
(2)
(3)
(4)

2 Rent received or accrued		3 Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)
(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	**(b)** From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	
(1)		
(2)		
(3)		
(4)		
Total	Total	
Total income (Add totals of columns 2(a) and 2(b). Enter here and on line 6, column (A), Part I, page 1.) . . ►		**Total deductions.** Enter here and on line 6, column (B), Part I, page 1. . . ►

Schedule E—Unrelated Debt-Financed Income (See instructions on page 17.)

1 Description of debt-financed property	2 Gross income from or allocable to debt-financed property	3 Deductions directly connected with or allocable to debt-financed property	
		(a) Straight line depreciation (attach schedule)	**(b)** Other deductions (attach schedule)
(1)			
(2)			
(3)			
(4)			

4 Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)	5 Average adjusted basis of or allocable to debt-financed property (attach schedule)	6 Column 4 divided by column 5	7 Gross income reportable (column 2 × column 6)	8 Allocable deductions (column 6 × total of columns 3(a) and 3(b))
(1)		%		
(2)		%		
(3)		%		
(4)		%		
			Enter here and on line 7, column (A), Part I, page 1.	Enter here and on line 7, column (B), Part I, page 1.
Totals. . . . . . ►				
Total dividends-received deductions included in column 8 . . . . . ►				

Schedule F—Interest, Annuities, Royalties, and Rents From Controlled Organizations (See instructions on page 18.)

1 Name of Controlled Organization	2 Employer Identification Number	Exempt Controlled Organizations			
		3 Net unrelated income (loss) (see instructions)	4 Total of specified payments made	5 Part of column (4) that is included in the controlling organization's gross income	6 Deductions directly connected with income in column (5)
(1)					
(2)					
(3)					
(4)					

Nonexempt Controlled Organizations

7 Taxable Income	8 Net unrelated income (loss) (see instructions)	9 Total of specified payments made	10 Part of column (9) that is included in the controlling organization's gross income	11 Deductions directly connected with income in column (10)
(1)				
(2)				
(3)				
(4)				
			Add columns 5 and 10. Enter here and on line 8, Column (A), Part I, page 1.	Add columns 6 and 11. Enter here and on line 8, Column (B), Part I, page 1.
12 Totals				

Form **990-T** (2001)

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Continued on the next page

B
Form 990-T
(Continued)

Form 990-T (2001) Page **4**

Schedule G—Investment Income of a Section 501(c)(7), (9), or (17) Organization
(See instructions on page 18.)

1 Description of income	2 Amount of income	3 Deductions directly connected (attach schedule)	4 Set-asides (attach schedule)	5 Total deductions and set-asides (col. 3 plus col. 4)
(1)				
(2)				
(3)				
(4)				
Totals . . . . . ▶	Enter here and on line 9, column (A), Part I, page 1.			Enter here and on line 9, column (B), Part I, page 1.

Schedule I—Exploited Exempt Activity Income, Other Than Advertising Income
(See instructions on page 18.)

1 Description of exploited activity	2 Gross unrelated business income from trade or business	3 Expenses directly connected with production of unrelated business income	4 Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7.	5 Gross income from activity that is not unrelated business income	6 Expenses attributable to column 5	7 Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Column totals . . . . . ▶	Enter here and on line 10, col. (A), Part I, page 1.	Enter here and on line 10, col. (B), Part I, page 1.				Enter here and on line 26, Part II, page 1.

Schedule J—Advertising Income (See instructions on page 19.)

Part I **Income From Periodicals Reported on a Consolidated Basis**

1 Name of periodical	2 Gross advertising income	3 Direct advertising costs	4 Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5 Circulation income	6 Readership costs	7 Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Column totals (carry to Part II, line (5)) . . . . . ▶						

Part II **Income From Periodicals Reported on a Separate Basis** (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

(1)						
(2)						
(3)						
(4)						
(5) **Totals from Part I**						
Column totals, Part II . . . ▶	Enter here and on line 11, col. (A), Part I, page 1.	Enter here and on line 11, col. (B), Part I, page 1.				Enter here and on line 27, Part II, page 1.

Schedule K—Compensation of Officers, Directors, and Trustees (See instructions on page 19.)

1 Name	2 Title	3 Percent of time devoted to business	4 Compensation attributable to unrelated business
		%	
		%	
		%	
		%	
Total—Enter here and on line 14, Part II, page 1. . . . . ▶			

Form **990-T** (2001)

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Continued on the next page

C
Form 1040

Form **1040** Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return** **2001** (99) IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2001, or other tax year beginning , 2001, ending , 20 OMB No. 1545-0074

Label (See instructions on page 19.) **Use the IRS label.** Otherwise, please print or type. LABEL HERE

Your first name and initial	Last name	Your social security number
If a joint return, spouse's first name and initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see page 19.	Apt. no.	▲ **Important!** ▲ You **must** enter your SSN(s) above.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 19.		

Presidential Election Campaign (See page 19.) **Note.** Checking "Yes" will not change your tax or reduce your refund. Do you, or your spouse if filing a joint return, want $3 to go to this fund? ▶ You ☐ Yes ☐ No Spouse ☐ Yes ☐ No

Filing Status Check only one box.

1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See page 19.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶). (See page 19.)

Exemptions

6a ☐ **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, **do not** check box 6a
b ☐ **Spouse**

No. of boxes checked on 6a and 6b

c **Dependents:** If more than six dependents, see page 20.

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 20)
			☐
			☐
			☐
			☐
			☐
			☐

No. of your children on 6c who:
- lived with you
- did not live with you due to divorce or separation (see page 20)

Dependents on 6c not entered above

Add numbers entered on lines above ▶

d Total number of exemptions claimed

Income Attach Forms W-2 and W-2G here. Also attach Form(s) 1099-R if tax was withheld. If you did not get a W-2, see page 21. Enclose, but do not attach, any payment. Also, please use **Form 1040-V.**

7	Wages, salaries, tips, etc. Attach Form(s) W-2		7
8a	**Taxable** interest. Attach Schedule B if required		8a
b	**Tax-exempt** interest. **Do not** include on line 8a	8b	
9	Ordinary dividends. Attach Schedule B if required		9
10	Taxable refunds, credits, or offsets of state and local income taxes (see page 22)		10
11	Alimony received		11
12	Business income or (loss). Attach Schedule C or C-EZ		12
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐		13
14	Other gains or (losses). Attach Form 4797		14
15a	Total IRA distributions	15a	b Taxable amount (see page 23) 15b
16a	Total pensions and annuities	16a	b Taxable amount (see page 23) 16b
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17
18	Farm income or (loss). Attach Schedule F		18
19	Unemployment compensation		19
20a	Social security benefits	20a	b Taxable amount (see page 25) 20b
21	Other income. List type and amount (see page 27)		21
22	Add the amounts in the far right column for lines 7 through 21. This is your **total income** ▶		22

Adjusted Gross Income

23	IRA deduction (see page 27)	23	
24	Student loan interest deduction (see page 28)	24	
25	Archer MSA deduction. Attach Form 8853	25	
26	Moving expenses. Attach Form 3903	26	
27	One-half of self-employment tax. Attach Schedule SE	27	
28	Self-employed health insurance deduction (see page 30)	28	
29	Self-employed SEP, SIMPLE, and qualified plans	29	
30	Penalty on early withdrawal of savings	30	
31a	Alimony paid b Recipient's SSN ▶	31a	
32	Add lines 23 through 31a		32
33	Subtract line 32 from line 22. This is your **adjusted gross income** ▶		33

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 72. Cat. No. 11320B Form **1040** (2001)

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Continued on the next page

*--IRS Tax Return Forms (Continued)

D
Schedule F,
Form 1040

SCHEDULE F (Form 1040)
Department of the Treasury Internal Revenue Service (99)

Profit or Loss From Farming

▶ Attach to Form 1040, Form 1041, Form 1065, or Form 1065-B.
▶ See Instructions for Schedule F (Form 1040).

OMB No. 1545-0074
2001
Attachment Sequence No. **14**

Name of proprietor | Social security number (SSN)

A Principal product. Describe in one or two words your principal crop or activity for the current tax year. | B Enter code from Part IV ▶

C Accounting method: (1) ☐ Cash (2) ☐ Accrual | D Employer ID number (EIN), if any

E Did you "materially participate" in the operation of this business during 2001? If "No," see page F-2 for limit on passive losses. ☐ Yes ☐ No

Part I **Farm Income—Cash Method. Complete Parts I and II** (Accrual method taxpayers complete Parts II and III, and line 11 of Part I.) **Do not include sales of livestock held for draft, breeding, sport, or dairy purposes; report these sales on Form 4797.**

1	Sales of livestock and other items you bought for resale	1		
2	Cost or other basis of livestock and other items reported on line 1	2		
3	Subtract line 2 from line 1		3	
4	Sales of livestock, produce, grains, and other products you raised		4	
5a	Total cooperative distributions (Form(s) 1099-PATR)	5a	5b Taxable amount	5b
6a	Agricultural program payments (see page F-2)	6a	6b Taxable amount	6b
7	Commodity Credit Corporation (CCC) loans (see page F-3):			
a	CCC loans reported under election			7a
b	CCC loans forfeited	7b	7c Taxable amount	7c
8	Crop insurance proceeds and certain disaster payments (see page F-3):			
a	Amount received in 2001	8a	8b Taxable amount	8b
c	If election to defer to 2002 is attached, check here ▶ ☐		8d Amount deferred from 2000	8d
9	Custom hire (machine work) income			9
10	Other income, including Federal and state gasoline or fuel tax credit or refund (see page F-3)			10
11	**Gross income.** Add amounts in the right column for lines 3 through 10. If accrual method taxpayer, enter the amount from page 2, line 51 ▶			11

Part II **Farm Expenses—Cash and Accrual Method. Do not** include personal or living expenses such as taxes, insurance, repairs, etc., on your home.

12	Car and truck expenses (see page F-4—also attach **Form 4562**)	12	25	Pension and profit-sharing plans	25	
13	Chemicals	13	26	Rent or lease (see page F-5):		
14	Conservation expenses (see page F-4)	14	a	Vehicles, machinery, and equipment	26a	
15	Custom hire (machine work)	15	b	Other (land, animals, etc.)	26b	
16	Depreciation and section 179 expense deduction not claimed elsewhere (see page F-4)	16	27	Repairs and maintenance	27	
			28	Seeds and plants purchased	28	
			29	Storage and warehousing	29	
17	Employee benefit programs other than on line 25	17	30	Supplies purchased	30	
			31	Taxes	31	
18	Feed purchased	18	32	Utilities	32	
19	Fertilizers and lime	19	33	Veterinary, breeding, and medicine	33	
20	Freight and trucking	20	34	Other expenses (specify):		
21	Gasoline, fuel, and oil	21	a		34a	
22	Insurance (other than health)	22	b		34b	
23	Interest:		c		34c	
a	Mortgage (paid to banks, etc.)	23a	d		34d	
b	Other	23b	e		34e	
24	Labor hired (less employment credits)	24	f		34f	

35	**Total expenses.** Add lines 12 through 34f ▶	35	
36	**Net farm profit or (loss).** Subtract line 35 from line 11. If a profit, enter on **Form 1040, line 18,** and **also** on **Schedule SE, line 1.** If a loss, you **must** go on to line 37 (estates, trusts, and partnerships, see page F-6)	36	

37 If you have a loss, you **must** check the box that describes your investment in this activity (see page F-6).
- If you checked 37a, enter the loss on **Form 1040, line 18,** and **also** on **Schedule SE, line 1.**
- If you checked 37b, you **must** attach **Form 6198.**

37a ☐ All investment is at risk.
37b ☐ Some investment is not at risk.

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 11346H **Schedule F (Form 1040) 2001**

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Continued on the next page

D
Schedule F, Form 1040 (Continued)

Schedule F (Form 1040) 2001 Page 2

Part III **Farm Income—Accrual Method** (see page F-6)

Do not include sales of livestock held for draft, breeding, sport, or dairy purposes; report these sales on Form 4797 and do not include this livestock on line 46 below.

38	Sales of livestock, produce, grains, and other products during the year			38	
39a	Total cooperative distributions (Form(s) 1099-PATR)	39a	39b Taxable amount	39b	
40a	Agricultural program payments	40a	40b Taxable amount	40b	
41	Commodity Credit Corporation (CCC) loans:				
a	CCC loans reported under election			41a	
b	CCC loans forfeited	41b	41c Taxable amount	41c	
42	Crop insurance proceeds			42	
43	Custom hire (machine work) income			43	
44	Other income, including Federal and state gasoline or fuel tax credit or refund			44	
45	Add amounts in the right column for lines 38 through 44			45	
46	Inventory of livestock, produce, grains, and other products at beginning of the year	46			
47	Cost of livestock, produce, grains, and other products purchased during the year	47			
48	Add lines 46 and 47	48			
49	Inventory of livestock, produce, grains, and other products at end of year	49			
50	Cost of livestock, produce, grains, and other products sold. Subtract line 49 from line 48*			50	
51	**Gross income.** Subtract line 50 from line 45. Enter the result here and on page 1, line 11 ▶			51	

*If you use the unit-livestock-price method or the farm-price method of valuing inventory and the amount on line 49 is larger than the amount on line 48, subtract line 48 from line 49. Enter the result on line 50. Add lines 45 and 50. Enter the total on line 51.

Part IV **Principal Agricultural Activity Codes**

Caution. File **Schedule C** (Form 1040), Profit or Loss From Business, or **Schedule C-EZ** (Form 1040), Net Profit From Business, instead of Schedule F if:

- Your principal source of income is from providing agricultural services such as soil preparation, veterinary, farm labor, horticultural, or management for a fee or on a contract basis or
- You are engaged in the business of breeding, raising, and caring for dogs, cats, or other pet animals.

These codes for the Principal Agricultural Activity classify farms by the type of activity they are engaged in to facilitate the administration of the Internal Revenue Code. These six-digit codes are based on the North American Industry Classification System (NAICS).

Select one of the following codes and enter the six-digit number on page 1, line B.

Crop Production

111100 Oilseed and grain farming
111210 Vegetable and melon farming
111300 Fruit and tree nut farming
111400 Greenhouse, nursery, and floriculture production
111900 Other crop farming

Animal Production

112111 Beef cattle ranching and farming
112112 Cattle feedlots
112120 Dairy cattle and milk production
112210 Hog and pig farming
112300 Poultry and egg production
112400 Sheep and goat farming
112510 Animal aquaculture
112900 Other animal production

Forestry and Logging

113000 Forestry and logging (including forest nurseries and timber tracts)

Schedule F (Form 1040) 2001

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Continued on the next page

*--IRS Tax Return Forms (Continued)

E
Form 1041

Form **1041** Department of the Treasury—Internal Revenue Service
U.S. Income Tax Return for Estates and Trusts **2001**

For calendar year 2001 or fiscal year beginning , 2001, and ending , 20 OMB No. 1545-0092

A Type of entity:
☐ Decedent's estate
☐ Simple trust
☐ Complex trust
☐ Grantor type trust
☐ Bankruptcy estate–Ch. 7
☐ Bankruptcy estate–Ch. 11
☐ Pooled income fund

B Number of Schedules K-1 attached (see instructions) ▶

Name of estate or trust (If a grantor type trust, see page 10 of the instructions.)

Name and title of fiduciary

Number, street, and room or suite no. (If a P.O. box, see page 10 of the instructions.)

City or town, state, and ZIP code

C Employer identification number

D Date entity created

E Nonexempt charitable and split-interest trusts, check applicable boxes (see page 11 of the instructions):
☐ Described in section 4947(a)(1)
☐ Not a private foundation
☐ Described in section 4947(a)(2)

F Check applicable boxes: ☐ Initial return ☐ Final return ☐ Amended return ☐ Change in fiduciary's name ☐ Change in fiduciary's address

G Pooled mortgage account (see page 12 of the instructions): ☐ Bought ☐ Sold Date:

Income	1	Interest income	1
	2	Ordinary dividends	2
	3	Business income or (loss) (attach Schedule C or C-EZ (Form 1040))	3
	4	Capital gain or (loss) (attach Schedule D (Form 1041))	4
	5	Rents, royalties, partnerships, other estates and trusts, etc. (attach Schedule E (Form 1040))	5
	6	Farm income or (loss) (attach Schedule F (Form 1040))	6
	7	Ordinary gain or (loss) (attach Form 4797)	7
	8	Other income. List type and amount	8
	9	**Total income.** Combine lines 1 through 8 ▶	9
Deductions	10	Interest. Check if Form 4952 is attached ▶ ☐	10
	11	Taxes	11
	12	Fiduciary fees	12
	13	Charitable deduction (from Schedule A, line 7)	13
	14	Attorney, accountant, and return preparer fees	14
	15a	Other deductions **not** subject to the 2% floor (attach schedule)	15a
	b	Allowable miscellaneous itemized deductions subject to the 2% floor	15b
	16	**Total.** Add lines 10 through 15b	16
	17	Adjusted total income or (loss). Subtract line 16 from line 9. Enter here and on Schedule B, line 1 ▶	17
	18	Income distribution deduction (from Schedule B, line 15) (attach Schedules K-1 (Form 1041))	18
	19	Estate tax deduction (including certain generation-skipping taxes) (attach computation)	19
	20	Exemption	20
	21	**Total deductions.** Add lines 18 through 20 ▶	21
Tax and Payments	22	Taxable income. Subtract line 21 from line 17. If a loss, see page 17 of the instructions	22
	23	**Total tax** (from Schedule G, line 7)	23
	24	**Payments:** a 2001 estimated tax payments and amount applied from 2000 return	24a
	b	Estimated tax payments allocated to beneficiaries (from Form 1041-T)	24b
	c	Subtract line 24b from line 24a	24c
	d	Tax paid with extension of time to file: ☐ Form 2758 ☐ Form 8736 ☐ Form 8800	24d
	e	Federal income tax withheld. If any is from Form(s) 1099, check ▶ ☐	24e
		Other payments: f Form 2439 ; g Form 4136 ; Total ▶	24h
	25	**Total payments.** Add lines 24c through 24e, and 24h ▶	25
	26	Estimated tax penalty (see page 17 of the instructions)	26
	27	**Tax due.** If line 25 is smaller than the total of lines 23 and 26, enter amount owed	27
	28	**Overpayment.** If line 25 is larger than the total of lines 23 and 26, enter amount overpaid	28
	29	Amount of line 28 to be: **a Credited to 2002 estimated tax ▶** ; **b Refunded ▶**	29

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of fiduciary or officer representing fiduciary | Date | ▶ EIN of fiduciary if a financial institution

May the IRS discuss this return with the preparer shown below (see page 7)? ☐ Yes ☐ No

Paid Preparer's Use Only
▶ Preparer's signature | Date | Check if self-employed ☐ | Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code ▶ | EIN | Phone no. ( )

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Continued on the next page

E
Form 1041
(Continued)

Form 1041 (2001) Page **2**

Schedule A **Charitable Deduction.** Do not complete for a simple trust or a pooled income fund.

1	Amounts paid or permanently set aside for charitable purposes from gross income (see page 18)	1	
2	Tax-exempt income allocable to charitable contributions (see page 18 of the instructions)	2	
3	Subtract line 2 from line 1	3	
4	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes	4	
5	Add lines 3 and 4	5	
6	Section 1202 exclusion allocable to capital gains paid or permanently set aside for charitable purposes (see page 18 of the instructions)	6	
7	**Charitable deduction.** Subtract line 6 from line 5. Enter here and on page 1, line 13	7	

Schedule B **Income Distribution Deduction**

1	Adjusted total income (see page 18 of the instructions)	1	
2	Adjusted tax-exempt interest	2	
3	Total net gain from Schedule D (Form 1041), line 16, column (1) (see page 19 of the instructions)	3	
4	Enter amount from Schedule A, line 4 (reduced by any allocable section 1202 exclusion)	4	
5	Capital gains for the tax year included on Schedule A, line 1 (see page 19 of the instructions)	5	
6	Enter any gain from page 1, line 4, as a negative number. If page 1, line 4, is a loss, enter the loss as a positive number	6	
7	**Distributable net income (DNI).** Combine lines 1 through 6. If zero or less, enter -0-	7	
8	If a complex trust, enter accounting income for the tax year as determined under the governing instrument and applicable local law 8		
9	Income required to be distributed currently	9	
10	Other amounts paid, credited, or otherwise required to be distributed	10	
11	Total distributions. Add lines 9 and 10. If greater than line 8, see page 19 of the instructions	11	
12	Enter the amount of tax-exempt income included on line 11	12	
13	Tentative income distribution deduction. Subtract line 12 from line 11	13	
14	Tentative income distribution deduction. Subtract line 2 from line 7. If zero or less, enter -0-	14	
15	**Income distribution deduction.** Enter the smaller of line 13 or line 14 here and on page 1, line 18	15	

Schedule G **Tax Computation** (see page 20 of the instructions)

1	**Tax:** a ☐ Tax rate schedule or ☐ Schedule D (Form 1041)	1a		
	b Tax on lump-sum distributions (attach Form 4972)	1b		
	c Alternative minimum tax (from Schedule I, line 39)	1c		
	d **Total.** Add lines 1a through 1c ▶			1d
2a	Foreign tax credit (attach Form 1116)	2a		
b	Other nonbusiness credits (attach schedule)	2b		
c	General business credit. Enter here and check which forms are attached: ☐ Form 3800 ☐ Forms (specify) ▶	2c		
d	Credit for prior year minimum tax (attach Form 8801)	2d		
3	**Total credits.** Add lines 2a through 2d ▶			3
4	Subtract line 3 from line 1d. If zero or less, enter -0-			4
5	Recapture taxes. Check if from: ☐ Form 4255 ☐ Form 8611			5
6	Household employment taxes. Attach Schedule H (Form 1040)			6
7	**Total tax.** Add lines 4 through 6. Enter here and on page 1, line 23 ▶			7

Other Information

		Yes	No
1	Did the estate or trust receive tax-exempt income? If "Yes," attach a computation of the allocation of expenses Enter the amount of tax-exempt interest income and exempt-interest dividends ▶ $		
2	Did the estate or trust receive all or any part of the earnings (salary, wages, and other compensation) of any individual by reason of a contract assignment or similar arrangement?		
3	At any time during calendar year 2001, did the estate or trust have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country? See page 21 of the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country ▶		
4	During the tax year, did the estate or trust receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the estate or trust may have to file Form 3520. See page 21 of the instructions		
5	Did the estate or trust receive, or pay, any qualified residence interest on seller-provided financing? If "Yes," see page 21 for required attachment		
6	If this is an estate or a complex trust making the section 663(b) election, check here (see page 21) ▶ ☐		
7	To make a section 643(e)(3) election, attach Schedule D (Form 1041), and check here (see page 21) ▶ ☐		
8	If the decedent's estate has been open for more than 2 years, attach an explanation for the delay in closing the estate, and check here ▶ ☐		
9	Are any present or future trust beneficiaries skip persons? See page 21 of the instructions		

Form **1041** (2001)

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Continued on the next page

E
Form 1041
(Continued)

Form 1041 (2001) Page 3

Schedule I Alternative Minimum Tax (see pages 21 through 27 of the instructions)

Part I—Estate's or Trust's Share of Alternative Minimum Taxable Income

1	Adjusted total income or (loss) (from page 1, line 17)			1	
2	Net operating loss deduction. Enter as a positive amount			2	
3	Add lines 1 and 2			3	
4	**Adjustments and tax preference items:**				
a	Interest	4a			
b	Taxes	4b			
c	Miscellaneous itemized deductions (from page 1, line 15b)	4c			
d	Refund of taxes	4d	( )		
e	Depreciation of property placed in service after 1986	4e			
f	Circulation and research and experimental expenditures	4f			
g	Mining exploration and development costs	4g			
h	Long-term contracts entered into after February 28, 1986	4h			
i	Amortization of pollution control facilities	4i			
j	Installment sales of certain property	4j			
k	Adjusted gain or loss (including incentive stock options)	4k			
l	Certain loss limitations	4l			
m	Tax shelter farm activities	4m			
n	Passive activities	4n			
o	Beneficiaries of other trusts or decedent's estates	4o			
p	Tax-exempt interest from specified private activity bonds	4p			
q	Depletion	4q			
r	Accelerated depreciation of real property placed in service before 1987	4r			
s	Accelerated depreciation of leased personal property placed in service before 1987	4s			
t	Intangible drilling costs	4t			
u	Other adjustments	4u			
5	Combine lines 4a through 4u			5	
6	Add lines 3 and 5			6	
7	Alternative tax net operating loss deduction (see page 25 of the instructions for limitations)			7	
8	Adjusted alternative minimum taxable income. Subtract line 7 from line 6.			8	
	Note: *Complete Part II below before going to line 9.*				
9	Income distribution deduction from line 27 below	9			
10	Estate tax deduction (from page 1, line 19)	10			
11	Add lines 9 and 10			11	
12	Estate's or trust's share of alternative minimum taxable income. Subtract line 11 from line 8			12	

If line 12 is:

- $22,500 or less, stop here and enter -0- on Schedule G, line 1c. The estate or trust is not liable for the alternative minimum tax.
- Over $22,500, but less than $165,000, go to line 28.
- $165,000 or more, enter the amount from line 12 on line 34 and go to line 35.

Part II—Income Distribution Deduction on a Minimum Tax Basis

13	Adjusted alternative minimum taxable income (see page 25 of the instructions)	13	
14	Adjusted tax-exempt interest (other than amounts included on line 4p)	14	
15	Total net gain from Schedule D (Form 1041), line 16, column (1). If a loss, enter -0-	15	
16	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes (from Schedule A, line 4)	16	
17	Capital gains paid or permanently set aside for charitable purposes from gross income (see page 26 of the instructions)	17	
18	Capital gains computed on a minimum tax basis included on line 8	18	( )
19	Capital losses computed on a minimum tax basis included on line 8. Enter as a positive amount	19	
20	Distributable net alternative minimum taxable income (DNAMTI). Combine lines 13 through 19. If zero or less, enter -0-	20	
21	Income required to be distributed currently (from Schedule B, line 9)	21	
22	Other amounts paid, credited, or otherwise required to be distributed (from Schedule B, line 10)	22	
23	Total distributions. Add lines 21 and 22	23	
24	Tax-exempt income included on line 23 (other than amounts included on line 4p)	24	
25	Tentative income distribution deduction on a minimum tax basis. Subtract line 24 from line 23	25	
26	Tentative income distribution deduction on a minimum tax basis. Subtract line 14 from line 20. If zero or less, enter -0-	26	
27	**Income distribution deduction on a minimum tax basis.** Enter the smaller of line 25 or line 26. Enter here and on line 9	27	

Form **1041** (2001)

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Continued on the next page

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Form 1041
(Continued)

Form 1041 (2001) Page 4

Part III—Alternative Minimum Tax

28	Exemption amount			28	$22,500 00
29	Enter the amount from line 12	29			
30	Phase-out of exemption amount	30	$75,000 00		
31	Subtract line 30 from line 29. If zero or less, enter -0-	31			
32	Multiply line 31 by 25% (.25)			32	
33	Subtract line 32 from line 28. If zero or less, enter -0-			33	
34	Subtract line 33 from line 29			34	
35	Go to Part IV of Schedule I to figure line 35 if the estate or trust has a gain on lines 15c and 16 of column (2) of Schedule D (Form 1041) (as refigured for the AMT, if necessary). **All others:** If line 34 is— • $175,000 or less, multiply line 34 by 26% (.26). • Over $175,000, multiply line 34 by 28% (.28) and subtract $3,500 from the result			35	
36	Alternative minimum foreign tax credit (see page 26 of instructions)			36	
37	Tentative minimum tax. Subtract line 36 from line 35			37	
38	Enter the tax from Schedule G, line 1a (minus any foreign tax credit from Schedule G, line 2a)			38	
39	**Alternative minimum tax.** Subtract line 38 from line 37. If zero or less, enter -0-. Enter here and on Schedule G, line 1c			39	

Part IV—Line 35 Computation Using Maximum Capital Gains Rates

Caution: *If the estate or trust* ***did not*** *complete Part V of Schedule D (Form 1041), see page 27 of the instructions before completing this part.*

40	Enter the amount from line 34			40	
41	Enter the amount from Schedule D (Form 1041), line 21, or line 9 of the Schedule D Tax Worksheet, whichever applies (as refigured for AMT, if necessary)	41			
42	Enter the amount from Schedule D (Form 1041), line 15b, column (2) (as refigured for AMT, if necessary)	42			
43	Add lines 41 and 42. If zero or less, enter -0-	43			
44	Enter the amount from Schedule D (Form 1041), line 21, or line 4 of the Schedule D Tax Worksheet, whichever applies (as refigured for AMT, if necessary)	44			
45	Enter the **smaller** of line 43 or line 44			45	
46	Subtract line 45 from line 40. If zero or less, enter -0-			46	
47	If line 46 is $175,000 or less, multiply line 46 by 26% (.26). Otherwise, multiply line 46 by 28% (.28) and subtract $3,500 from the result ▶			47	
48	Enter the amount from Schedule D (Form 1041), line 26, or line 16 of the Schedule D Tax Worksheet (as figured for the regular tax)			48	
49	Enter the **smallest** of line 40, line 41, or line 48			49	
50	Enter the estate's or trust's allocable portion of qualified 5-year gain, if any, from Schedule D (Form 1041) line 27 (as refigured for the AMT, if necessary)	50			
51	Enter the smaller of line 49 or line 50			51	
52	Multiply line 51 by 8% (.08) ▶			52	
53	Subtract line 51 from line 49			53	
54	Multiply line 53 by 10% (.10) ▶			54	
55	Enter the **smaller** of line 40 or line 41			55	
56	Enter the amount from line 49			56	
57	Subtract line 56 from line 55. If zero or less, enter -0-			57	
58	Multiply line 57 by 20% (.20) ▶			58	
59	Enter the amount from line 40			59	
60	Add lines 46, 49, and 57			60	
61	Subtract line 60 from line 59			61	
62	Multiply line 61 by 25% (.25) ▶			62	
63	Add lines 47, 52, 54, 58, and 62			63	
64	If line 40 is $175,000 or less, multiply line 40 by 26% (.26). Otherwise, multiply line 40 by 28% (.28) and subtract $3,500 from the result			64	
65	Enter the **smaller** of line 63 or line 64 here and on line 35 ▶			65	

Form **1041** (2001)

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*--IRS Tax Return Forms (Continued)

F
Form 1065

Form **1065**
Department of the Treasury
Internal Revenue Service

U.S. Return of Partnership Income

For calendar year 2001, or tax year beginning ....., 2001, and ending ....., 20.... .
▶ See separate instructions.

OMB No. 1545-0099
2001

A Principal business activity	Use the IRS label. Otherwise, print or type.	Name of partnership	D Employer identification number
B Principal product or service		Number, street, and room or suite no. If a P.O. box, see page 13 of the instructions.	E Date business started
C Business code number		City or town, state, and ZIP code	F Total assets (see page 14 of the instructions) $

G Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return
H Check accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶.....
I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶.....

Caution: *Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.*

Income	1a Gross receipts or sales	1a			
	b Less returns and allowances	1b		1c	
	2 Cost of goods sold (Schedule A, line 8)			2	
	3 Gross profit. Subtract line 2 from line 1c			3	
	4 Ordinary income (loss) from other partnerships, estates, and trusts *(attach schedule)*			4	
	5 Net farm profit (loss) *(attach Schedule F (Form 1040))*			5	
	6 Net gain (loss) from Form 4797, Part II, line 18			6	
	7 Other income (loss) *(attach schedule)*			7	
	8 **Total income (loss).** Combine lines 3 through 7			8	
Deductions (see page 15 of the instructions for limitations)	9 Salaries and wages (other than to partners) (less employment credits)			9	
	10 Guaranteed payments to partners			10	
	11 Repairs and maintenance			11	
	12 Bad debts			12	
	13 Rent			13	
	14 Taxes and licenses			14	
	15 Interest			15	
	16a Depreciation (if required, attach Form 4562)	16a			
	b Less depreciation reported on Schedule A and elsewhere on return	16b		16c	
	17 Depletion **(Do not deduct oil and gas depletion.)**			17	
	18 Retirement plans, etc.			18	
	19 Employee benefit programs			19	
	20 Other deductions *(attach schedule)*			20	
	21 **Total deductions.** Add the amounts shown in the far right column for lines 9 through 20			21	
	22 **Ordinary income (loss)** from trade or business activities. Subtract line 21 from line 8			22	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member) is based on all information of which preparer has any knowledge.

May the IRS discuss this return with the preparer shown below (see instructions)? ☐ Yes ☐ No

▶ Signature of general partner or limited liability company member ▶ Date

Paid Preparer's Use Only

Preparer's signature	Date	Check if self-employed ▶ ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code ▶		EIN ▶	
		Phone no. ( )	

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11390Z Form **1065** (2001)

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*--IRS Tax Return Forms (Continued)

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Form 1065
(Continued)

Form 1065 (2001) Page **2**

Schedule A **Cost of Goods Sold** (see page 18 of the instructions)

1	Inventory at beginning of year	1	
2	Purchases less cost of items withdrawn for personal use	2	
3	Cost of labor	3	
4	Additional section 263A costs *(attach schedule)*	4	
5	Other costs *(attach schedule)*	5	
6	**Total.** Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	**Cost of goods sold.** Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

9a Check all methods used for valuing closing inventory:
- **(i)** ☐ Cost as described in Regulations section 1.471-3
- **(ii)** ☐ Lower of cost or market as described in Regulations section 1.471-4
- **(iii)** ☐ Other (specify method used and attach explanation) ▶

b Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) ▶ ☐

c Check this box if the LIFO inventory method was adopted this tax year for any goods *(if checked, attach Form 970)* ▶ ☐

d Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? ☐ **Yes** ☐ **No**

e Was there any change in determining quantities, cost, or valuations between opening and closing inventory? ☐ **Yes** ☐ **No**
If "Yes," attach explanation.

Schedule B **Other Information**

		Yes	No
1	What type of entity is filing this return? Check the applicable box: **a** ☐ Domestic general partnership **b** ☐ Domestic limited partnership **c** ☐ Domestic limited liability company **d** ☐ Domestic limited liability partnership **e** ☐ Foreign partnership **f** ☐ Other ▶		
2	Are any partners in this partnership also partnerships?		
3	During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations sections 301.7701-2 and 301.7701-3? If yes, see instructions for required attachment		
4	Is this partnership subject to the consolidated audit procedures of sections 6221 through 6233? If "Yes," see **Designation of Tax Matters Partner** below		
5	Does this partnership meet **all three** of the following requirements? **a** The partnership's total receipts for the tax year were less than $250,000; **b** The partnership's total assets at the end of the tax year were less than $600,000; **and** **c** Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return. If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item J on Schedule K-1		
6	Does this partnership have any foreign partners? If "Yes," the partnership may have to file Forms 8804, 8805 and 8813. See page 20 of the instructions		
7	Is this partnership a publicly traded partnership as defined in section 469(k)(2)?		
8	Has this partnership filed, or is it required to file, **Form 8264,** Application for Registration of a Tax Shelter?		
9	At any time during calendar year 2001, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See page 20 of the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country. ▶		
10	During the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520. See page 20 of the instructions		
11	Was there a distribution of property or a transfer (e.g., by sale or death) of a partnership interest during the tax year? If "Yes," you may elect to adjust the basis of the partnership's assets under section 754 by attaching the statement described under **Elections Made By the Partnership** on page 8 of the instructions		
12	Enter the number of Forms 8865 attached to this return ▶		

Designation of Tax Matters Partner (see page 20 of the instructions)
Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

Name of designated TMP ▶ Identifying number of TMP ▶

Address of designated TMP ▶

Form **1065** (2001)

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*--IRS Tax Return Forms (Continued)

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Form 1065
(Continued)

Form 1065 (2001) Page 3

Schedule K Partners' Shares of Income, Credits, Deductions, etc.

		(a) Distributive share items		(b) Total amount
Income (Loss)	1	Ordinary income (loss) from trade or business activities (page 1, line 22)	1	
	2	Net income (loss) from rental real estate activities *(attach Form 8825)*	2	
	3a	Gross income from other rental activities	3a	
	b	Expenses from other rental activities *(attach schedule)*	3b	
	c	Net income (loss) from other rental activities. Subtract line 3b from line 3a	3c	
	4	Portfolio income (loss): a Interest income	4a	
	b	Ordinary dividends	4b	
	c	Royalty income	4c	
	d	Net short-term capital gain (loss) *(attach Schedule D (Form 1065))*	4d	
	e	(1) Net long-term capital gain (loss) *(attach Schedule D (Form 1065))*	4e(1)	
		(2) 28% rate gain (loss) ▶ (3) Qualified 5-year gain ▶		
	f	Other portfolio income (loss) *(attach schedule)*	4f	
	5	Guaranteed payments to partners	5	
	6	Net section 1231 gain (loss) (other than due to casualty or theft) *(attach Form 4797)*	6	
	7	Other income (loss) *(attach schedule)*	7	
Deductions	8	Charitable contributions *(attach schedule)*	8	
	9	Section 179 expense deduction *(attach Form 4562)*	9	
	10	Deductions related to portfolio income (itemize)	10	
	11	Other deductions *(attach schedule)*	11	
Credits	12a	Low-income housing credit:		
		(1) From partnerships to which section 42(j)(5) applies	12a(1)	
		(2) Other than on line 12a(1)	12a(2)	
	b	Qualified rehabilitation expenditures related to rental real estate activities *(attach Form 3468)*	12b	
	c	Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c	
	d	Credits related to other rental activities	12d	
	13	Other credits	13	
Investment Interest	14a	Interest expense on investment debts	14a	
	b	(1) Investment income included on lines 4a, 4b, 4c, and 4f above	14b(1)	
		(2) Investment expenses included on line 10 above	14b(2)	
Self-Employment	15a	Net earnings (loss) from self-employment	15a	
	b	Gross farming or fishing income	15b	
	c	Gross nonfarm income	15c	
Adjustments and Tax Preference Items	16a	Depreciation adjustment on property placed in service after 1986	16a	
	b	Adjusted gain or loss	16b	
	c	Depletion (other than oil and gas)	16c	
	d	(1) Gross income from oil, gas, and geothermal properties	16d(1)	
		(2) Deductions allocable to oil, gas, and geothermal properties	16d(2)	
	e	Other adjustments and tax preference items *(attach schedule)*	16e	
Foreign Taxes	17a	Name of foreign country or U.S. possession ▶		
	b	Gross income from all sources	17b	
	c	Gross income sourced at partner level	17c	
	d	Foreign gross income sourced at partnership level:		
		(1) Passive ▶ (2) Listed categories *(attach schedule)* ▶ (3) General limitation ▶	17d(3)	
	e	Deductions allocated and apportioned at partner level:		
		(1) Interest expense ▶ (2) Other ▶	17e(2)	
	f	Deductions allocated and apportioned at partnership level to foreign source income:		
		(1) Passive ▶ (2) Listed categories *(attach schedule)* ▶ (3) General limitation ▶	17f(3)	
	g	Total foreign taxes (check one): ▶ Paid ☐ Accrued ☐	17g	
	h	Reduction in taxes available for credit *(attach schedule)*	17h	
Other	18	Section 59(e)(2) expenditures: a Type ▶ b Amount ▶	18b	
	19	Tax-exempt interest income	19	
	20	Other tax-exempt income	20	
	21	Nondeductible expenses	21	
	22	Distributions of money (cash and marketable securities)	22	
	23	Distributions of property other than money	23	
	24	Other items and amounts required to be reported separately to partners *(attach schedule)*		

Form **1065** (2001)

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Continued on the next page

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Form 1065
(Continued)

Form 1065 (2001) Page **4**

Analysis of Net Income (Loss)

1	Net income (loss). Combine Schedule K, lines 1 through 7 in column (b). From the result, subtract the sum of Schedule K, lines 8 through 11, 14a, 17g, and 18b	1

2 Analysis by partner type:	**(i)** Corporate	**(ii)** Individual (active)	**(iii)** Individual (passive)	**(iv)** Partnership	**(v)** Exempt organization	**(vi)** Nominee/Other
a General partners						
b Limited partners						

Schedule L **Balance Sheets per Books** (Not required if Question 5 on Schedule B is answered "Yes.")

Assets	Beginning of tax year (a)	Beginning of tax year (b)	End of tax year (c)	End of tax year (d)
1 Cash				
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets *(attach schedule)*				
7 Mortgage and real estate loans				
8 Other investments *(attach schedule)*				
9a Buildings and other depreciable assets				
b Less accumulated depreciation				
10a Depletable assets				
b Less accumulated depletion				
11 Land (net of any amortization)				
12a Intangible assets (amortizable only)				
b Less accumulated amortization				
13 Other assets *(attach schedule)*				
14 **Total** assets				
Liabilities and Capital				
15 Accounts payable				
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities *(attach schedule)*				
18 All nonrecourse loans				
19 Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities *(attach schedule)*				
21 Partners' capital accounts				
22 **Total** liabilities and capital				

Schedule M-1 **Reconciliation of Income (Loss) per Books With Income (Loss) per Return**
(Not required if Question 5 on Schedule B is answered "Yes.")

1	Net income (loss) per books	**6**	Income recorded on books this year not included on Schedule K, lines 1 through 7 (itemize): **a** Tax-exempt interest $
2	Income included on Schedule K, lines 1 through 4, 6, and 7, not recorded on books this year (itemize):	**7**	Deductions included on Schedule K, lines 1 through 11, 14a, 17g, and 18b, not charged against book income this year (itemize): **a** Depreciation $
3	Guaranteed payments (other than health insurance)	**8**	Add lines 6 and 7
4	Expenses recorded on books this year not included on Schedule K, lines 1 through 11, 14a, 17g, and 18b (itemize): **a** Depreciation $ **b** Travel and entertainment $	**9**	Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5
5	Add lines 1 through 4		

Schedule M-2 **Analysis of Partners' Capital Accounts** (Not required if Question 5 on Schedule B is answered "Yes.")

1	Balance at beginning of year	**6**	Distributions: **a** Cash
2	Capital contributed during year		**b** Property
3	Net income (loss) per books	**7**	Other decreases (itemize):
4	Other increases (itemize):	**8**	Add lines 6 and 7
5	Add lines 1 through 4	**9**	Balance at end of year. Subtract line 8 from line 5

Form **1065** (2001)

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*--IRS Tax Return Forms (Continued)

G
Form 1120

Form **1120** Department of the Treasury Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 2001 or tax year beginning ....., 2001, ending ....., 20....
▶ Instructions are separate. See page 20 for Paperwork Reduction Act Notice.

OMB No. 1545-0123
2001

A Check if a:
1 Consolidated return (attach Form 851) ☐
2 Personal holding co. (attach Sch. PH) ☐
3 Personal service corp. (as defined in Temporary Regs. sec. 1.441-4T—see instructions) ☐

Use IRS label. Otherwise, print or type.
Name
Number, street, and room or suite no. (If a P.O. box, see page 7 of instructions.)
City or town, state, and ZIP code

B Employer identification number
C Date incorporated
D Total assets (see page 8 of instructions)

E Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change $

Income	1a	Gross receipts or sales ____ b Less returns and allowances ____ c Bal ▶	1c	
	2	Cost of goods sold (Schedule A, line 8)	2	
	3	Gross profit. Subtract line 2 from line 1c	3	
	4	Dividends (Schedule C, line 19)	4	
	5	Interest	5	
	6	Gross rents	6	
	7	Gross royalties	7	
	8	Capital gain net income (attach Schedule D (Form 1120))	8	
	9	Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)	9	
	10	Other income (see page 8 of instructions—attach schedule)	10	
	11	**Total income.** Add lines 3 through 10 ▶	11	
Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (Schedule E, line 4)	12	
	13	Salaries and wages (less employment credits)	13	
	14	Repairs and maintenance	14	
	15	Bad debts	15	
	16	Rents	16	
	17	Taxes and licenses	17	
	18	Interest	18	
	19	Charitable contributions (see page 10 of instructions for 10% limitation)	19	
	20	Depreciation (attach Form 4562) 20		
	21	Less depreciation claimed on Schedule A and elsewhere on return 21a	21b	
	22	Depletion	22	
	23	Advertising	23	
	24	Pension, profit-sharing, etc., plans	24	
	25	Employee benefit programs	25	
	26	Other deductions (attach schedule)	26	
	27	**Total deductions.** Add lines 12 through 26 ▶	27	
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11	28	
	29	**Less:** a Net operating loss (NOL) deduction (see page 13 of instructions) 29a		
		b Special deductions (Schedule C, line 20) 29b	29c	
Tax and Payments	30	**Taxable income.** Subtract line 29c from line 28	30	
	31	**Total tax** (Schedule J, line 11)	31	
	32	**Payments:** a 2000 overpayment credited to 2001 32a		
	b	2001 estimated tax payments 32b		
	c	Less 2001 refund applied for on Form 4466 32c ( ) d Bal ▶ 32d		
	e	Tax deposited with Form 7004 32e		
	f	Credit for tax paid on undistributed capital gains (attach Form 2439) 32f		
	g	Credit for Federal tax on fuels (attach Form 4136). See instructions 32g	32h	
	33	Estimated tax penalty (see page 14 of instructions). Check if Form 2220 is attached ▶ ☐	33	
	34	**Tax due.** If line 32h is smaller than the total of lines 31 and 33, enter amount owed	34	
	35	**Overpayment.** If line 32h is larger than the total of lines 31 and 33, enter amount overpaid	35	
	36	Enter amount of line 35 you want: **Credited to 2002 estimated tax** ▶ **Refunded** ▶	36	

Sign Here
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
▶ Signature of officer ____ Date ____ ▶ Title ____
May the IRS discuss this return with the preparer shown below (see instructions)? ☐ Yes ☐ No

Paid Preparer's Use Only
Preparer's signature ▶ | Date | Check if self-employed ☐ | Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code ▶ | EIN | Phone no. ( )

Cat. No. 11450Q Form **1120** (2001)

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Continued on the next page

*--IRS Tax Return Forms (Continued)

G
Form 1120
(Continued)

orm 1120 (2001) Page 2

Schedule A **Cost of Goods Sold** (See page 14 of instructions.)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	**Total.** Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	**Cost of goods sold.** Subtract line 7 from line 6. Enter here and on line 2, page 1	8	

9a Check all methods used for valuing closing inventory:
(i) ☐ Cost as described in Regulations section 1.471-3
(ii) ☐ Lower of cost or market as described in Regulations section 1.471-4
(iii) ☐ Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) ▶ ☐
c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐
d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO — 9d
e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? ☐ Yes ☐ No
f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☐ No

Schedule C **Dividends and Special Deductions** (See page 15 of instructions.)

		(a) Dividends received	(b) %	(c) Special deductions (a) × (b)
1	Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)		70	
2	Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)		80	
3	Dividends on debt-financed stock of domestic and foreign corporations (section 246A)		see instructions	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities		42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities		48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction		70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction		80	
8	Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))		100	
9	**Total.** Add lines 1 through 8. See page 16 of instructions for limitation			
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11	Dividends from certain FSCs that are subject to the 100% deduction (section 245(c)(1))		100	
12	Dividends from affiliated group members subject to the 100% deduction (section 243(a)(3))		100	
13	Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11			
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)			
15	Foreign dividend gross-up (section 78)			
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 246(d))			
17	Other dividends			
18	Deduction for dividends paid on certain preferred stock of public utilities			
19	**Total dividends.** Add lines 1 through 17. Enter here and on line 4, page 1 ▶			
20	**Total special deductions.** Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1 ▶			

Schedule E **Compensation of Officers** (See instructions for line 12, page 1.)
Note: *Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1, Form 1120) are $500,000 or more.*

	(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned (d) Common	(e) Preferred	(f) Amount of compensation
1			%	%	%	
			%	%	%	
			%	%	%	
			%	%	%	
			%	%	%	

2	Total compensation of officers	
3	Compensation of officers claimed on Schedule A and elsewhere on return	
4	Subtract line 3 from line 2. Enter the result here and on line 12, page 1	

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Schedule J Tax Computation (See page 16 of instructions.)

1 Check if the corporation is a member of a controlled group (see sections 1561 and 1563) . . . . ▶ ☐
Important: Members of a controlled group, see instructions on page 16.

2a If the box on line 1 is checked, enter the corporation's share of the $50,000, $25,000, and $9,925,000 taxable income brackets (in that order):
(1) $ (2) $ (3) $

b Enter the corporation's share of: (1) Additional 5% tax (not more than $11,750) $
(2) Additional 3% tax (not more than $100,000) $

3 Income tax. Check if a qualified personal service corporation under section 448(d)(2) (see page 17) . ▶ ☐ — 3

4 Alternative minimum tax (attach Form 4626) . . . . . — 4

5 Add lines 3 and 4 . . . . . — 5

6a Foreign tax credit (attach Form 1118) . . . . . — 6a

b Possessions tax credit (attach Form 5735) . . . . . — 6b

c Check: ☐ Nonconventional source fuel credit ☐ QEV credit (attach Form 8834) — 6c

d General business credit. Check box(es) and indicate which forms are attached.
☐ Form 3800 ☐ Form(s) (specify) ▶ . . . . . — 6d

e Credit for prior year minimum tax (attach Form 8827) . . . . . — 6e

f Qualified zone academy bond credit (attach Form 8860) . . . . . — 6f

7 **Total credits.** Add lines 6a through 6f . . . . . — 7

8 Subtract line 7 from line 5 . . . . . — 8

9 Personal holding company tax (attach Schedule PH (Form 1120)) . . . . . — 9

10 Other taxes. Check if from: ☐ Form 4255 ☐ Form 8611 ☐ Form 8697
☐ Form 8866 ☐ Other (attach schedule) . . . . . — 10

11 **Total tax.** Add lines 8 through 10. Enter here and on line 31, page 1 . . . . . — 11

Schedule K Other Information (See page 19 of instructions.)

	Yes	No
1 Check method of accounting: a ☐ Cash b ☐ Accrual c ☐ Other (specify) ▶		
2 See page 21 of the instructions and enter the:		
a Business activity code no. ▶		
b Business activity ▶		
c Product or service ▶		
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)		
If "Yes," attach a schedule showing: **(a)** name and employer identification number (EIN), **(b)** percentage owned, and **(c)** taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.		
4 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?		
If "Yes," enter name and EIN of the parent corporation ▶		
5 At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).)		
If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in **4** above.) Enter percentage owned ▶		
6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.)		
If "Yes," file **Form 5452,** Corporate Report of Nondividend Distributions.		
If this is a consolidated return, answer here for the parent corporation and on **Form 851,** Affiliations Schedule, for each subsidiary.		
7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of **(a)** the total voting power of all classes of stock of the corporation entitled to vote or **(b)** the total value of all classes of stock of the corporation?		
If "Yes," enter: **(a)** Percentage owned ▶ and **(b)** Owner's country ▶		
c The corporation may have to file **Form 5472,** Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached ▶		
8 Check this box if the corporation issued publicly offered debt instruments with original issue discount . . ▶ ☐		
If checked, the corporation may have to file **Form 8281,** Information Return for Publicly Offered Original Issue Discount Instruments.		
9 Enter the amount of tax-exempt interest received or accrued during the tax year ▶ $		
10 Enter the number of shareholders at the end of the tax year (if 75 or fewer) ▶		
11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here ▶ ☐		
If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3)(i) or (ii) must be attached or the election will not be valid.		
12 Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) ▶ $		

Note: *If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach* ***Schedule N (Form 1120),*** *Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.*

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Schedule L Balance Sheets per Books

	Assets	Beginning of tax year (a)	Beginning of tax year (b)	End of tax year (c)	End of tax year (d)
1	Cash				
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts	( )		( )	
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets				
b	Less accumulated depreciation	( )		( )	
11a	Depletable assets				
b	Less accumulated depletion	( )		( )	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	( )		( )	
14	Other assets (attach schedule)				
15	Total assets				
	Liabilities and Shareholders' Equity				
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach schedule)				
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach schedule)				
22	Capital stock: a Preferred stock				
	b Common stock				
23	Additional paid-in capital				
24	Retained earnings—Appropriated (attach schedule)				
25	Retained earnings—Unappropriated				
26	Adjustments to shareholders' equity (attach schedule)				
27	Less cost of treasury stock		( )		( )
28	Total liabilities and shareholders' equity				

Note: *The corporation is not required to complete Schedules M-1 and M-2 if the total assets on line 15, col. (d) of Schedule L are less than $25,000.*

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (See page 20 of instructions.)

1	Net income (loss) per books		7	Income recorded on books this year not included on this return (itemize): Tax-exempt interest $
2	Federal income tax per books			
3	Excess of capital losses over capital gains			
4	Income subject to tax not recorded on books this year (itemize):		8	Deductions on this return not charged against book income this year (itemize):
5	Expenses recorded on books this year not deducted on this return (itemize):		a	Depreciation $
a	Depreciation $		b	Charitable contributions $
b	Charitable contributions $			
c	Travel and entertainment $			
			9	Add lines 7 and 8
6	Add lines 1 through 5		10	Income (line 28, page 1)—line 6 less line 9

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year		5	Distributions: a Cash	
2	Net income (loss) per books			b Stock	
3	Other increases (itemize):			c Property	
			6	Other decreases (itemize):	
			7	Add lines 5 and 6	
4	Add lines 1, 2, and 3		8	Balance at end of year (line 4 less line 7)	

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