

## Average Adjusted Gross Income - 2009 and Subsequent Crop Years

### General Information

**Authority.** Authority for implementing the average Adjusted Gross Income (AGI) provisions applicable to Commodity Credit Corporation (CCC) programs administered by the Farm Service Agency (FSA) and Natural Resources Conservation Service (NRCS) is the Food, Conservation, and Energy Act of 2008 (Pub. L 110-246).

**Applicability.** All persons and legal entities requesting certain program payments, either directly or indirectly, are subject to AGI provisions. Persons or legal entities whose AGI exceeds the qualifying limit shall be ineligible for the payment for the crop, fiscal or program year. If the payment is issued to an entity, general partnership or a joint venture, payments shall be reduced in an amount that is commensurate with the direct and indirect interest of any member or interest holder who is AGI-ineligible.

**Certifications.** Participants in CCC programs subject to AGI rules must annually certify their eligibility to receive benefits. Certification requirements may be met by filing form CCC-926 or by providing an acceptable statement from a CPA or attorney. Form CCC-926 may be obtained from local FSA and NRCS offices, or may be obtained online at: <http://forms.sc.egov.usda.gov/eforms/mainervlet>

### Definitions

**Adjusted Gross Income.** For the purposes of determining eligibility for CCC payments, AGI is the legal

entity's or individual's IRS-reported adjusted gross income, or a comparable measure.

**Adjusted Gross Farm Income.** Income from activities related to farming, ranching or forestry is considered adjusted gross farm income. (See Table 1 on Page 2)

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

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

**Program Year.** As determined by CCC, the program year is the relevant year for which a specific benefit is made available.

### Changes to AGI Rules for 2009

Major changes made to AGI rules beginning with the 2009 program year include:

- Multiple AGI limitations
- New base period for determining average AGI
- Annual certification

- Tracking of AGI eligibility through entity ownership
- Definition of farm income

**Multiple AGI Limitations.** Different income thresholds will be used to determine eligibility for different CCC programs as described in Table 2 on Page 2.

A person or legal entity with:

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

**Base Period for Determining Average AGI.** A 3-year average AGI will be used to determine whether an individual or entity qualifies to receive program benefits subject to AGI rules. Base years for computing average AGI are:

For crop year:	AGI base years are:
2009	2005, 2006, 2007
2010	2006, 2007, 2008
2011	2007, 2008, 2009
2012	2008, 2009, 2010

**Annual Certification.** Annual certifications of AGI compliance are required from each individual and legal entity requesting CCC payments either directly or indirectly.

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

If the participant is an entity, AGI certifications are required from the participating entity and from each interest holder with a direct or indirect interest.

Annual certifications are made on form CCC-926, or by providing CCC with an acceptable statement from a CPA or attorney.

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

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

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

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

PROGRAM	APPLICABLE AGI LIMITATION
Commodity and Disaster programs including: DCP, ACRE, SURE, ELAP, LFP, LIP, TAP, NAP	The 3-year average Nonfarm AGI shall not exceed \$500,000.
DCP Direct Payments	The 3-year average Nonfarm AGI shall not exceed \$500,000 and the 3-year average Farm AGI shall not exceed \$750,000.
Price Support benefits including Market Gains, Loan Deficiency Payments, and MILC payments	The 3-year average Nonfarm AGI shall not exceed \$500,000.
All Conservation Programs administered by FSA and NRCS including: CRP, AMA, AWEP, CSTP, CCPI, EQIP, FRPP, GRP, WRP, WHIP	The 3-year average Nonfarm AGI shall not exceed \$1-million, unless at least 66.66% of the total AGI was adjusted gross farm income.  <i>Note: This limitation may be waived on a case-by-case basis for environmentally sensitive land of special significance.</i>
All other programs	As determined by federal regulation for each program.