Frequently Asked Questions

1. Is income from the following considered farm or non-farm income for AGI purposes:
   a. sale of farmland that will be developed?

      Farm income, unless development or conversion had already commenced.

   b. salary or fees received for managing farms for other farming operations?

      Non-farm income because the recipient is providing a service for another operation.

2. If two individuals are combined as one "person" for payment limitation purposes, is their AGI determination based on their combined adjusted incomes?

   No, the AGI certification is not based on payment limitation "person" determinations.

3. If a 25% share member of a partnership is determined to be ineligible due to AGI provisions or does not certify, is the partnership still eligible?

   Yes. However the payments to the partnership will be reduced by an amount that is commensurate with the share of the ineligible member (25% in this case). This reduction also applies to entities.

4. Do stockholders of a publicly-traded corporation have to certify?

   Yes, there are no exceptions. If a stockholder does not certify or is not eligible, the payment will be reduced. See question 4.

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Frequently Asked Questions (Continued)

5. Can FSA request documents, such as tax records and financial statements, to verify compliance with the AGI provision?

   Yes. Failure to provide information that would verify compliance of this provision will result in ineligibility or additional consequences. In most cases, the IRS Schedule F and/or other comparable tax return records will provide adequate information to verify compliance.

Adjusted Gross Income (AGI) Worksheet

1	Program Year (PY)		
2	AGI from the 3 previous years from farming, ranching, forestry, and aquaculture	Year	Amount
			$
			$
			$
3	Average AGI from farming, ranching, forestry, and aqua.	Avg of Step 2 amounts	$
4	AGI from the 3 previous years from all sources (agricultural and non-agricultural)	Year	Amount
			$
			$
			$
5	Average AGI from all sources	Avg of Step 4 amounts	$
6	Adjusted Gross Income Percentage	(3) / (5)	%
7	Is the result of Step 6 at least 75%	**If Yes**	**Eligible**
		If No	**Go to Step 8**
8	Does Step 5 exceed $2.5 million.	**If Yes**	**Not Eligible**
		If No	**Eligible**

For More Information

Contact your local FSA Office for additional information or to address your questions. General information is available on Form CCC-526 and in the Federal Regulations (7 CFR §1400.600 - §1400.603). Also, you may view the factsheet entitled "Payment Eligibility and Limitations" from the FSA web site (www.fsa.usda.gov).

USDA Farm Service Agency

UNITED STATES DEPARTMENT OF AGRICULTURE
Arkansas State FSA Office

PAYMENT ELIGIBILITY

Adjusted Gross Income Provision

April 2006

Payment Eligibility Overview

The Farm Security and Rural Investment Act of 2002 authorized payments to which payment limitation and payment eligibility provisions are applicable and added a $2.5 million average adjusted gross income (AGI) limitation.

Average Adjusted Gross Income Limitation

An individual or entity shall **not** be eligible for certain program benefits during a crop, program, or fiscal year, if **both** of the following apply:

- the three-year average of the adjusted gross income (AGI) for the individual or entity exceeds $2.5 million;
- less than 75 percent of the average AGI is derived from farming, ranching or forestry operations.

Definitions

Adjusted gross income is the amount of AGI the individual reported to the Internal Revenue Service (IRS) on the appropriate tax filing documents or if AGI was not reported to the IRS, a comparable measure of income as determined by FSA.

Average adjusted gross income for the individual or entity is the average of the adjusted gross income, or comparable measure, of the individual or entity over the three tax years immediately preceding the year for which program benefits are requested.

Bottom line: You are eligible if at least 75% of your average adjusted gross income is from agriculture.

Is it really this simple? Read on!

Information provided in this pamphlet does not supersede National operating procedure or Regulations provided in 7 CFR §1400.

What programs does AGI apply to?

- Direct and Counter-cyclical Program
- Marketing Loan Gains and Loan Deficiency Payments
- Trade Assistance Act
- Conservation Reserve Program
- Conservation Security Program
- Environmental Quality Incentives Program
- Grasslands Reserve Program
- Wetlands Reserve Program
- Other payments and programs, as legislated, such as the 2003/2004 Crop Disaster Program.

What income is included as "Income from farming, ranching or forestry operations"?

- The production of crops, livestock, unfinished raw forestry, and aquaculture products
- The sale of agricultural land, farm water rights, and farm equipment
- The rental of land for agricultural purposes
- Commercial hunting fees on agricultural land
- Federal agriculture and conservation programs.

What income is not considered as "Income from farming, ranching or forestry operations"?

- Any non-agricultural related operations or business transactions
- The sale of non-agricultural land
- Processing, packaging, packing, transportation, or marketing commissions
- Packing house operations
- Providing custom farming services
- The leasing of equipment to others
- Investments, including commodity market speculation.

Filing Requirements:

What? Form CCC-526 must be filed with the FSA Office, including certifications necessary for NRCS administered programs. (Under certain circumstances, a certification statement by a CPA or an attorney may be submitted.)

Who? Applicable participants must file the CCC-526 or certification as follows:

If the farming operation is a…	**Then** the following must file:
Individual or dba	Individual
Gen. Partnership	Each partner
Corporation, including subchapter S Corporations	The corporation and each stockholder (direct and indirect). Include as AGI total taxable income and charitable contributions.
Limited Partnership, Limited Liability Corporation, or similar type of organization	The entity and each member (direct and indirect). Include as AGI all income and guaranteed payments to the members as reported on the final Federal tax return.
Estate	The estate and each heir. Include as AGI the adjusted total income and charitable deductions.
Trust	The trust, the grantor(s), and all beneficiaries. Include as AGI the adjusted total income and charitable deductions.
State, political subdivision, agency, municipality, or tribal nation	No one. These operations are exempt.

When? Payments cannot be issued until the form or a certification is filed. However some programs require the certification by the signup deadline.

What if? If some individuals in an operation do not certify or are ineligible, the payment to the operation will be reduced by their commensurate share. Also, payments will be reduced for individual ownership interests below the fifth level in an entity.