

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

**Notice PL-313**

**For:** State and County Offices

**Determining Average Gross Income**

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



**1 Overview**

**A Background**

6-PL, paragraph 490 announced average gross income provisions applicable to the Emergency Commodity Assistance Program (ECAP).

**B Purpose**

This notice replaces 6-PL, paragraph 490 and provides clarified procedure for determining gross income and gross income from farming, ranching, and forestry.

Disposal Date	Distribution
October 1, 2025	State Offices; State Offices relay to County Offices

## Notice PL-313

### 2 Average Gross Income Provisions

#### A Average Gross Income Based on Farm Income

The American Relief Act, 2025 (Pub. L. 118-158) established an income test based on average gross income. Gross income, as defined under 26 U.S.C. 61, means in general, all income from whatever source derived. Average gross income may be referred to by applicable programs as the total income and does not include any deductions or adjustments. IRS forms generally do not include a line for gross income and therefore additional clarification is needed.

Certain FSA programs make exceptions to the basic eligibility requirements or allow for expanded payment limitation when a participant's average gross income for the applicable period is at least 75 percent from farming, ranching, or forestry operations.

The following exceptions apply based on the participant's average total income for the applicable period being 75 percent from farming. Any exception listed in the following table applies only to the filer of the listed form for which the exception is being sought.

Program	Farm Income Applicability	Form
2024 ECAP	Exception to \$125,000 Payment Limitation, Increased to \$250,000	CCC-943

**Note:** See 6-PL, Exhibit 26 for additional information on CCC-943.

**Example:** Corporation A, owned solely by Individual A, files CCC-943 indicating 75 percent of its average total income was from farming for expanded payment limitation for ECAP. The corporation's payment limitation for ECAP is increased. However, the payment limitation for Individual A is not increased unless Individual A also files CCC-943 indicating 75 percent of Individual A's average gross income is from farming.

2 Average Gross Income Provisions (Continued)

**B Definition of Average Gross Income From Farming**

Average gross income (total income) from farming of a person or legal entity means the income or benefits derived from the following sources, not including losses or deductions:

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 easements and development rights to: <ul style="list-style-type: none"><li>farmland, ranchland, or forestry land</li><li>water or hunting</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 IRS Schedule F or other schedule approved by DAFP, used by the person or legal entity to report income from farming, ranching, or forestry operations to IRS.	
The sale of equipment used to conduct farm, ranch, or forestry operations and the provision of production inputs and services to farmers, ranchers, foresters, and farm operations, if the average gross income from farming is <b>at least</b> 66.66 percent of the average gross income.	
Beginning in program year 2020, wages or dividends received from a “closely held” corporation, an IC-DISC or a legal entity comprised entirely of family members, may be considered farm income when the legal entity is “materially participating” in farming, ranching, or forestry activities. “Materially participating” means more than 50 percent of the legal entity’s gross receipts for each tax year are derived from farming, ranching, or forestry sources. A representative must attach a certification to CCC-943 attesting that the legal entity “materially participates” in a farm, ranch, or forestry activity.	

## 2 Average Gross Income Provisions (Continued)

### B Definition of Average Gross Income From Farming (Continued)

**Note:** Wages earned through employment by a farming operation other than as specified in this subparagraph, income from renewable energy other than production of farm-based renewable energy, and income from ownership interest in related businesses (such as cotton gins, ethanol plants) are **not** farm income.

### C Enrolled Agent, CPA, and Attorney Certification Requirements

Persons, legal entities (including members, stockholders, or partners), and members of joint operations seeking to qualify for program benefits subject to a calculation of the 75 percent gross income derived from farming, ranching, and forestry operations must provide a certification from an enrolled agent properly admitted to practice before the IRS (EA), licensed CPA, or attorney affirming the calculation.

Certifications from an EA, licensed CPA, or attorney may be provided to FSA by either of the following:

- signing a specific form developed for the program
- a written statement affirming the person or legal entity's percent of gross income from farming, ranching, and forestry operations.

EA, CPA, or attorney statements must contain all required elements as outlined in the Average Gross Income Enclosure 1 found in Exhibit 1.

### D Recording 75 Percent Gross Income From Farming Certifications

Record certifications in the Subsidiary web application according to 3-PL (Rev. 2) only after the producer has completed the applicable form **and** either the EA, CPA, or attorney's signature has been provided on the form or a written certification statement from the EA, CPA, or attorney has been received.

## 2 Average Gross Income Provisions (Continued)

### E Example of EA, CPA, or Attorney Certification Statement

The following is an example of an EA, CPA, or attorney certification statement.

<p style="text-align: center;"><i>[Insert Name]</i>  <i>[Insert street and/or mailing address]</i>  <i>[Insert city, State ZIP Code]</i></p> <p><i>[insert date]</i></p> <p><i>[insert State Office name]</i>  <i>[insert street and/or mailing address]</i>  <i>[insert city, State ZIP Code]</i></p> <p>I, <b>[insert name]</b>, am <i>[insert “an enrolled agent (EA)”, “a certified public accountant (CPA)” or “an attorney” as appropriate]</i> practicing in <i>[insert city, State]</i>. My license identification number is <i>[insert license number]</i> in <i>[State]</i>.</p> <p>I have been asked by <i>[insert name of producer]</i> to certify that <i>[insert name of producer]</i>’s average gross income from farming, ranching and forestry operations is 75% or more of the total income as reported to IRS.</p> <p>For purposes of this letter and my representations below, my “certification” is limited only to my knowledge of <i>[insert name of producer]</i> federal income tax returns based upon either my preparation of such returns or my readings of those returns that I did not prepare. The preparation or review of these returns was based upon the information provided by <i>[insert name of producer]</i>. <i>[insert name of producer]</i> has represented to me that the information supplied to me is, to the best of <i>[his/her/its]</i> knowledge, true, correct, and complete. In accordance with Treasury Department Circular No. 230, section 10.34 (d), I relied in good faith without verification upon the information provided by <i>[insert name of producer]</i>; however, I did not ignore the implications of information furnished to, or actually known by me, and I made reasonable inquiries if the information as furnished appeared to be incorrect, inconsistent with an important fact or another factual assumption, or was incomplete. This “certification” does not include any representations or assurances as to the accuracy or completeness of the information contained in <i>[insert name of producer]</i> federal income tax returns or imply that I have performed procedures beyond those required under Circular No. 230. In addition, this “certification” does not include any representations or assurances as to the accuracy or completeness of the information contained in <i>[insert name of producer]</i> federal income tax returns that I did not prepare.</p> <p>I acknowledge that I have read, understand, and agree to the terms and conditions of the Average Gross Income Enclosure 1 with the following conditions.</p> <ul style="list-style-type: none"> <li>• I am relying on the information made known to me as noted above. I take no responsibility for information outside of the tax return preparation process, unless I relied upon outside information as noted in the end of this prepared statement or attachment.</li> <li>• I have not been engaged to continually monitor the tax law for this client or to continually monitor factors related to the client’s gross income or other tax calculations for the relevant years. Therefore, I am not in a position to notify the government of changes to facts or circumstances (whether or not material) that would make this certification no longer accurate.</li> </ul> <p style="text-align: right;">Continued.</p>
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2 Average Gross Income Provisions (Continued)

E Example of EA, CPA, or Attorney Certification Statement (Continued)

I acknowledge that I have read, understand, and agree to, the terms and conditions of the enclosure (Average Gross Income Enclosure 1) received by *[insert name of producer]* with the following conditions.

- I am relying on the information made known to me as noted above. I take no responsibility for information outside of the tax return preparation process, unless I relied upon outside information as noted in the end of this prepared statement or attachment for the purposes of explanation that *[insert name of producer]* derives at least 75 percent of their average gross income from farming, ranching and forestry activities.
- I have not been engaged to continually monitor the tax law for this client or to continually monitor factors related to the client's gross income or other tax calculations for the relevant years. Therefore, I am not in a position to notify the government of changes to facts or circumstances (whether or not material) that would make this certification no longer accurate.
- Under Internal Revenue Code Section 7216 and other confidentiality standards, I may only provide client information upon specific written authorization from the client to release such information, including tax return information, to a third party.

The following are correct statements:

- Based on a representation provided by *[insert name of producer]*, or the confirmations of *[his/her/its]* e-filed federal income tax returns *[insert the applicable tax return form number]*, the *[enter the applicable 3-year period i.e. 2020, 2021, and 2022 (for 2024)]* federal income tax returns were timely filed.
- I am not aware of subsequently filed federal income tax returns, whether superseding or amended, other than those identified above related to the tax years identified above.
- I am not aware of any adjustments made by the Internal Revenue Service or any state taxing authority to the federal income tax returns identified above.
- I understand that the average gross income means the gross income as defined under 26 U.S.C. 61, or comparable measure, of the person or legal entity over the 2020, 2021, and 2022 tax years.
- According to the most recent returns filed for the years identified above, *[insert name of producer]*:

- o reported average gross income was at least 75 percent derived from farming, ranching, or forestry based on the tax returns for the 3 applicable tax years.

☐ yes  
☐ no

I declare that the statements made herein to the best of my knowledge and belief, are true, correct, and complete.

Signed

*[insert name of EA, CPA or attorney, as applicable], [insert title]*

Dated: *[insert date]*

### 3 Determining Average Gross Income from Farming

#### A Sources of Average Gross Income and Average Gross Farm Income

Persons, legal entities (including members, stockholder, or partners), and members of joint operations must engage an EA properly admitted to practice before the IRS, licensed CPA, or attorney of their selection to determine and certify their average gross income from farming, ranching, or forestry operations.

The following table provides examples of items to include when calculating total gross income and gross income from farming, ranching, or forestry. Each line provides a description of the income, which form or schedule and line number(s) where the type of income is commonly reported, additional information related to the specific income type, and what portion of the income source commonly meets the definition of gross income from farming, ranching, and forestry operations.

Income Source	Form or Schedule	Line Number(s)	Additional Information	Considered Farm Income
Wages, salaries, tips, etc.	Form 1040	1a through 1h	Includes wages from a pass-through entity for a shareholder that is a farmer, rancher, or forester.	Only from a closely held farming, ranching, or forestry operation.
Taxable interest.	Form 1040	2b	Exclude tax exempt interest.	No.
Ordinary dividends.	Form 1040	3b	Exclude tax exempt dividends.	Only from a closely held farming, ranching, or forestry operation.
Gross business income from Schedule C.	Schedule C	7	Exclude any negative amount on lines 1 through 6, or if line 7 is less than zero.	Only items derived from commodities produced as part of the farm operation such as wine, cheese, jams, jellies, or cider. Excludes any portion derived from processing purchased commodities.
Capital gains from Schedule D.  Losses are not netted against gains.	Schedule D	Column h for lines 1a, 1b, 2, 3, 4, 8a, 8b, 9, 10	Only include items sold for a gain.	No.

### 3 Determining Average Gross Income from Farming (Continued)

#### A Sources of Average Gross Income (Continued)

Income Source	Form or Schedule	Line Number(s)	Additional Information	Considered Farm Income
Gains on sales of business property.  Losses are not netted against gains.	Form 4797	Column g for lines 2, 3, 4, 5, 10, 14, 15, 16, 24	Only include property sold for a gain.  Include casualty gains from form 4684.	Only gains from farm assets.  <b>Note:</b> Must meet 66.66% test for gain from the sale or trade of farming, ranching, or forestry machinery and equipment.
Taxable IRA distributions, pensions, annuities, and social security benefits.	Form 1040	4b, 5b, 6b	Only include the taxable amount.	No.
Gross rental income from Schedule E.	Schedule E	line 3 columns A, B, C	Cash rent from property.	Only rent received from farming, ranching, or forestry assets.
Gross royalty income from Schedule E.	Schedule E	line 4 columns A, B, C	Includes oil, gas, etc.	No.
Taxable net income from an estate or trust reported on Schedule E.	Schedule E	37 (only if it is a positive number)	Only pro-rata share of the gross income from the estate or trust return.	Only the portion of income reported by the trust or estate derived from farming.
Gross farm rental income from Form 4835.	Form 4835	7	Gross Income from crop share rental.	Yes.



### 3 Determining Average Gross Income from Farming (Continued)

#### A Sources of Average Gross Income (Continued)

Income Source	Form or Schedule	Line Number(s)	Additional Information	Considered Farm Income
Gross farm income from Schedule F.	Schedule F	9	Gross farm income.	Yes.  <b>Notes:</b> Hedging losses will reduce gross farm income.  Costs reported on line 1b reduce gross farm income.
Distributive share of gross income from a partnership, or limited liability company treated as a partnership, from Schedule K-1 (Form 1065).	Form 1065 Schedule K-1	Look at the appropriate Forms and Schedules for Gross Income Items in the 1065 tax return.	Only include pro-rata share of gross income.	Only gross partnership income derived from farming, ranching, or forestry operations.
Pro-rata share of gross income from an S corporation, from Schedule K-1 (Form 1120-S).	Form 1120-S Schedule K-1	Look at the appropriate Forms and Schedules for Gross Income Items in the 1120-S tax return.	Only include pro-rata share of gross income.	Only the portion of S-Corporation income derived from farming.
Other income: Cancellation of debt income	Form 1040 Schedule 1	8c	Exclude tax exempt interest.	Only cancellation of qualified farming, ranching, or forestry debt.
Other income not included with any of the items listed above.	Various	Various		Only income derived from farming, ranching, or forestry activities.

**Average Gross Income Enclosure 1**

EA, CPA, or attorney statements must adhere to the following requirements.

**Average Gross Income Enclosure 1****Instructions, Terms, and Conditions for EA, CPA or Attorney Certification Statement**

Certification statements will only be accepted from an enrolled agent (EA) properly admitted to practice before the IRS, licensed certified public accountants (CPA's) and attorneys. If a statement is submitted by an EA, CPA or attorney to certify compliance with an average gross income limitation for which a person or legal entity is supplying in support of a request for increased payment limitation or other benefits, the statement **must** include the following elements:

- 1) Enrolled Agent Number (if certification is provided by an EA).
- 2) CPA's or attorney's State license identification number (if certification is provided by CPA or attorney).
- 3) Explanation of the reason for the certification statement (see enclosed example).
- 4) Acknowledgement of having read, understood, and agree with the terms and conditions of this enclosure (Average Gross Income Enclosure 1), including the following:
  - The EA, CPA, or attorney acknowledges and agrees to having reviewed and being familiar with the average gross income definitions with the programs involved, having made such inquiries as are necessary.
  - To apprise the EA, CPA, or attorney of such matters and understands that the tax years used to calculate the average gross income from farming, ranching, and forestry operations are the 3 taxable years preceding the most immediately preceding complete taxable year for which program benefits are requested.
  - The representations the EA, CPA, or attorney makes in the certification statement 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 those persons associated with the false representations.
  - Additional information may be requested by USDA, a review may be conducted by USDA, and further inquiry may be made to IRS to ensure that all information filed with USDA by all parties is true, correct, and complete.
- 5) Relevant information on the most recently filed tax returns for the period in question.
- 6) If applicable, detailed explanations of how the applicable average gross income from farming, ranching, and forestry operations meets the requirements even though tax returns do not appear to support the certification.