

For: State and County Offices

**Average Adjusted Gross Income (AGI) and CRP Contracts**

Approved by: Acting Deputy Administrator, Farm Programs



**1 Overview**

**A Average AGI Limitation Provisions**

The Farm Security and Rural Investment Act of 2002 implemented a \$2.5 million average AGI limitation. Under the Food, Conservation, and Energy Act of 2008, a \$1 million average AGI limitation is to be applied to all conservation programs including CRP. All CRP contracts approved **before** October 1, 2008, remain subject to the \$2.5 million average AGI limitation for the term of the contract. All CRP contracts approved **after** September 30, 2008, are subject to the \$1 million average AGI limitation.

A succession-in-interest may occur to participants of a CRP contract that was approved before October 1, 2008, and subject to the \$2.5 million average AGI limitation. These new CRP participants are required to certify to \$2.5 million average AGI compliance for the year of the contract succession.

**B Purpose**

This notice provides information and instructions on properly using CCC-526C.

<b>Disposal Date</b>	<b>Distribution</b>
June 1, 2009	State Offices; State Offices relay to County Offices

## Notice PL-187

### 2 Using CCC-526C

#### A For Conservation Programs Only

CCC-526C is used **only** for the following:

- individuals and entities

**Note:** This does **not** include joint operations or general partnerships.

- successors to CRP contracts and other conservation program agreements approved **before** October 1, 2008
- certifying compliance or noncompliance with the \$2.5 million average AGI limitation.

**Note:** See 1-PL, Part 6.5, for provisions of the \$2.5 million average AGI limitation.

Example of CCC-526C

This form is available electronically.

<b>CCC-526C</b> (12-17-08)  <b>PAYMENT ELIGIBILITY AVERAGE ADJUSTED GROSS INCOME                  CERTIFICATION FOR CERTAIN CONSERVATION RESERVE PROGRAM                  CONTRACTS APPROVED BEFORE OCTOBER 1, 2008</b>	1. County FSA Office or Service Center Address <i>(Include Zip Code)</i>
	2. CRP Contract Number(s)

The authority to collect the following information is Pub. L. 107-171. This authority allows for the collection of information without prior OMB approval mandated by the Paperwork Reduction Act of 1995.

**NOTE:** *The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a), as amended. The Farm Security and Rural Investment Act of 2002 (Pub. L. 107-171), and the regulations at 7 CFR Part 1400, as amended, authorize the collection of the information required by this certification. The information will be used to establish payment eligibility in accordance with the requirements of the law for applicants who are requesting program benefits subject to these provisions. Providing this information is voluntary; however, failure to furnish the requested information will result in a determination of ineligibility for program benefits. This information may be used by and provided to other agencies, IRS, Department of Justice, other State or Federal law enforcement agencies, and in response to orders of a court magistrate, or administrative tribunal. All information provided herein is subject to verification by the Commodity Credit Corporation. As provided in various statutes, failure to provide true and correct information may result in civil suit or criminal prosecution and the assessment of penalties or pursuit of other remedies. PLEASE RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OR SERVICE CENTER OFFICE.*

3. Individual or Entity's Name and Address <i>(Include Zip Code)</i>	4. Program Year
	5. Identification Number (SSN or Tax ID No. last 4 digits)

**CERTIFICATION OF AVERAGE ADJUSTED GROSS INCOME:** Each individual or entity that requests program benefits directly or indirectly must complete a certification of average adjusted gross income.

By signing this form, I acknowledge that:

- all requirements and definitions on Page 3 of this form were reviewed;
- the average adjusted gross income is the average of the three years immediately preceding the year specified in Item 4 above;
- this certification of average adjusted gross income is true and correct unless changes or revisions are submitted;
- it is my responsibility to timely notify Farm Service Agency (FSA) in writing of any changes in the farming, ranching or forestry operation, or financial status that may affect this certification;
- evidence such as tax records, certified public accountant's certification, or other documentation may be required to validate this certification;
- that the CRP contract(s) in Item 2 above was approved between May 13, 2002 and September 30, 2008, inclusive;
- that the provisions of the regulations at 7 CFR Part 1400 governing Average Adjusted Gross Income in effect on September 30, 2008 apply.

6. Type of Operation *(Check One)*

<input type="checkbox"/> Individual <i>(Complete Item 7)</i>	<input type="checkbox"/> Trust or Estate <i>(Complete Item 8)</i>
<input type="checkbox"/> Corporation <i>(Complete Item 9)</i>	<input type="checkbox"/> Limited Partnership, Limited Liability Company, Limited Liability Partnership or Similar Entity <i>(Complete Item 10)</i>
<input type="checkbox"/> Tax-Exempt Organization <i>(Complete Item 11)</i>	

7. **Individual** For individuals that file the IRS Form 1040, specific lines on the form represent the adjusted gross income and the income from farming, ranching or forestry operations. The income from farming, ranching or forestry is derived from the Schedule F, IRS Form 4835 or comparable form.

A. The average of the adjusted gross income, as specified on the IRS Form 1040 (or similar item on IRS Forms for individuals) for the applicable 3 years, was \$2.5 million or less. YES  NO

If "NO", proceed to Item 7B.

B. The average of the amount reported to be from farming, ranching, or forestry operations on the IRS Form 1040 (or similar on Form 1040A or 1040EZ) for the applicable years, was at least 75 percent of the amount represented as adjusted gross income on the Form 1040 (or comparable amount on Form 1040A or 1040EZ). YES  NO

C. Signature (By)	D. Title/Relationship of the Individual Signing in Representative Capacity	E. Date (MM-DD-YYYY)
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*The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.*

Example of CCC-526C (Continued)

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<b>CERTIFICATION OF AVERAGE ADJUSTED GROSS INCOME (Continuation)</b>		
<p><b>8. Trust or Estate</b> For a trust or estate, the adjusted gross income is the total income and charitable contributions reported to IRS on the IRS Form 1041, or comparable forms. The income for farming, ranching and forestry is derived from the Schedule F, IRS Form 4835 or comparable form.</p>		
<p>A. The average of the adjusted gross income as defined above, and reported to the IRS for the applicable 3 years, was \$2.5 million or less.</p> <p>If "NO", proceed to Item 8B.</p>		<p>YES <input type="checkbox"/> NO <input type="checkbox"/></p>
<p>B. The average of the amount represented to be from farming, ranching, or forestry operations as reported to the IRS for the applicable years, was at least 75 percent of the amount used for Item 8A above.</p>		<p>YES <input type="checkbox"/> NO <input type="checkbox"/></p>
C. Signature (By)	D. Title/Relationship of the Individual Signing in Representative Capacity	E. Date (MM-DD-YYYY)
<p><b>9. Corporation</b> For a corporation, the adjusted gross income is the total of the final taxable income and any charitable contributions reported to the IRS on Form 1120, or comparable forms. The income from farming, ranching and forestry is derived from the Schedule F, IRS Form 4835 or comparable form.</p>		
<p>A. The average of the adjusted gross income as defined above and reported to the IRS for the applicable 3 years, was \$2.5 million or less.</p> <p>If "NO", proceed to Item 9B.</p>		<p>YES <input type="checkbox"/> NO <input type="checkbox"/></p>
<p>B. The average of the amount represented to be from farming, ranching, or forestry operations as reported to the IRS for the applicable years, was at least 75 percent of the amount used for Item 9A above.</p>		<p>YES <input type="checkbox"/> NO <input type="checkbox"/></p>
C. Signature (By)	D. Title/Relationship of the Individual Signing in Representative Capacity	E. Date (MM-DD-YYYY)
<p><b>10. Limited Partnership (LP), Limited Liability Company (LLC), Limited Liability Partnership (LLP) or Similar Entity</b> For an LP, LLC or LLP, the adjusted gross income is the total income from trade or business activities plus guaranteed payments to the members as reported to the IRS. The income from farming, ranching and forestry is derived from the Schedule F, IRS Form 4835 or comparable form.</p>		
<p>A. The average of the adjusted gross income as defined above and reported to the IRS for the applicable 3 years, was \$2.5 million or less.</p> <p>If "NO", proceed to Item 10B.</p>		<p>YES <input type="checkbox"/> NO <input type="checkbox"/></p>
<p>B. The average of the amount represented to be from farming, ranching, or forestry operations as reported to the IRS for the applicable years, was at least 75 percent of the amount used for Item 10A above.</p>		<p>YES <input type="checkbox"/> NO <input type="checkbox"/></p>
C. Signature (By)	D. Title/Relationship of the Individual Signing in Representative Capacity	E. Date (MM-DD-YYYY)
<p><b>11. Tax-exempt Organization</b> For a tax-exempt organization, the adjusted gross income is the unrelated business taxable income excluding any income from non-commercial activities as reported to the IRS. The income from farming, ranching and forestry would be derived from the Schedule F, or IRS Form 4835 or comparable form.</p>		
<p>A. The average of the adjusted gross income as defined above and reported to the IRS for the applicable 3 years, was \$2.5 million or less.</p> <p>If "NO", proceed to Item 11B.</p>		<p>YES <input type="checkbox"/> NO <input type="checkbox"/></p>
<p>B. The average of the amount represented to be from farming, ranching or forestry interests as reported to the IRS for the applicable years, was at least 75 percent of the amount used for Item 11A above.</p>		<p>YES <input type="checkbox"/> NO <input type="checkbox"/></p>
C. Signature (By)	D. Title/Relationship of the Individual Signing in Representative Capacity	E. Date (MM-DD-YYYY)

## Example of CCC-526C (Continued)

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**AVERAGE ADJUSTED GROSS INCOME**

The Farm Security and Rural Investment Act of 2002 included average adjusted gross income as a payment eligibility requirement. Any individual or entity requesting certain program payments will be subject to this provision. Any individual or entity that is determined to have an average adjusted gross income, as defined, that is less than 75 percent from farming, ranching or forestry operations and that exceeds \$2.5 million will be ineligible for any covered benefit during the applicable year.

**DEFINITIONS AND OTHER INFORMATION**

**Average Adjusted Gross Income** means the average of the adjusted gross income or comparable measure of the individual or entity over the preceding 3 tax years. For instance, if 2003 program benefits are requested, the tax years for average adjusted gross income determination would be 2002, 2001 and 2000.

**Entity** means 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, as determined by the Secretary.

The manner in which the Adjusted Gross Income can be determined for an entity can be found in the regulations at 7 CFR Part 1400.

**Commensurate Reduction** means that any covered benefit issued to an entity, general partnership, or joint venture shall be reduced by an amount that is commensurate with the direct or indirect ownership interest the entity, general partnership, or joint venture of each individual who does not comply with the adjusted gross revenue requirement.

**Certification of Compliance** means that an individual or entity shall provide either a certification by a certified public accountant that the average adjusted gross income does not exceed the requirement; or provide information and documentation regarding the adjusted gross income through other procedures established by the Secretary.

**Income from farming, ranching or forestry** means income derived from producing crops, livestock, or unfinished raw forestry products.

**Special Rules for Certain Individual and Entities** are applicable to those entities that are not required to file a tax return, and individuals and entities that did not have taxable income in one or more tax years used to determine the 3-year average. Please consult with personnel at your local FSA office or service center for more information.