



### Average Adjusted Gross Income (AGI) Certification and Verification, 2014-2018

#### OVERVIEW

The 2014 Farm Bill requires the implementation of an average adjusted gross income (AGI) limitation for payment eligibility for the 2014 through 2018 program years. The AGI limitation provision applies to most programs administered by the Farm Service Agency (FSA) and Natural Resources Conservation Service (NRCS).

#### APPLICABILITY

All persons and legal entities requesting certain program payments, either directly or indirectly, are subject to the average AGI limitation provision. If a person's or legal entity's average AGI for the three taxable years preceding the most immediately preceding complete taxable year for which payments or benefits are requested exceeds the limitation, then the person or legal entity is ineligible for the applicable program payment or benefit. Further, program payments issued to an entity, general partnership or joint venture will be reduced by an amount commensurate with the direct and indirect interest of any member or interest holder who is ineligible because the member or interest holder's average AGI exceeds the applicable limitation.

#### DEFINITIONS

Adjusted Gross Income: AGI for the individual is the Internal Revenue Service (IRS) reported adjusted gross income; or for a legal entity, a comparable measure as determined by the Commodity Credit Corporation (CCC).

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

#### BASE PERIOD FOR DETERMINING AVERAGE AGI

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

For Crop Year:	AGI Base Years Are:
2014	2010, 2011, 2012
2015	2011, 2012, 2013
2016	2012, 2013, 2014
2017	2013, 2014, 2015
2018	2014, 2015, 2016

#### ANNUAL CERTIFICATIONS

Participants in programs subject to average AGI rules must annually certify their eligibility to receive program benefits. The IRS requires written consent from the individual or legal entity to provide the U.S. Department of Agriculture (USDA) verification of the individual's or legal entity's certification of compliance with average AGI limitation provisions. Such annual average AGI certification and written consent are accomplished by completion of form CCC-941, Average Adjusted Gross Income (AGI) Certification and Consent to Disclosure of Tax Information.

Producers and their members and interest holders are encouraged to submit the completed CCC-941 before payments and benefits are requested under USDA programs that are subject to the average AGI limitation. Producers can mail or return the completed CCC-941 directly to the appropriate USDA service center. As required by law, producers must sign the CCC-941 to grant the IRS the authority to use tax information for the purpose of AGI compliance verification requested by USDA. Failure to provide the certification and consent will result in the determination of ineligibility and the required refund of applicable

**FACT SHEET**

program payments received from FSA and NRCS. Form CCC-941 may be obtained from local FSA and NRCS offices or online at [http://forms.sc.egov.usda.gov/efcommon/eFileServices/eFormsAdmin/CCC0941\\_140328V01.pdf](http://forms.sc.egov.usda.gov/efcommon/eFileServices/eFormsAdmin/CCC0941_140328V01.pdf).

**AGI LIMITATION**

The \$900,000 average AGI limitation is as follows.

<b>IF the average AGI exceeds...</b>	<b>THEN the person or legal entity is ineligible for payments and benefits under the following programs...</b>
<p><b>\$900,000</b>                      (Average AGI, or comparable measure, of the person or legal entity over the three taxable years preceding the most immediately preceding complete taxable year for which payments or benefits are requested. Exclude any years for which the person or legal entity did not have taxable income.)</p>	<p><b>Oct. 1, 2011, and subsequent years:</b></p> <ul style="list-style-type: none"> <li>• Livestock Indemnity Program (LIP)</li> <li>• Livestock Forage Disaster Program (LFP)</li> <li>• Emergency Assistance for Livestock, Honeybees and Farm-Raised Fish Program (ELAP)</li> <li>• Tree Assistance Program (TAP)</li> </ul> <p><b>2014 and subsequent years:</b></p> <ul style="list-style-type: none"> <li>• Noninsured Crop Disaster Assistance Program (NAP)</li> </ul> <p><b>2014-2018:</b></p> <ul style="list-style-type: none"> <li>• Price Loss Coverage (PLC)</li> <li>• Agriculture Risk Coverage (ARC)</li> <li>• Marketing Loan Gain (MLG)</li> <li>• Loan Deficiency Payment (LDP)</li> <li>• Agricultural Management Assistance (AMA)</li> </ul> <p><b>2014-2015 only:</b></p> <ul style="list-style-type: none"> <li>• Transition Assistance for Producers of Upland Cotton</li> </ul> <p><b>2015 and subsequent years:</b></p> <ul style="list-style-type: none"> <li>• Conservation Reserve Program (CRP)</li> <li>• Environmental Quality Incentives Program (EQIP)</li> <li>• Conservation Stewardship Program (CSP)</li> <li>• Agricultural Conservation Easement Program (ACEP)</li> <li>• Regional Conservation Partnership Program</li> <li>• Conservation of Private Grazing Land Program</li> <li>• Farmable Wetlands Program</li> <li>• Grassroots Source Water Protection Program</li> <li>• Voluntary Public Access and Habitat Incentive Program</li> </ul>

**TRACKING AGI COMPLIANCE THROUGH LEGAL ENTITY OWNERSHIP**

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

If the participant is a general partnership or joint venture, average AGI certifications are required from each:

- Member who is an individual or legal entity; and
- Embedded interest holder.

If the participant is a legal entity, average AGI certifications are required from:

- The participating legal entity;
- Each interest holder who is an individual or legal entity; and
- Each embedded interest holder.

**AVERAGE AGI VERIFICATION PROCESS**

USDA and IRS developed an electronic information exchange process strictly for the purpose of average AGI certification verification. This process involves a series of IRS calculations of specific line items on IRS tax forms for the applicable three-year period to arrive at the average amount. IRS then compares this value to the average AGI limitation. USDA receives indicators when a program participant appears to meet or not meet the AGI requirement. USDA does not receive any actual tax data from IRS.

Participants who USDA receives confirmation that the average AGI limitation was not exceeded will remain eligible for program benefits and no further actions are necessary. For any participant who appears to exceed the average AGI limitation, the participant's average AGI certification will be evaluated further by FSA state office personnel.

**STEP-BY-STEP PROCESS**

The following steps describe the average AGI certification and verification processes:

- FSA and NRCS provide producers with an average AGI certification and consent form (CCC-941) to complete. The CCC-941 includes the participant's certification of average AGI compliance for the appropriate year and authorizes the IRS to disclose to USDA tax-related information for the AGI compliance purposes for the indicated year only.
- Producers (and each of the producer's members and interest holders) complete and return CCC-941 forms by mail or in person to the appropriate USDA service center (address printed in the upper right-hand corner, first page).
- FSA submits the completed CCC-941 forms to the IRS for processing.
- The IRS checks each participant's (and each participant's direct and indirect member or interest holder) average AGI certification by performing computerized calculations that indicate whether or not the participant (or the participant's direct and indirect member or interest holder) may exceed the average AGI limitation.
- Persons and legal entities for whom IRS has indicated as meeting the AGI limitation will remain eligible for program benefits and no further actions are necessary for that person or legal entity for the year.
- Producers whose average AGI appears to exceed the average AGI limitation will be notified in writing of the results and provided an opportunity to make available within 30 days to the applicable FSA office:
  - o A third-party verification from a certified public accountant or attorney of their average AGI that demonstrates the limit has not been exceeded; or
  - o Copies of the complete federal tax returns that were filed with the IRS for the applicable tax years under review.
- Producers determined not to be in compliance with AGI limitation will be offered appeal rights to either FSA or the National Appeals Division.

- Producers who fail to respond to written notices of average AGI non-compliance or who are determined non-compliant will be notified of the requirement to refund the applicable program payments. Actions required by the Debt Collection Improvement Act will be followed by NRCS and FSA.

---

*In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.*

*Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotope, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.*

*To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by:*

- 1) *mail: U.S. Department of Agriculture Office of the Assistant Secretary for Civil Rights 1400 Independence Avenue, SW Washington, D.C. 20250-9410;*
- 2) *fax: (202) 690-7442; or*
- 3) *email: [program.intake@usda.gov](mailto:program.intake@usda.gov).*

*USDA is an equal opportunity provider, employer, and lender.*