

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

Payment Limitations 1-PL (Revision 1)	Amendment 48
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Approved by: Deputy Administrator, Farm Programs



Amendment Transmittal

A Reasons for Amendment

Subparagraph 16 B has been amended for updates.

Subparagraph 50 C has been amended for clarification.

Subparagraph 50 D has been amended to reference 3-PL, subparagraph 25 C for the proper flag for a producer awaiting determinations to be finalized.

Subparagraph 55 A has been amended to include the various means available for a producer to obtain all required forms for payment eligibility and payment limitation determinations.

Subparagraph 55 C has been amended to include using AD-1026A's to record land area in farming operations.

Subparagraph 55 F has been amended to include the forms required for entity member information and permitted entity designation.

Subparagraph 201 A has been amended to update the procedural reference.

Paragraph 219 has been amended to include a sample notification letter for written notice of reduced payments because CCC-501C is obsolete.

Subparagraph 293 C was amended to update CCC-502B, item 21 reference.

Subparagraph 316 F was amended to update CCC-502C example.

Paragraph 394 was amended to include additional references and discussions on CCC-503A.

Subparagraphs 415 B, C, and D were amended to reflect using the web-based eligibility system for multi-county producers.

Amendment Transmittal (Continued)

A Reasons for Amendment (Continued)

Subparagraph 463 C has been amended to reference notification of COC determinations for all payment eligibility and payment limitation purposes.

Paragraph 464 has been amended to include references to COC determinations for producer compliance with the cash rent tenant provision and the AGI limitation.

Subparagraph 465 B has been amended to remove the reference to obsolete CCC-501C.

Subparagraph 468 A has been amended to update instructions for the notification letter to be used for all payment eligibility and payment limitation determinations.

Subparagraph 630 A has been amended because certifications are **not** required from general partnerships or joint ventures.

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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.

16 Applicable Programs (Continued)

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						Gross Income/ Revenue
	Person	Actively Engaged in Farming	Cash-Rent Tenant	Permitted Entity	Foreign Person	AGI	
DCP Payment	•	•	•	•	•	•	
Price Support							
LDP's	•	•	•	•	•	•	
Loans					•		
MLG's	•	•	•	•	•	•	
Conservation							
CRP	•	•	•	•	•	•	
CSP						•	
ECP	•						
EQIP						•	
GRP						•	
Crop Disaster							
DAP (2001-02)	•						•
DAP (2003-04)	•					•	
NAP	•						•
TAP	•						
Livestock							
AILFP	•						
LAP	•						•
Section 32 Disaster Programs							
Catfish Grant	•						
Citrus	•					•	
FIP						•	
Fruit and Vegetables	•					•	
HIP	•					•	
Hurricane TAP	•						
LCP	•					•	
LIP						•	
LIP II	•					•	
Nursery Crops	•					•	
TIP	•					•	
Tropical Fruit	•					•	
Other							
AMA	•					•	
TAA	•					•	

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

Note: Foreign persons are ineligible for payment under certain programs. These programs state “see definition of foreign person provided 1-PL, Part 3”. However, the “foreign person rule” as provided in Part 3 **only** applies to the programs or payments listed in this table.--*

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
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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 affect 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

*--Valid CCC-502, CCC-526, and other related forms filed by the producer are considered to be continuous certifications used for all payment eligibility and payment limitation determinations applicable for the program benefits requested.

Producers are **not** required to annually submit new or updated CCC-502, CCC-526, and other related forms for payment eligibility and payment limitation purposes.

Producers have the responsibility to:

- ensure that all CCC-502, CCC-526, and related forms on file in the County Office are correct at all times
- timely notify the County Office in writing of any changes in the farming operation that may affect the determinations of record.--*

Changes that may affect the determinations 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

50 Filing Requirements (Continued)**C Required Updates (Continued)**

- of contributions of farm inputs of capital, equipment, active personal labor, or active personal management
- in acquisition of farming interests not previously disclosed on CCC-502 or update, including the farming interests of a spouse or minor child
- increasing 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 "awaiting determination" according to 3-PL, subparagraph 25 C until all determinations are finalized.--*

51 (Withdrawn--Amend. 5)

55 General Forms' Requirements

***--A Availability**

All forms required to be filed by a producer are available:

- at the local County Office or Service Center
- online at <http://intra3.fsa.usda.gov/dam/ffasforms/forms.html> or <http://www.sc.egov.usda.gov>
- through the authorized use of FSA's approved spreadsheet package.--*

Note: Only forms with OMB approval shall be used.

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.

***--Note:** A copy of AD-1026A, printed for the producer, may be used to record the land in the farming operation **only** with the addition of information on lease terms, rental rate, and whether the land interest was the same as previous year. Producer must sign and date AD-1026A **after** the information is added.--*

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

55 General Forms' Requirements (Continued)

*--F CCC-501A and CCC-501B Requirements

This table provides an overview of CCC-501A and CCC-501B requirements.--*

IF an...	THEN require...	Paragraph Reference
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
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)

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 payment limitation control by 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-501B 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 50.--*

B Filing 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.

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	*--Notifications of Reduced Payment--*	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.--

--219 Notification of Reduced Payments--

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 calendar days after the final signup date.

***--C Sample Notification Letter**

This is an example of a letter notifying applicable producers of the reduction in payment.

[Letterhead]	Any County Office 501 B Street Uptown, ST 11233
Date	
Great Plains Investments, Inc. Maxwell Smart, President P O Box 99 Midwest, ST 11223	
Dear Mr. Smart:	
The payment(s) made to <u>Great Plains Investments, Inc.,</u> will be subject to a reduction of <u>30.00</u> percent. The following individual(s) did not designate their respective share in such entity which is eligible to receive a payment, loan, or other program benefit subject to the permitted entity rules.	
John Smith 10 percent Jane Doe 10 percent Tom Jones 10 percent	
The members have the opportunity to adjust among themselves their shares of the reduced payment(s) in this entity. 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 that the member’s interest would otherwise indicate.	
If you have any questions, please contact this office.	
Sincerely,	
Joe B. Kool County Executive Director	

--*

***--219 Notification of Reduced Payments (Continued)**

D 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).

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 21.--*

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: <ul style="list-style-type: none"> • 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.

***--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.
 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. 0 %
 List each member who provides active personal management.

Name(s)	Type of managerial duties performed
Daniel Boone	Determine 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. 0 %

21. Person Status for Payment Limitation Purposes

The information entered on this document and any supporting documentation supports a finding that:

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 by Daniel Boone	TITLE President, Boone Farms, Inc.	DATE (MM-DD-YYYY) 04-01-XXXX
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317 (Withdrawn--Amend. 4)

318-330 (Reserved)

5-17-07

1-PL (Rev. 1) Amend. 48

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 determinations of for payment eligibility and payment limitation purposes.

B Documenting Determinations

Record the factors that on CCC-503 A that COC used to make the “actively engaged in farming” and “person” determinations on CCC-503A. Significant contributions must be identified and recorded. Include how the cash rent tenant and substantive change rules were met, when applicable.

C Narrative of Determination

A short narrative explaining the determining factors in the COC determination shall be documented on CCC-503A, item 7.

Example: Organic Farms, Inc., provides a significant contribution of capital and equipment. The single stockholder provides a significant contribution of active personal management. The cash rent tenant provision is met through the significant contribution of equipment and significant contribution of active personal management. All contributions are commensurate and at risk.--*

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

- *--upon receipt of concurrence from other COC’s, update eligibility flags according to 3-PL.--*

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. * * *
do not agree with the determination made by the control county	<ul style="list-style-type: none"> • 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 * * * 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.

415 Interaction Between Counties (Continued)

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. * * *
do not agree with the updated determination	shall follow the instructions in subparagraph C when a noncontrol county does not agree.

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 Determinations	5-95
467	Proper Determinations	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 determination for payment eligibility and payment limitation purposes--*
- notification to foreign persons determined ineligible for benefits
- notification of COC approval of payment to an entity with more than 10 percent foreign ownership.

--464 Payment Eligibility and Payment Limitation 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
- *--if applicable, determinations for cash rent tenant and AGI compliance--*
- the statement, “This determination is based on the facts as submitted. You are responsible for promptly notifying the County Office of any change that 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 Payment Determinations

A Reduced Payment Notifications

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 * * *.

467 Proper Determinations (Continued)

B Notification Example

This is an example of a letter notifying producers of proper determination after default determination.

*--

[Letterhead]	Orange County FSA Office Box 123 Anytown, CA 92680
	Date
Ms. Sandra Fields PO 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 operation 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 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 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 subparagraph as a guide when notifying producers about *-payment eligibility and payment limitation 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 Rd John Day, OR 97845	
Dear Mr. Ott:	
The Grant County FSA Committee has completed its review of your farm operating plan for (<u>year</u>). Based on the information submitted, the Committee determined the following:	
<ul style="list-style-type: none"> • you are “actively engaged in farming” as an individual • you are 1 “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, Joe B. Kool County Executive Director

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 individuals, entities, embedded entities to the 5th level *--(including all interest holders in an entity, general partnership, or joint venture) to--* determine compliance. If an ownership interest is not held by an individual in the 5th level of ownership in an entity, no payment or benefit shall be made with respect to such interest.

Notes: Use CCC-501A's and CCC-502's as guides to determine the certifications required.

Substantial beneficial interest rules do **not** apply.

POA may be used to complete certification statements, if POA specifies authority for such action.

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.

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-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

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	
CCC-526	Payment Eligibility Average Adjusted Gross Income Certification	630	35, 50, 52, 256, 650, 662
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
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.

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:

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

Definitions of Terms Used in This Handbook (Continued)**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.

***--Notes:** Include income from the following:

- sale of land (including easements 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 agricultural 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
- 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.)

