USDA Expands Payment Limitation and Payment Eligibility Provisions for Farmers

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Update Farm Operating Plans by Sept. 15, 2026

WASHINGTON, June 3, 2026 - The U.S. Department of Agriculture's Farm Service Agency (FSA) is expanding payment limitation and payment eligibility provisions that affect program payments including allowing for the equitable treatment of business entities. Additionally, producers will benefit from an increased payment limitation for certain programs, and a broader definition of farming income that will result in more exceptions to income limitations.

"The 2026 program year will be a monumental change for farmers and ranchers who can now structure their farm entities to benefit from the legal protections of certain business structures without limiting their access to the farm safety net," said Bill Beam, FSA Administrator. "Producers have had to make difficult decisions for far too long when it comes to structuring their operations. The administration is proud to give farmers and ranchers more options to build and protect their legacy for generations to come while receiving full support from USDA."

These changes were outlined in the Working Families Tax Cuts Act which provides a large investment in American agriculture by improving eligibility provisions, the farm safety net, disaster assistance, and price support programs. USDA previously announced that this fall, producers will benefit from increased reference prices for major commodities. Today's announcement gives producers more flexibility in structuring their operations and provides a stronger safety net.

Payment Eligibility

Starting with the 2026 crop year, for payment eligibility purposes, FSA will treat applicable limited liability companies (LLCs) and S-Corporations (S-Corps), and other similar entities, as "pass through entities." Each member of the qualified pass-through entity who meets actively engaged in farming criteria will help qualify the entity for expanded payments.

Previously, farm operations that were structured as an LLC or an S-Corp were limited to a single payment limitation, which varies by program. Now, partnerships, S-Corps, qualifying LLCs, and joint ventures or general partnerships will be treated the same.

For program year 2026 only, farm operations that are structured as LLCs or S-Corps or one of the new qualified pass-through entities must file updated farm operating plans with FSA for program year 2026 by Sept. 15, 2026. After program year 2026, FSA will continue to use June 1 as the date for determining ownership interest in an entity. Producers who have crop insurance or Noninsured Crop Disaster Assistance Program coverage should contact their crop insurance agent or local FSA office before restructuring their farm operation to ensure appropriate timing for restructuring without impacting current insurance coverage.

Members of qualified pass-through entities must provide contributions and be engaged in farming for the entity to be considered actively engaged in farming.

An additional change allows members of all entity types to receive compensation for labor and management contributions and use the same contribution to qualify as "actively engaged in farming." This update provides consistent treatment of member contributions across all entity types.

Payment Limitation and Attribution

Payment limitation changes include an increased payment limit for the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) program. Starting with crop year 2025, the ARC and PLC payment limit will increase from $125,000 to $155,000. This payment limit will be adjusted going forward annually based on inflation.

Payment limitations are the maximum amount that a person or legal entity can receive for any crop year, directly or indirectly, through certain USDA programs. The same maximum payment limitation that applied to joint ventures and general partnerships will apply to qualified pass-through entities.

The policy change to payment limitation calculations takes effect beginning with program year 2026 for all qualified pass-through entities.

Average Adjusted Gross Income

The Working Families Tax Cuts Act broadened the definition of farming income to be more reflective of modern agricultural business practices. As a result, diversified producers will not be penalized under USDA's requirements for average adjusted gross income (AGI).

Producers are exempt from the $900,000 AGI cap for conservation and disaster programs if at least 75% of their average gross income is from farming, ranching, or silviculture, which now includes agri-tourism, direct-to-consumer sales, and certain equipment sales.

Additionally, qualified pass-through entities are not required to certify compliance with the average AGI limitation at the entity level. However, members individually must meet average AGI requirements,

which is the same requirement for joint operations.

More Information

Producers should contact their local FSA county office for more information or to update their farm operating plan by the Sept. 15, 2026, deadline for the 2026 program year.

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