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

Payment Eligibility, Payment Limitation, and Average Adjusted Gross Income 4-PL	**Amendment 14**

Approved by: Acting Deputy Administrator, Farm Programs

Amendment Transmittal

A Reasons for Amendment

Subparagraph 189 A has been amended to include the correct items of CCC-931 that must be completed and signed by the participant for consent to disclosure of tax information.

Subparagraphs 190 E through H have been amended and added to reference average AGI limitation requirements for CRP participants.

Subparagraph 200 F has been amended for inclusion of the requirement that 2 copies of the completed IRS-3210 must accompany the bundles of CCC-931's referred to IRS.

Subparagraph 203.4 A has been amended to include that County Offices and NRCS will be provided access or a copy of the AGI reconciliation reports.

Subparagraph 203.4 B has been amended to include a reference to an example notification letter that is to be sent to all participants identified by the reconciliation report as required to timely file CCC-931 to maintain payment eligibility.

Subparagraph 203.4 D has been added to provide instructions for CCC-931's rejected by IRS for a specific reason only.

Subparagraph 203.7 C has been added for the list of information that must be contained in the AGI Compliance Review file for any AGI compliance reviews completed in the State Office.

Subparagraph 203.8 C has been amended for revisions to instructions for the Worksheet for Calculating AGI for 2009 and Subsequent Years Based on the Submission of Tax Returns.

Subparagraph 203.8 E has been amended to clarify the actions to be completed when a program participant who previously certified as compliant with the average AGI limitations later admits that 1 or more of the average AGI limitations were in fact exceeded.

A Reasons for Amendment (Continued)

Subparagraphs 204 H and I have been added to include example written notifications to be used for average AGI compliance purposes.

Exhibit 10 has been amended to include the updated average AGI, payment eligibility, and payment limitation form requirements for CRP.

Exhibit 21 has been added to include the optional AGI Compliance Review Checklists.

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189 Average AGI Certification

A Certifying Compliance

To comply with the AGI requirement for the applicable crop year, program, or FY, an individual or entity shall provide **1** of the following:

- statement from a certified public accountant or an attorney that the average AGI does **not** exceed the applicable limitation and agreement with all requirements of information disclosure
- CCC-931 applicable to the year that program benefits are requested.

--Note:** In addition to the statement, CCC-931, items 1 through 4 and 9 through 11 must be**-- completed and **signed by the participant** for consent to disclosure of tax information. See paragraph 200.

B Statements From CPA's or Attorneys

Statements from CPA's or attorneys certifying AGI compliance **must** include the following:

- name of the individual or entity to which the certification applies
- program year for which the certification applies
- the 3 years used to calculate average AGI
- AGI limitations with which the individual or entity is in compliance
- that the individual or entity agrees to **all** requirements of information disclosure for AGI verification purposes under 7 CFR Part 1400 regulations
- that **all** definitions and requirements of AGI in 7 CFR Part 1400 regulations have been reviewed.

C Required AGI Certifications for Payment Eligibility

AGI compliance certifications are required for payment eligibility for **all**:

- persons
- legal entities
- interest holders in a legal entity, including embedded entities to the fourth level of ownership interest, regardless of the level of interest held
- members of a general partnership or joint venture, regardless of the number of members
- Indians and Native Americans represented by BIA.

189 Average AGI Certification (Continued)

D Verifying AGI Certifications

COC or reviewing authority may do the following:

- question all or part of an AGI certification provided by an individual or entity
- request documentation, such as tax records, from the individual or entity
- use requested information to verify certifications made by the individual or entity for AGI certification purposes.

COC or reviewing authority shall record the following in COC or STC minutes:

- individuals and entities reviewed
- findings and results of reviews
- determinations of compliance or noncompliance with each AGI limitation.

COC or reviewing authority shall provide the following:

- written notice to the individuals and entities of results
- appeal rights according to 1-APP, if any determination is considered adverse.

E Deadline for AGI Certifications and Consents to Disclose

AGI certification and consent to disclose **must** be submitted:

- according to the deadlines established by the applicable programs
- **before * * *** issuing any program benefit subject to AGI provisions.

F Multi-County Producers

Individuals or legal entities with multi-county farming interests will submit the required AGI certifications and consents to disclosure only in the recording county.

The recording county will do the following:

- make any AGI compliance determinations, if necessary
- set values in the eligibility files reflective of the certification or determination
- share the information with other counties according to paragraphs 228 and 229.

190 Rules for Special Cases

A Acceptable Documentation

For a person or legal entity, including a foreign person or legal entity that does **not** have tax records or is **not** required to file tax returns, acceptable forms of AGI documentation may include, but are **not** limited to, the following:

- annual budgets and statement of operations
- annual public financial disclosures
- financial statements
- other documentation as deemed acceptable by the reviewing authority.

B Churches, Clubs, Fraternal Organizations, Societies, and Similar Associations

Persons 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.

Note: The church, club, etc. are required to provide an AGI certification.

C Multi-Year Contracts and Agreements

For program contracts and agreements that extend more than 1 crop year, program year, or FY, the average AGI determination will:

- be based on the 3 taxable years preceding the most immediately preceding complete taxable year for which the contract or agreement is approved

  Note: For a successor to an approved CRP-1, the 3-year period is based on the approval date of succession, **not** on the original approval date of CRP-1. See *****--subparagraph G.--*****

- be made once and apply for the entire term of the contract or agreement.

190 Rules for Special Cases (Continued)

D Succession-in-Interest

The average AGI limitations, according to this part, do **not** apply to multi-year contracts; such as CRP-1's that were effective **before** October 1, 2008. The average AGI provisions in this part were **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 2009, the successors **will not** be subject to AGI provisions in this part on the ***--**multi-year contract or agreement (1-PL)**--***

- for FY 2009 or subsequent years, the successors **will** be subject to AGI provisions on the multi-year contract or agreement.

***--Note:** See Exhibit 10 for the applicable payment eligibility/limitation rules and forms required for CRP.

E Which AGI Rule Applies to CRP Contracts

This table provides guidance on which:

- payment limitation and rules apply to CRP contracts

- AGI certification form should have been filed or must be filed at the time of contract approval.

Note: Follow subparagraph 189 C to determine which business types are required to file AGI certifications.

Original Contact Approved ➔	**Before May 13, 2002**				**On or After May 13, 2002, and Before October 1, 2008**	**On or After October 1, 2008**
Rex Extended	No		Yes			
Contract Extended in 2009	No	Yes	No	Yes		
AGI Rule	Not Subject to AGI Provisions	4-PL	1-PL	4-PL	1-PL	4-PL
Required Form		CCC-926 or CCC-931	CCC-526 or CCC-526C	CCC-926 or CCC-931	CCC-526 or CCC-526C	CCC-926 or CCC-931

Note: For CRP continuous contracts approved between May 13, 2012, and September 30, 2012, that were effective for program year 2002, AGI provisions are **not** applicable. See 2-CRP, subparagraph 131 A for additional information.**--***

190 Rules for Special Cases (Continued)

*--F AGI Requirements for Producers Associated With Original Contracts

Follow this table to determine the requirements for filing an AGI certification form for producers.

Note: See the table in subparagraph E to determine which AGI certification form should be filed.

If the producer is an entity or joint operation, all members with an ownership share are required to file the applicable AGI certification if the entity/joint operation is required to file the certification.

IF the producer's share is…	AND the producer is…	THEN the AGI certification is…
0 percent		not required.
greater than 0 percent	• an individual • entity without members	required for the producer.
	• joint operation • entity with members	required for: • the producer, except for a joint operation • each member with an ownership share greater than 0 percent.

--*

190 Rules for Special Cases (Continued)

*--G Contract Revisions

This table provides guidance for the requirements for filing an AGI certification form for producers and members of entities and joint operations when a contract is revised for either of the following reasons:

- new producer is added to the CRP contract
- new members are added to an entity or joint operation that has an interest in the CRP contract.

Note: See the table in subparagraph E to determine which AGI certification form should be filed.

If the contract is revised because…	AND the new producer has…	AND the producer is…	THEN an AGI certification is…
a new producer was added to the contact	0 percent share		not required.
	a share greater than 0 percent	• an individual • entity without members	required for the year the change became effective for the producer. **Example:** Producer A has CRP contract #2117 with an effective date of October 1, 2010. Producer A sells the land to Producer B on September 20, 2011. Producer B informs the County Office on January 10, 2012, that he purchased the land under CRP contract #2117. Producer B must file AGI forms for 2011 (the year the change became effective).
		• joint operation • entity with members	required as follows for the year the producer is added to the contract: • the producer, except for a joint operation • each member with an ownership share greater than 0 percent. See exception in subparagraph H.

--*

190 Rules for Special Cases (Continued)

*--G Contract Revisions (Continued)

If the contract is revised because…	AND the new producer has…	AND the producer is…	THEN an AGI certification is…
an existing producer's share was increased from 0 percent		• an individual • entity without members	required for year the producer was originally added to the contract with a 0 percent share.
		• joint operation • entity with members	required as follows for the year the producer was originally added to the contract with a 0 percent share: • the producer, except for a joint operation • each member with an ownership share greater than 0 percent.
a new member is added to a joint operation or an entity with members			required for year the member was added to the operation with an ownership share greater than 0 percent. See exception in subparagraph H.

H Exception to Year AGI Certification Must Be Filed

If a producer or member of an entity or joint operation was previously associated with the CRP contract, then the original AGI certification continues to apply for that producer or member if their role changes.

Example: John Farmer has 100 percent interest in a CRP contract approved in 2010.

Farmers LLC replaces John Farmer as a producer on the CRP contract in 2012. John Farmer is a member of Farmers LLC and has a 100 percent ownership interest in Farmers LLC.

Because John Farmer was already associated with the contract, the 2010 AGI certification continues to be applicable for John. However, an AGI certification **must** be filed for 2012 for Farmers LLC.**--***

191 Determining AGI and Average AGI

A Determining Total AGI (Farm and Nonfarm)

Determine AGI according to the following table.

IF certification is by...	THEN AGI is the...
a person filing a separate tax return	amount reported as AGI on the final IRS tax return for the person for the applicable year.
a person filing a joint tax return	full amount reported as AGI on the final IRS 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.
an LLC, LLP, LP, 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 IRS tax returns for the applicable year.
an estate or trust	adjusted total income **plus** charitable deductions as reported on the final IRS tax return for the applicable year.
a corporation, including subchapter S corporation	total taxable income **plus** the amount of charitable contributions as reported on the final IRS 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.

191 Determining AGI and Average AGI (Continued)

B Using IRS Data for AGI Determinations

This table provides guidance on AGI determinations using data reported to IRS.

IF determining AGI for…	THEN see IRS Form…	AND use the amount entered on…
corporations	1120	***--**either of the following: • line 30 (total taxable income) **plus** line 19 (charitable contributions) • **for S corporations, use only** IRS-1120S, line 21 (ordinary business income).**--***
estates or trusts	1041	line 22 (taxable income) **plus** line 13 (charitable deductions) for years 2000 through 2010.
LLC's, LLP's, LP's, or other similar type organization	1065	line 22 (total income from trade or business) **plus** line 10 (guaranteed payments to partners) for years 2000 through 2010.
persons	1040	• line 37 (AGI) for **2005 through 2010** • line 36 (AGI) for **2004** • line 34 (AGI) for **2003** • line 35 (AGI) for **2002** • line 33 (AGI) for **2001** • line 33 (AGI) for **2000**.
tax-exempt or charitable organizations	990-T	line 34 (unrelated business taxable income) **minus** income that CCC determined to be from noncommercial activity for years 2000 through 2010.

Note: Variations of the referenced IRS tax forms, or comparable forms, may apply in which the line items for the appropriate income amounts will be different.

C Applicable Years for Determining Average AGI

Use this table for applicable years to be used for determining average AGI.

IF crop year is…	THEN Average AGI will be based on the following years…
2009	2005, 2006, and 2007.
2010	2006, 2007, and 2008.
2011	2007, 2008, and 2009.
2012	2008, 2009, and 2010.

200 Disclosing Information (Continued)

D Time Period of Consent for Disclosure

Selection of the 2009, 2010, 2011, or 2012 program year applies to participants:

- in programs subject to 2009, 2010, 2011, or 2012 average AGI compliance
- who filed CCC-931 or an acceptable statement from CPA or attorney for 2009, 2010, 2011, or 2012 average AGI compliance and information disclosure.

Note: Participants are to select only the year for which program payments are requested.

*--E Validity of Written Consent

Consent for the disclosure of tax information is valid only if received by IRS within 120 calendar days of the signature date affixed on CCC-931.**--***

F Privacy and Confidentiality Safeguards

Follow the actions described in the following table to safeguard the privacy and confidentiality of the information provided by the program participants.

IF program participants are required to…	THEN FSA personnel are required to…

complete CCC-931, as:
• an individual
• a legal entity
• a member of a legal entity or joint operation
	• accept all CCC-931's for program participants
	• review CCC-931's for:
	  • complete name
	  • correct address
	  • TIN
	  • year selection
	  • signature and related authorities
	  • signature date.

200 Disclosing Information (Continued)

F Privacy and Confidentiality Safeguards (Continued)

IF program participants are required to…	THEN FSA personnel are required to…

provide or mail completed CCC-931's **directly** to the FSA County Office or Service Center at the address specified on CCC-931	for all CCC-931's accepted from participants and determined:
	• incorrect or incomplete:
	  • return CCC-931 to the participants
	  • assist the participants to correctly complete CCC-931
	• correct:
	  • date stamp with current receive date
	  • make and retain a copy of CCC-931's for producer eligibility files
	  • collect and bundle in groups of 100 or less all CCC-931's accepted as correct
	  •*****--complete and include 2 copies of--***** IRS-3210
	  • send bundles by USPS on a regular basis to IRS at the address specified on IRS-3210
	  Notes: If receipts total more than 100 per workweek, group and mail more than once weekly.
	  See Exhibit 8 for an example of a completed IRS-3210.
	  • USPS First-Class mail exception applies.

coordinate the annual filing of CCC-931 with the filing of an application or a request for payments and benefits under all programs subject to the average AGI limitations	coordinate the sending of CCC-931's to IRS with the actions of recording the average AGI certification values from the participant's CCC-931's in the web-based eligibility files.

Note: A completed CCC-931 must be received by IRS within 120 calendar days of the signature date affixed by the participant for the consent to disclosure of tax information to remain valid.

202 Review and Validation Process (Continued)

D Using Data Received From IRS

The data received from IRS will be:

- validated with SCIMS and producer eligibility records
- the foundation of reports to be used for AGI compliance verification purposes.

203 Average AGI Compliance Reports

A Reports

The average AGI compliance reports will identify program participants with the following:

- no data return from IRS
- average AGI amounts that exceed the threshold levels
- average AGI amounts at or below the threshold levels
- no matching records on file with IRS.

B Responsibility for Reports and Associated Mailings of Notifications

All AGI compliance reports and associated mailings of notifications to affected producers will be completed by National and Kansas City Offices.

State Offices and NRCS will be provided a copy of the list of producers:

- identified on the applicable report
- sent the appropriate written notification for any required follow-up actions.

203.4 Reconciliation Process of Participants and CCC-931

A Reconciliation Report

A report will be completed to identify program participants who have received 2009, 2010, 2011, or 2012 program payments, and:

- no data has been received from IRS
- no matching records are found on file with IRS.

***--Note:** County Offices and NRCS will be provided access or a copy of this report.

B Participants Identified

The recording County Office will provide written notice to persons and legal entities identified on the report in subparagraph A that contains the following:

- the requirement to timely complete and submit the enclosed CCC-931 to maintain 2009, 2010, 2011, and/or 2012 payment eligibility**--***

203.4 Reconciliation Process of Participants and CCC-931 (Continued)

*--B Participants Identified (Continued)

- instruction to select either the 2009, 2010, 2011, or 2012 program year, as appropriate
- that completed CCC-931's:
  - are to be mailed to the recording County Office at the return address provided on CCC-931
  - **must** be mailed within 30 calendar days from the date of receipt of the letter
- where and how to obtain additional CCC-931's, if needed.

Note: For an example letter, see subparagraph 204 B.--*

C Persons and Legal Entities Identified for 2012

For 2012 crop, program, and FY's, County Offices are instructed to:

- coordinate recording the average AGI certification values for 2012 in the web-based eligibility files with the mailing of completed CCC-931's to IRS
- periodically run the County Eligibility Report for AGI according to 3-PL (Rev. 1), subparagraph 306 I
- select field, "**Not Filed**" to generate a list of every individual and legal entity in the web-based eligibility system, "AGI" section that has not filed CCC-931 for 2012 payment eligibility purposes.

For all persons and legal entities identified through the County Eligibility Report for 2012, follow instructions in subparagraph B.

*--D Notification Exceptions

If CCC-931 was rejected by the IRS for the selected reason of, "No record found on Master file. No return filed for years checked using this TIN/SSN", then:

- do not send a written notification according to subparagraph B
- consider this individual or legal entity as compliant with the average AGI limitations for the current program year
- retain a copy of the IRS rejection letter with the returned CCC-931 in the individual's or legal entity's eligibility file.--*

203.5 Average AGI Amounts Are Above Threshold Levels

A Average AGI Above Limitations

A report will list participants with indicators that average AGI amounts exceed the limitations for:

- ***--**commodity (including direct, counter-cyclical, and ACRE payments), price support,**--*** and disaster assistance programs

- conservations programs.

B Producers Identified

Persons and legal entities identified on this report will be: *** * ***

- notified in writing by the reviewing authority of the results of the IRS data analysis
- required to provide within 30 calendar days of notification to the reviewing authority:

  - a third party verification from a certified public accountant or an attorney that demonstrates that average AGI does **not** exceed established limits

  - actual tax records for the years in question to demonstrate that average AGI does **not** exceed the established limits.

--**See paragraphs 203.9 and 204 for procedure and examples of nonresponsible participants.**--

203.6 Average AGI Amounts at or Below Threshold Levels

A Average AGI Within Limitations

A report will list participants with indicators that average AGI amounts are within the limitations for all programs.

No further actions will be required of:

- participants identified for the applicable crop, program, and FY

- County Offices in regard to eligibility files of identified participants for the applicable crop, program, and FY.

203.7 FSA Review and Compliance Determinations

A Review of Questionable Average AGI Certifications Identified Through Using IRS Data

The reviewing authority will:

- **not** be the local FSA office staff or COC
- **be** SED
- review tax data or other information supplied by the participant
- if necessary, calculate the average AGI values based on supplied information
- confer with the participant if questions arise in this process
- determine AGI compliance for the participant
- provide results and conclusions of the review.

Note: SED's are delegated authority to act on initial AGI review determinations referenced in subparagraph B, after performing the review actions specified in this subparagraph.

B Determination of Participant's Compliance With Average AGI

SED's will:

- issue written notice of determination, adverse or otherwise, to the participant
- include right to SED reconsideration, mediation, and appeal right to NAD according to 1-APP
- send a copy of determinations involving NRCS participants to the State Conservationist
- follow subparagraph 204 D for an example notification letter for AGI compliance.

*--C AGI Compliance Review File for State Office Only

An AGI Compliance Review File created for each participant and program year reviewed should contain the following after completing the review:

- all documentation (CPA or attorney statement, or tax information) received from the participant
- copy of subsidiary print **before** completing the review
- copy of the original AGI certification (CCC-926, CCC-931, or CPA or attorney certification)
- copy of the Average AGI Calculation Worksheet (subparagraph 203.8 C)
- copy of subsidiary print **after** the SED determination was updated in the web eligibility file, if applicable
- copy of the written notice of determination or completion of the review sent to the participant.

Note: See Exhibit 21 for AGI Compliance Review Checklists.**--***

203.8 * * * Average AGI Compliance Review Process

A Information Collection and Comparison

A review of average AGI compliance requires the following actions:

- collecting the copy of average AGI certification, either CCC-926 or CCC-931 or acceptable statement from CPA or attorney, submitted by the producer for the applicable year

- collecting complete tax returns for each of the 3-years qualification period; or acceptable financial documents if filing tax returns is not required; or an acceptable statement from CPA or attorney with all required items that illustrate and document income levels and average AGI compliance for the producer for the applicable year

- comparing both sets of information to the rules and regulations governing average AGI for payment eligibility for the applicable year subject to review

- verify the following, as applicable:

  - subsidiary flags are accurately set to reflect the certification of record
  - there is a valid CCC-926/CCC-931 on file to support the certification of record
  - the producer received program payments or benefits either directly or indirectly.

B Results and Findings

The results and findings of the review and evaluation are the basis to determine if program participant meets or exceeds 1 or more of the average AGI limitations.

C Worksheet for Calculating Average AGI for 2009 and Subsequent Years Based on the Submission of Tax Returns

Use the following worksheet to calculate the average AGI for a person or legal entity based on the submission of tax returns.

Step	Action	Result
1	Enter the total AGI (both nonfarm and farm) for the 3 complete taxable years preceding the most immediately preceding complete taxable year of the year for which program benefits are requested. Year _____ Amount $_____ Specify From Where Information Was Obtained (for example, IRS Form 1040, Line 37) _____ _____ _____ _____ _____ _____ _____ **Note:** See paragraph 191 for guidance.	
2	Total the dollar amounts in step 1.	$
3	Calculate the **average AGI** by dividing the result of step 2 by the number of years in step 1.	$

203.8 * * * Average AGI Compliance Review Process (Continued)

C Worksheet for Calculating Average AGI for 2009 and Subsequent Years Based on the Submission of Tax Returns (Continued)

Step	Action	Result
4	Enter AGI for the same 3 years in step 1 that was derived from all activities related to farming, ranching, and forestry operations. Year _____ Amount $_____ Specify From Where Information Was Obtained (for example, IRS Form 1040, Line 37) _____ _____ _____ _____ _____ _____ _____ **Note:** See paragraph 191 for guidance.	
5	Total the dollar amounts in step 4.	$
6	***--**Calculate the **average adjusted gross farm income** by dividing the result of step 5 by the number of years in step 4.	$
7	Calculate the **average adjusted gross nonfarm income** by subtracting the result of step 6 from the result of step 1.	$
8	If the result of step 3 and step 6 is greater than zero and not a negative number, calculate the **percentage of the average adjusted gross farm income from the average AGI** by dividing the result of step 6 by the result of step 3, and multiply by 100. If the result of either step 3 or step 6 is zero or a negative number enter zero in step 8.**--***	%
	If **step 8 is 66.66% or greater**, and the person or legal entity has income for equipment sales or input services, go to step 14; otherwise, go to step 9.	
	Determination	**Eligible Based on Determination in This Step Only**
9	If the result of step 7 is $500,000 or less, the person or legal entity is **eligible** for all commodity (including direct, counter-cyclical, and ACRE payments under DCP and ACRE), MILC, marketing loan gains, LDP payments, disaster assistance, and conservation program benefits.	☐ Yes ☐ No
10	If the result of step 6 is $750,000 or less and step 9 is yes, the person or legal entity is **eligible for direct payments** under DCP and ACRE.	☐ Yes ☐ No
11	**For 2012 only**, if the results of step 3 is $1 million or less, step 6 is $750,000 or less, and step 7 is $500,000 or less, then the person or legal entity is eligible for 2012 direct payments under 2012 DCP and ACRE.	☐ Yes ☐ No
12	If the result of step 7 is $1 million or less, the person or legal entity is **eligible for all conservation program payments**.	☐ Yes ☐ No
13	If the result of step 7 exceeds $1 million, but the result of step 8 is at least 66.66%, the person or legal entity is **eligible for all conservation program payments**.	☐ Yes ☐ No

203.8 * * * Average AGI Compliance Review Process (Continued)

C Worksheet for Calculating Average AGI for 2009 and Subsequent Years Based on the Submission of Tax Returns (Continued)

Step	Action	Result
14	If the result of step 8 is 66.66 percent or more, and AGI derived from equipment sales and input services are not already included in steps 4, 5, and 6, enter the total AGI derived from equipment sales and input services for the same 3 years in step 1. Year _____ Amount $_____ Specify From Where Information Was Obtained (for example, IRS Form 1040, Line 37) _____ _____ _____ _____ _____ _____ _____ **Note:** See paragraph 191 for guidance.	
15	Total the dollar amounts in step 14.	$
16	Calculate the **average AGI** from equipment sales and input services by dividing the result of step 15 by the number of years in step 1.	$
17	If step 6 does not already include AGI derived from equipment sales and input services in steps 4 and 5, calculate the **average adjusted gross farm income** including equipment sales and input services by adding the result of step 16 to step 6.	$
18	Calculate the **average adjusted gross nonfarm income** by subtracting the result of step 17 from the result of step 3.	$
19	Calculate the **percentage of the average adjusted gross farm income from the average AGI** by dividing the result of step 18 by the result of step 3, and multiply by 100.	%
* * *	* * *	* * *

203.8 * * * Average AGI Compliance Review Process (Continued)

C Worksheet for Calculating Average AGI for 2009 and Subsequent Years Based on the Submission of Tax Returns (Continued)

Step	Action	Result
	Determination	**Eligible Based on Determination in This Step Only**
***--**20	If the result of step 18 is $500,000 or less, the person or legal entity is **eligible** for all commodity (including direct, counter-cyclical, and ACRE payments under DCP and ACRE), MILC, marketing loan gains, LDP payments, disaster assistance, and conservation program benefits.	☐ Yes ☐ No
21	If the result of step 17 is $750,000 or less, the person or legal entity is **eligible for direct payments** under DCP and ACRE.	☐ Yes ☐ No
22	**For 2012 only**, if the results of step 3 is $1 million or less, step 17 is $750,000 or less, and step 18 is $500,000 or less, then the person or legal entity is eligible for 2012 direct payments under 2012 DCP and ACRE.	☐ Yes ☐ No
23	If the result of step 18 is $1 million or less, the person or legal entity is **eligible for all conservation program payments**.	☐ Yes ☐ No
24	If the result of step 18 exceeds $1 million, but the result of step 19 is**--*** at least 66.66 percent, the person or legal entity is **eligible for all conservation program payments**.	☐ Yes ☐ No

203.8 * * * Average AGI Compliance Review Process (Continued)

D Instructions, Terms, and Conditions for CPA or Attorney Certifications

Certifications will only be accepted from licensed CPA's and attorneys. Statements from enrolled agents will **not** be accepted. If a letter is submitted by CPA or an attorney to certify compliance with an average AGI limitation for which a person or entity received notification of possible noncompliance, the letter **must** include the following elements.

- CPA's or attorney's State license identification number.

- Explanation of the reason for the certification.

  Note: See subparagraph 204 C for an example letter.

- Acknowledgement of having read, understood, and agreement to the terms and conditions of this subparagraph, including the following.

  - CPA/attorney acknowledges and agrees to having reviewed and being familiar with the average AGI limitations, definitions, and compliance requirements in 7 CFR Part 1400, with the programs involved, having made such inquiries as are necessary to apprise CPA/attorney of such matters, and understands that the tax years used to calculate the average AGI for program year 2009 are 2005, 2006, and 2007; for program year 2010 are 2006, 2007, and 2008.

  - The representations CPA/attorney makes in the certification may be relied on by the Government to allow benefits to be retained or received, and that a false certification can result in sanctions including criminal sanctions for persons associated with the false representations.

  - CPA/attorney **must** notify the Government of any material change in the facts or circumstances that would make the certification no longer accurate and that the failure to notify the Government of such a change will be considered of itself to be a false representation subject to sanction.

  - Additional information may be requested by USDA, an audit may be conducted by USDA, and further inquiry may be made of IRS to ensure that all information filed with USDA by all parties is accurate. USDA may request additional certifications as may be needed and may require certified copies of actual filings.

- Relevant information on the most recently filed tax returns for the period in question.

  Note: See subparagraph 204 C for an example letter.

- If applicable, a detailed explanation of how the applicable average AGI limitations were **not** exceeded, even though the information on tax returns indicates otherwise.

Note: The information in this subparagraph is what is referred to in the example letter displayed in subparagraph 204 C.

203.8 * * * Average AGI Compliance Review Process (Continued)

E Admissions

If a participant submits a revised CCC-931, or certification is received that the participant ***--**exceeds any of the average AGI limitations for any program, do the following:

- accept the written material and keep with the file
- consider the AGI compliance review complete
- reset the applicable coverage AGI values to "producer not met" in the web-based eligibility files. See 3-PL (Rev. 1), paragraph 31.

If a participant affirms that 1 or more of the average AGI limitations are exceeded, FSA is:

- **not** required to issue a decision on ineligibility
- **not** required to issue an adverse decision on average AGI noncompliance
- required to issue adverse overpayment notifications for all programs that FSA administers.**--***

203.9 Payment Refunds and Collections

A Participant Fails to Timely Act or Is Determined AGI Noncompliant

If a person or legal entity fails to timely respond to written notices on AGI compliance requirements, or has been determined noncompliant with the applicable AGI limitations, all payment refund determinations and collection efforts will be initiated by:

- NRCS for all payments under programs it administers subject to this AGI compliance determination
- FSA for all payments under programs it administers subject to this AGI compliance determination.

See paragraph 204 for example letters for AGI compliance.

204 Example Letters for AGI Compliance (Continued)

G Example Letter for Disapproving Reconsideration (Continued)

[*Name*]
Page 3

If you believe that this decision is erroneous, you have the following options:

Mediation

Mediation is available as part of FSA's informal appeal process. Mediation may enable us to narrow the issues and resolve the matter by mutual agreement. You may have to pay all or part of the cost of mediation. If you request mediation, the running of the time frame in which you may file an appeal stops. When mediation closes, the clock restarts and you will have the balance of the days remaining in that period to file an appeal. To request mediation, you must submit your written request no later than 30 calendar days after you receive this notice. To request mediation, write to the FSA State Executive Director at the following address: [*Insert SED address or Mediation Program address, as applicable.*]

Appeal to the Department of Agriculture National Appeal Division (NAD)

You may appeal this determination to NAD by filing a written request no later than 30 calendar days after you receive this notice in accordance with the NAD Appeal procedures found at 7 CFR Part 11. If you appeal to NAD, you have the right to a hearing which you or your representative may attend. Once a hearing with NAD begins, you waive any rights you might have to reconsideration, appeal to FSA, and mediation. To appeal, you must write to NAD at the following address, explain why you believe this determination is erroneous, and provide a copy to FSA. You must personally sign your written appeal to NAD and include a copy of this letter. [*Insert applicable NAD address.*]

If you do not timely exercise one of the preceding options, this shall be the final administrative determination with respect to this matter in accordance with the regulations at 7 CFR Part 780 and 7 CFR Part 11.

Sincerely,

[*Name*]
State Executive Director

204 Example Letters for AGI Compliance (Continued)

*--H Example for the Requesting Information

The following is an example for the request of a response for additional information from the participant previously notified of the AGI compliance review.

[*Date*]

[*Address Block*]

Dear [*Name*]:

The Farm Service Agency (FSA) recently sent you a letter dated [Date] requesting information so that FSA can complete its review of your average Adjusted Gross Income (AGI) compliance and subsequent eligibility for **[*2009/2010/2009 and 2010*]** program payments and benefits. As of the date of this letter, [*insert 1 of the following phrases and modify it to fit the specific instance or situation (these examples are not inclusive and only describe some situations)*: [*we have not received a response from you regarding this matter, OR, we received incomplete sets of tax returns, OR, the statement prepared by John Doe, CPA, fails to provide the required information as specified in the attached example of a CPA statement, OR the information submitted showing how income would have been reported by spouses if separate returns had been filed was not accompanied by a certification of a CPA or attorney, as required OR the information submitted appears to be for a person or legal entity that is not the subject of our review. – Please submit the information for you as the person or legal entity that is subject to these AGI compliance provisions*].

We request that you respond to this second request for additional information within 14 days of the date of this letter in order to avoid a determination of ineligibility for **[*2009/2010/2009 and 2010*]** program benefits. A determination of ineligibility would result in you and/or any legal entity in which you have an interest being required to refund all **[*2009/2010/2009 and 2010*]** program payments and benefits plus interest that you have directly or indirectly received.

Please mail your response to:

[*State*] Farm Service Agency
Attn: AGI Compliance Review
[*Mailing Address*]
[*city, State, ZIP+4*]

All information provided in response to this inquiry will be maintained in a system of records and treated by FSA as confidential. If you have questions or concerns, please contact ----------, Program Specialist, at (000) 000-0000.

Thank you for your cooperation.

Sincerely,

State Executive Director
Your State FSA Office

--*

204 Example Letters for AGI Compliance (Continued)

*--I Example Notification for AGI Compliance Review Completion

The following is an example for the notification of a participant following the completion of the AGI compliance review.

[*Date*]

[*Address Block*]

Dear [*Name*]:

The Farm Service Agency (FSA) has completed an examination of your [2009/2010/2009 and 2010] average Adjusted Gross Income (AGI) [*certification/certifications*] and the additional information submitted.

Based on the documents you provided, FSA has determined that you comply with the [*$500,000 nonfarm AGI limitation for commodity program benefits/$750,000 farm AGI limitation for direct payments under the DCP or ACRE program/$1 million nonfarm AGI limitation for conservation benefits*].

Consequently, with the regard to the provisions of average AGI compliance, you are eligible for [*2009/2010/2009 and 2010*] program payments affected.

The review for [*2009/2010/2009 and 2010*] average AGI compliance is now considered complete. We appreciate your cooperation.

Sincerely,

SED, State Office

cc: State Office
County Office

--*

205 (Reserved)

Reports, Forms, Abbreviations, and Redelegations of Authority

Reports

None.

Forms

This table lists all forms referenced in this handbook.

Number	Title	Display Reference	Reference
AD-1026	Highly Erodible Land Conservation (HELC) and Wetland Conservation (WC) Certification		Ex. 14
CCC-501A	Member's Information		Ex. 10
CCC-501B	Designation of "Permitted Entities"		Ex. 10
CCC-502	Farm Operation Plan for Payment Eligibility Review for _____		Ex. 10
CCC-509	2009-2012 Direct and Counter-Cyclical Program Contract		3, 119, 157
CCC-526	Payment Eligibility Average Adjusted Gross Income Certification		190
CCC-526C	Payment Eligibility - Average Adjusted Gross Income Certification For Certain Conservation Reserve Program Contracts Approved Before October 1, 2008		190, Ex. 14
CCC-580	Milk Income Loss Contract (MILC)		186
CCC-900-1	Payment Eligibility/Limitation Selection, Notification, and Information Collection Checklist 1	421	
CCC-900-2	Payment Eligibility/Limitation Documents Received From Producer Checklist 2	421	
CCC-900-3	Payment Eligibility/Limitation Contribution Worksheet	421	
CCC-900-4	Payment Eligibility/Limitation Substantive Change and Other Determinations Worksheet	421	
CCC-900-5	Payment Eligibility/Limitation Summary of Findings and Recommendations	421	442
CCC-901	Member's Information - 2009 and Subsequent Years	99	Text, Ex. 10, 14
CCC-902 Automated	Farm Operating Plan for Payment Eligibility - 2009 and Subsequent Program Years	130.5, 132	Ex. 10, 14
CCC-902 Continuation	Continuation Sheet for Leased or Owned Land (Attach to Form CCC-902I or CCC-902E)	140	Text, Ex. 10
CCC-902E	Farm Operating Plan for an Entity - 2009 and Subsequent Program Years	120, 122, 140, 149, 158, 170	Text, Ex. 10
CCC-902E Continuation	Continuation Sheet for Farm Operating Plan for an Entity - 2009 and Subsequent Program Years	141	34, 120

Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

Forms (Continued)

Number	Title	Display Reference	Reference
CCC-902EYR	End-of-Year Report of Payment Limitation Review	441	402, 442
CCC-902I	Farm Operating Plan for an Individual - 2009 and Subsequent Program Years	130	Text, Ex. 10
CCC-902I Short Form	Farm Operating Plan for an Individual - 2009 and Subsequent Program Years	131	34, 74
CCC-903	Worksheet for Payment Eligibility and Payment Limitation Determinations	207	33, 109
CCC-926 1/	Average Adjusted Gross Income (AGI) Statement		Text, Ex. 10, 14, 21
CCC-927 1/	Consent to Disclosure of Tax Information - Individual		Ex. 11-13
CCC-928 1/	Consent to Disclosure of Tax Information - Legal Entity		Ex. 11-13
CCC-929	Average Adjusted Gross Income (AGI) Supplemental	201	199, 200
CCC-931	Average Adjusted Gross Income (AGI) Certification and Consent to Disclosure of Tax Information	200.5	Text, Ex. 12, 21
CRP-1	Conservation Reserve Program Contract		13, 187, 190, Ex. 10
CRP-1F Addendum	CRP-1 Modification to Extend the Contract Expiration Date for _____ Years		Ex. 10
FSA-211	Power of Attorney		200.5
I-151 1/	Alien Registration Receipt Card		107
I-551	Permanent Resident Card/Resident Alien Card	107	108, 120, 130, 131, 141, Ex. 2
IRS-990	Return of Organizations Exempt From Income Tax		97
IRS-990-T	Exempt Organization Business Income Tax Return (and proxy tax under section 6033(e))		191, Ex. 21
IRS-1040	U.S. Individual Income Tax Return		188, 191, 200.5, 203.8, Ex. 21
IRS-1041	U.S. Income Tax Return for Estates and Trusts		191, Ex. 21
IRS-1065	U.S. Return of Partnership Income		191, Ex. 21
IRS-1120	U.S. Income Tax Return for an S Corporation		191, Ex. 21
IRS-1120S	U.S. Income Tax Return for an S Corporation		191, Ex. 21
IRS-2848	Power of Attorney and Declaration of Representative		200.5
IRS-3210	Document Transmittal	Ex. 8	200

1/ 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
AMA	Agriculture Management Assistance	11, 187
AWEP	Agricultural Water Enhancement Program	11, 187
CBWP	Chesapeake Bay Watershed Program	11, 187
CCPI	Cooperative Conservation Partnership Initiative	11, 187
CPA	Certified Public Accountant	189, 200, 200.5, 203.7, 203.8, 204, Ex. 21
CSTP	Conservation Stewardship Program	11, 14, 187
EIN	employer identification number	136, 156, 168, 200, Ex. 2
FRPP	Farm and Ranchland Protection Program	11, 187
IRA	individual retirement account	167
LLP	limited liability partnership	34, 52, 147, 148, 149, 191
LP	limited partnership	34, 52, 120, 147, 148, 149, 191, Ex. 2
MLG	marketing loan gain	3, 11, 12, 14, 186
TAAF	Trade Adjustment Assistance for Farmers	11, 14, 34, 187
WHIP	Wildlife Habitat Incentives Program	11, 14, 187

Redelegations of Authority

This table lists redelegations of authority in this handbook.

Redelegation	Reference
Making Determination Decisions	216
Monitoring Determinations	216

Impact of Food, Conservation, and Energy Act of 2008 on CRP-1 Payment Eligibility and Payment Limitation

***--Note:** See subparagraph 190 E for forms required for AGI provisions.

Type of Action	Date Action Was Approved		Applicable Payment Eligibility/Limitation Rules	Forms	Example
	10/1/02 Through 9/30/08	10/1/08 or Later			
New CRP-1	✓		Based on original CRP-1 **Approval Date**: Person, AEIF, Permitted Entity.	CCC-501A CCC-501B CCC-502	COC approves original CRP-1 **after** October 1, 2002.
Succession-in-Interest (When CRP-1 was **not** subject to AGI before succession.)	✓	✓	Based on original CRP-1 **Effective Date**: Person, AEIF, Permitted Entity.	CCC-501A CCC-501B CCC-502	New producer succeeds to a 1999 CRP-1 approved July 1, 2004. According to 1-PL, AGI rules do **not** apply for CRP-1 with an effective date before October 1, 2002; therefore, AGI rules will **not** apply to the successor.
Succession-in-Interest (When CRP-1 was subject to AGI before succession.)	✓	✓	Based on the CRP-1 succession **Approval Date**: Person, AEIF, Permitted Entity.	CCC-501A CCC-501B CCC-502	New producer succeeds to a 2004 CRP-1, effective August 1, 2009. (1-PL rules apply for life of CRP-1 based on the original October 1, 2003, effective date.)
	Before 12/29/06				
REX Extension (When CRP-1 was **not** previously subject to AGI.)	✓		Based on CRP-1 **Extended Period Start Date**: Person, AEIF, Permitted Entity.	CCC-501A CCC-501B CCC-502	COC approves a 3-year extension to a 1997 CRP-1 on November 16, 2006. Effective date of the extension is October 1, 2007. (CRP-1F Addendum activates AGI from the CRP-1 extended period.)
REX Re-Enrollment (Created new CRP-1 subject to AGI.)	✓		Based on the re-enrollment CRP-1 **Approval Date**: Person, AEIF, Permitted Entity.	CCC-501A CCC-501B CCC-502	COC approves a re-enrollment (new CRP-1) for a 2000 CRP-1 on December 5, 2006. Effective date for the re-enrollment is October 1, 2010. (1-PL rules will apply based on the approval date **before** October 1, 2008.)
New CRP-1		✓	Based on CRP-1 **Approval Date**: Direct Attribution.	CCC-901 CCC-902 **1**/	COC approves original CRP-1 **after** October 1, 2008.
Succession-in-Interest (When CRP-1 was subject to 2008 Act AGI before succession.)		✓	Based on CRP-1 **Approval Date**: Direct Attribution.	CCC-901 CCC-902 **1**/	New producer succeeds to a 2009 CRP-1, effective August 1, 2011.

1/ CCC-902 parts that are applicable according to subparagraph 34 D.--*

Impact of Food, Conservation, and Energy Act of 2008 on CRP-1 Payment Eligibility and Payment Limitation (Continued)

***--**

Type of Action	Applicable Payment Eligibility/Limitation Rules	Forms	Example
	Action Approved 10/1/02 thru 9/30/08		
New CRP-1	Based on CRP-1 **Effective Date**: Person, AEIF, Permitted Entity.	CCC-50A CCC-501B CCC-502	New CRP-1 is approved September 10, 2008. New producer succeeds to a 1999 CRP-1, effective July 1, 2008.
Succession-in-Interest (When CRP-1 **was not** subject to AGI **before** succession.)	Based on the parent CRP-1 **Effective Date**: Person, AEIF, Permitted Entity.		
Succession-in-Interest (When CRP-1 was subject to AGI before succession.)	Based on the parent CRP-1 **Effective Date**: Person, AEIF, Permitted Entity.		New producer succeeds to a 2004 CRP-1, effective August 1, 2008.
REX Extension (When CRP-1 **was not** previously subject to AGI.)	Based on the **Extended Period Start Date**: Person, AEIF, Permitted Entity.		COC approves a 3-year extension to a 2000 CRP-1 on November 16, 2006. Effective date of the extension is October 1, 2010.
Re-Enrollment (New CRP-1 subject to AGI.)	Based on the re-enrollment CRP-1 **Approval Date**: Person, AEIF, Permitted Entity.		COC approves a re-enrollment (new CRP-1) on December 5, 2006. Effective date for the re-enrollment is October 1, 2009.
	Action Approved 10/1/08 or Later		
New CRP-1	Based on CRP-1 **Approval Date**: Direct Attribution.	CCC-901 CCC-902 **1**/	New CRP-1 is approved on December 12, 2009.
Succession-in-Interest (When CRP-1 was **not** subject to AGI before succession.)	Based on the original CRP-1 **Approval Date**: Person, AEIF, Permitted Entity.	CCC-501A CCC-501B CCC-502	New producer succeeds to a 2001 CRP-1, approved December 10, 2008.
Succession-in-Interest (When CRP-1 was subject to AGI before succession.) REX Extension during the extended period.	Based on CRP-1 **Approval Date**: Person, AEIF, Permitted Entity.	CCC-501A CCC-501B CCC-502	New producer succeeds to a 2006 CRP-1, approved June 10, 2009.
Succession-in-Interest (When CRP-1 was subject to 2008 Act AGI before succession.)	Based on CRP-1 **Approval Date**: Direct Attribution.	CCC-901 CCC-902 **1**/	New producer succeeds to a 2009 CRP-1 effective August 31, 2010.

1/ CCC-902 parts that are applicable according to subparagraph 34 D.--*****

*--AGI Compliance Review Checklists

A Example of CL-1 Checklist

The following checklist shall be included in the State Office AGI Compliance Review File created for each participant and program year reviewed.

CL-1 **AGI Compliance Review Checklist**
CPA or Attorney Certification Statement

Producer Name:		Year(s) Reviewed:		2009		2010			
								Yes	No	N/A
1. Did the participant submit the required documentation within the required timeframe? Date documentation received: _____										
2. Has the CPA's or Attorney's license been verified through a reliable source? (***Optional*** *- Print a copy of the verification and place in the review file if credentials or status are in question.)*										
3. Was the statement prepared for the correct participant subject to the AGI compliance review?										
4. Does the statement contain all the required elements to be considered acceptable for average AGI compliance verification purposes? *(Exhibit 1)*										
5. Has the statement been evaluated for the following: • the correct and applicable 3-year period for qualification; • the average AGI limitations to which compliance is certified; • the referenced schedules and line items of filed tax returns; • the filing date(s) for the referenced tax returns.										
6. Has the Average AGI Calculation Worksheet been completed to verify correctness of the computations?										
7. Has a copy of the AGI certification (CCC-926, CCC-931, or CPA or attorney certification) been received from the recording County Office?										
8. Has a copy of the participant's Subsidiary Print been printed for the applicable year(s) being reviewed?										
9. Was the participants AGI certification correctly recorded in the web eligibility file? (Note: Compare subsidiary print to what was certified on the participant's original AGI certification.)										
10. If the participant is determined to be ***not eligible*** for the year(s) reviewed, has the web eligibility file been updated to reflect the determinations (*SED determination field*)?										
11. Has written notice of the determinations been provided to the participant, and if adverse, has the options of reconsideration to the SED, mediation, and appeal rights to NAD been included? Date of the letter: _____										
12. For participants determined ***not eligible***, has a receivable been properly established in NRRS for the program benefits received for the applicable year(s)?										

AGI Compliance Review file should contain the following documents upon completion of the review:

- documentation received from the participant;
- copy of subsidiary print prior to completing review;
- copy of the original AGI certification (CCC-926, CCC-931, or CPA or attorney certification;
- copy of the Average AGI Calculation Worksheet;
- copy of subsidiary print after SED determination has been updated in the web eligibility file *(if applicable)*;
- copy of the written notice of determination sent to participant.

Name of person completing review: _____

--*

*--AGI Compliance Review Checklists (Continued)

A Example of CL-1 Checklist (Continued)

CL-1 **AGI Compliance Review** **Exhibit 1**
CPA or Attorney Certification Statement

Reference 4-PL, Par. 203.8 D and 204 C

Certifications will only be accepted from licensed CPA's and attorneys. Statements from enrolled agents will **not** be accepted. If a letter is submitted by CPA or an attorney to certify compliance with an average AGI limitation for which a person or entity received notification of possible noncompliance, the letter **must** include the following elements.

- CPA's or attorney's State license identification number.
- Explanation of the reason for the certification.
- Acknowledgement of having read, understood, and agreement to the terms and conditions of 4-PL subparagraph 203.8, including the following:
  - CPA/attorney acknowledges and agrees to having reviewed and being familiar with the average AGI limitations, definitions, and compliance requirements in 7 CFR Part 1400, with the programs involved, having made such inquiries as are necessary to apprise CPA/attorney of such matters, and understands that the tax years used to calculate the average AGI for program year 2009 are 2005, 2006, and 2007; for program year 2010 are 2006, 2007, and 2008.
- Relevant information on the most recently filed tax returns for the period in question, which includes:
  - the correct and applicable 3-year period for qualification;
  - the average AGI limitations to which compliance is verified;
  - the referenced schedules and line items of filed tax returns;
  - the filing date(s) for the referenced tax returns.
- If applicable, a detailed explanation of how the applicable average AGI limitations were **not** exceeded, even though the information on tax returns indicates otherwise.

--*

***--AGI Compliance Review Checklists (Continued)**

B Example of CL-2 Checklist

The following checklist shall be included in the State Office AGI Compliance Review File created for each participant and program year reviewed.

CL-2 **AGI Compliance Review Checklist**
IRS Tax Information - Returns and Schedules

Producer Name:		Year(s) Reviewed:	☐ 2009	☐ 2010

	Yes	No	N/A
1. Did the participant submit the required documentation within the required timeframe? Date documentation received: _____	☐	☐	
2. Was the tax information provided for the correct participant subject to the AGI compliance review?	☐	☐	
3. Was the tax information signed, or otherwise verified as filed with the IRS, by the participant subject to the AGI compliance review?	☐	☐	
4. Were the sets of tax returns complete as to be considered acceptable for average AGI compliance verification purposes?	☐	☐	
5. Has the tax information been evaluated for the following: • the correct and applicable 3-year period for qualification; • the applicable forms, schedules, and line items as needed to identify all farm and nonfarm income amounts; ***(Exhibit 1)*** • the filing date(s) in comparison to the applicable 3-year period; • the average AGI limitations to which compliance is certified.	☐	☐	
6. Has the Average AGI Calculation Worksheet been completed to verify correctness of the participant's AGI certification?	☐	☐	
7. Has a copy of the AGI certification (CCC-926, CCC-931, or CPA or attorney certification) been received from the recording County Office?	☐	☐	
8. Has a copy of the participant's subsidiary print been printed for the applicable year(s) being reviewed?	☐	☐	
9. Was the participants AGI certification correctly recorded in the web eligibility file? (Note: Compare subsidiary print to what was certified on the participant's original AGI certification.)	☐	☐	
10. If the participant is determined to be ***not eligible*** for the year(s) reviewed, has the web eligibility file been updated to reflect the determinations (*SED determination field)*?	☐	☐	☐
11. Has written notice of the determinations been provided to the participant, and if adverse, has the options of reconsideration to the SED, mediation, and appeal rights to NAD been included? Date of the letter: _____	☐	☐	
12. For participants determined ***not eligible***, has a receivable been properly established in NRRS for the program benefits received for the applicable year(s)?	☐	☐	☐

AGI Compliance Review file should contain the following documents upon completion of the review:

- all tax documentation received from the participant;
- copy of subsidiary print prior to completing review;
- copy of the original AGI certification (CCC-926, CCC-931, or CPA or attorney certification;
- copy of the Average AGI Calculation Worksheet;
- copy of subsidiary print after SED determination has been updated in the web eligibility file *(if applicable)*;
- copy of the written notice of determination sent to participant.

Name of person completing review: _____

--*

*--AGI Compliance Review Checklists (Continued)

B Example of CL-2 Checklist (Continued)

CL-2 **AGI Compliance Review** **Exhibit 1**
IRS Tax Information - Returns and Schedules

Reference 4-PL, Par. 191

The following provides guidance for the forms used when determining AGI using data reported to IRS.

IF determining total AGI for...	**THEN see IRS Form...**	**AND use the amount entered on...**
Corporations	1120	either of the following: • line 30 (total taxable income), **plus** line 19 (charitable contributions) for years 2000 through 2010 • for S corporations, use only on IRS-1120S, line 21 (ordinary business income)
Estates or trusts	1041	line 22 (taxable income) **plus** line 13 (charitable deductions) for years 2000-2010.
LLCs, LLPs, LPs, or other similar type organization	1065	line 22 (total income from trade or business) **plus** line 10 (guaranteed payments to partners) for years 2000-2010.
Persons	1040	line 37 (AGI) for 2005-2010.
Tax-exempt or charitable organizations	990-T	line 34 (unrelated business taxable income) **minus** income that CCC determined to be from non-commercial activity for years 2000-2010.

The following provides guidance on the supporting schedules and forms that may be used when determining farm AGI using data reported to IRS.

Schedule/Form	**Line item and Description**
Schedule C	line 31 – Net profit or (loss).
Schedule D	line 11 – Gains from Form 4797, Part I, long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824..
Schedule E	line 42 – Reconciliation of farming and fishing income.
Schedule F	line 36 – Net farm profit or (loss).
Form 4797	line 4 – Section 1231 gain from installment sales from Form 6252, line 26 or 37. (**Note:** This amount is carried forward to Schedule D, line 11.)
Form 4835	line 32 – Net farm rental income or (loss). (**Note:** This amount is carried forward to Schedule E, line 40.)
Form 6252	line 24 – Installment sale income. (**Note:** This amount in carried forward to Schedule D, line 11 and to Form 47 97, line 4.)

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