

**For:** State and County Offices

**Clarifying Gross Revenue Provisions**

**Approved by:** Acting Deputy Administrator, Farm Programs



**1 Overview**

**A**

**Background**

A "person" who has a gross revenue in excess of \$2.5 million for the preceding tax year shall not be eligible for benefits under the following:

- Crop Disaster Program
- Livestock Assistance Program
- Livestock Indemnity Program.

The gross revenue limit for the Noninsured Crop Assistance Program is \$2 million. Gross revenue includes the total income and gross receipts of the "person" before any deductions. For making this determination, gross revenue means the total gross receipts received from either of the following:

- farming, ranching, and forestry operations if the "person" receives more than 50 percent of gross income from farming, ranching, and forestry operations
- all sources if the "person" receives 50 percent or less of gross income from farming ranching and forestry operations.

There have been numerous questions about different types of income and the manner in which they are to be considered in the determination of gross revenue.

**B**

**Purpose**

This notice provides guidance on the determination of gross income from farming, ranching, and forestry operations. Specifically, this notice provides clarification on the consideration of monetary proceeds received from:

- the sale of real estate or other property
- custom machine hire.

<p><b>Disposal Date</b></p> <p>January 1, 2002</p>	<p><b>Distribution</b></p> <p>State Offices; State Offices relay to County Offices</p>
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## 2 Gross Revenue Clarifications

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### A

#### Sale of Property

Income received from the sale of real estate or any other property is:

- included in the total gross receipts in the determination of gross revenue
- **not** included as income from farming, ranching, or forestry operations, even if the land has been used for farming, ranching, or forestry.

**Example 1:** For the applicable year, J. B Smith sold agricultural commodities including livestock and fish for \$1.98 million. J. B. also sold part of the farm to a developer for \$540,000. The total income and receipts from all sources is \$2.52 million. The land sale is not considered income from farming and ranching operations. The gross income from J. B.'s farming and ranching operations is therefore \$1.98 million, which is greater than 50 percent of the total income and receipts. The "person's" gross revenue is \$1.98 million and thus, J. B. is eligible for disaster assistance, if all other eligibility requirements are met.

**Example 2:** For the applicable year, Giorgio marketed agricultural commodities including grape production for \$1 million. Giorgio also sold part of the vineyard for \$1.6 million. The total income and receipts from all sources is \$2.6 million. The \$1.6 million from the sale of the vineyard is not considered income from farming, ranching or forestry operations. The \$1 million Giorgio received from farming is less than 50 percent of the "person's" total income and receipts. Therefore, the "person's" gross revenue is the \$2.6 million received from all sources. Giorgio is ineligible for disaster assistance.

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2 Gross Revenue Clarifications (Continued)

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**B**

**Custom Machine Hire**

Payment received by a producer for contract work or custom work performed off the farm, or for the use of the producer's property or machines, will be considered income from farming, ranching, and forestry operations.

**Example 1:** For the applicable year, B. Mower sold agricultural commodities and livestock for \$2 million. Mower also holds 100 percent interest in Hay King Inc., a custom haying business. Hay King Inc. had total receipts of \$1 million for services performed. Mower and Hay King Inc. are considered 1 "person" for program payment limitation and gross revenue purposes since Mower holds majority interest in the entity. Therefore, the gross revenue for the "person" is the total revenue and receipts from Mower and Hay King Inc. combined for a total of \$3 million. Mower is ineligible for disaster assistance.

**Example 2:** For the applicable year, John Jones sold agricultural commodities for \$1.5 million. Jones also received a total of \$100,000 for custom work. Jones is also the majority stockholder in Jones Furniture, Inc., which had a gross income of \$1.5 million. Jones and the entity are considered 1 "person" for program payment limitation and gross revenue purposes. The total gross income and receipts for the "person" are \$3.1 million. However, the income received from farming operations is more than 50 percent of the of the "person's" total income and receipts. Therefore, only that income is considered as the gross revenue. Jones is eligible for disaster assistance if all other requirements are met.

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## Notice DAP-107

### 3 Action

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#### A County Office Action

COC's and County Office personnel shall:

- review this notice
  - apply the gross revenue provisions, as clarified by this notice
  - take corrective actions as determined appropriate on applications in which compliance with the gross revenue provisions involved proceeds from the sale of property or from performance of custom work.
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#### B State Office Action

State Offices shall:

- ensure that all County Offices follow the provisions of this notice
  - monitor County Office actions as needed.
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