



# FACT SHEET

UNITED STATES DEPARTMENT OF AGRICULTURE  
FARM SERVICE AGENCY

October 2011

## Average Adjusted Gross Income 2009-2012

### Overview

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

### Applicability

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

### New Compliance and Verification Procedure

The 2008 Farm Bill requires audits of persons and legal entities determined most likely to exceed the AGI limitations. USDA and the Internal Revenue Service (IRS) have developed an electronic information exchange

process strictly for the purpose of average AGI verification.

This process performs a series of calculations on certain line items on tax forms for the applicable three-year period to arrive at the average amounts and then compares these values to the average AGI limitations. USDA receives indicators when a participant appears to meet the AGI requirements. USDA does not receive any actual tax data. The cases that appear to exceed the average AGI limitations will be evaluated by FSA state office or headquarters personnel.

### Average AGI Certification and Written Consent

Participants in Commodity Credit Corporation (CCC) programs subject to average AGI rules must annually certify their eligibility to receive benefits. The IRS also requires written consent from the individual or legal entity to provide USDA verification of the average AGI. Such annual AGI certification and written consent are accomplished by completion of form CCC-931, Average Adjusted Gross Income (AGI) Certification and Consent To Disclosure of Tax Information. The form allows for the selection of the appropriate year that certification and consent must be completed for an individual or legal entity. Completion of Part A is required to provide the annual AGI certification. In lieu of Part A, participants may choose to submit an acceptable statement

from a certified public accountant or an attorney; however, all participants are required to complete Part B. Completion of Part B authorizes the IRS to perform the average AGI calculations and disclose this information to FSA. Failure to provide the certification and consent will require refund of applicable payments received from FSA and NRCS. This form may be obtained from local FSA and NRCS offices or online at: <http://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home>.

### Definitions

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

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

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

**Legal Entity:** The term "legal entity" includes a corporation, joint stock company, association, limited partnership, charitable organization, or similar entity, including any such entity or organization participating in the operation as a partner in a

# FACT SHEET

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general partnership, a participant in a joint venture, a grantor in a revocable trust, or as a participant in a similar entity, including joint ventures and general partnerships.

### Multiple AGI Limitations

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

A person or legal entity with:

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

### Base Period for Determining Average AGI

A 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:
2009	2005, 2006, 2007
2010	2006, 2007, 2008
2011	2007, 2008, 2009
2012	2008, 2009, 2010

### Annual Certifications

Annual certifications of AGI compliance are required from each individual and legal entity requesting CCC payments either directly or indirectly. Annual certifications are made on form CCC-931 or by a statement from a certified public accountant or an attorney.

### Tracking of AGI Through Entity Ownership

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

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

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

### Definition of Farm Income

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

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

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

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

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