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<b>CCC-526</b> (10-15-03)	<b>U.S. DEPARTMENT OF AGRICULTURE</b> Commodity Credit Corporation	1A. County FSA Office or Service Center Address ( <i>Include Zip Code</i> )
<b>PAYMENT ELIGIBILITY</b> <b>AVERAGE ADJUSTED GROSS INCOME CERTIFICATION</b>		1B. Telephone Number ( <i>Include Area Code</i> ):

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.*

2A. Individual or Entity's Name and Address ( <i>Include Zip Code</i> )	3. Program Year
	4. Identification Number ( <i>SSN or Tax ID No.</i> )
2B. Telephone Number ( <i>Include Area Code</i> ):	

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

By signing this form, I acknowledge that:

- all definitions, requirements, and examples on Page 3 of this form were reviewed;
- this certification of average adjusted gross income is true and correct, and will be considered a continuous certification through 2007, unless changes or revisions are submitted;
- it is my responsibility to timely notify 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.

5. Type of Operation (*Check One*)

- |   |   |
|---|---|
| <input type="checkbox"/> Individual ( <i>Complete Item 6</i> )      | <input type="checkbox"/> Limited Partnership, Limited Liability Company, Limited Liability Partnership or Similar Entity ( <i>Complete Item 9</i> ) |
| <input type="checkbox"/> Trust or Estate ( <i>Complete Item 7</i> ) | <input type="checkbox"/> Tax-Exempt or Non-Profit Organization ( <i>Complete Item 10</i> )  |
| <input type="checkbox"/> Corporation ( <i>Complete Item 8</i> )     |   |

6. **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 6B.

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	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, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (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 USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.*

**CERTIFICATION OF AVERAGE ADJUSTED GROSS INCOME (Continuation)**

7. **Trust or Estate** 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.

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. YES  NO

If "NO", proceed to Item 7B.

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 7A above. YES  NO

C. Signature	Date (MM-DD-YYYY)
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8. **Corporation** 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.

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. YES  NO

If "NO", proceed to Item 8B.

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. YES  NO

C. Signature	Date (MM-DD-YYYY)
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9. **Limited Partnership (LP), Limited Liability Company (LLC), Limited Liability Partnership (LLP) or Similar Entity** 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.

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. YES  NO

If "NO", proceed to Item 9B.

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. YES  NO

C. Signature	Date (MM-DD-YYYY)
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10. **Tax-exempt or Non-profit Organization** For a tax-exempt and non-profit 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.

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. YES  NO

If "NO", proceed to Item 10B.

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 10A above. YES  NO

C. Signature	Date (MM-DD-YYYY)
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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 2003 through 2007 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.

## EXAMPLES

**Situation 1** - Joe Smith requests benefits from the Direct and Counter-Cyclical Payment Program and from a Conservation Reserve Program contract approved effective for 2003. Mr. Smith's average adjusted gross income exceeds \$2.5 million and was all from farming and livestock operations.

**Determination** - At least 75 percent of the average adjusted gross income was received from farming, ranching and forestry operations. Therefore, Mr. Smith complies with the adjusted gross income requirement and is eligible for the program benefits requested.

**Situation 2** - Grace Jones is a share rent landowner and requests benefits from the Direct and Counter-Cyclical Payment Program on a contract with her tenant. Ms. Jones' average adjusted gross income was less than \$2.5 million and over 75 percent was from non-agricultural interests.

**Determination** - Less than 75 percent of the average adjusted gross income was from farming, ranching and forestry, but the amount was less than \$2.5 million. Therefore, Ms. Jones is eligible for the program benefits requested.

**Situation 3** - William Davis is a share rent landowner and requests benefits from the Direct and Counter-Cyclical Payment Program on a contract with his tenant. Mr. Davis' average adjusted gross income was greater than \$2.5 million and over 75 percent was from non-agricultural sources.

**Determination** - Less than 75 percent of the average adjusted gross income was from farming, ranching and forestry, and exceeds \$2.5 million. Therefore, Mr. Davis is ineligible for the program benefits requested.

**Situation 4** - Mark Johnson is a 25 percent stockholder in Johnson Farms, Inc. Johnson Farms requests benefits from the Direct and Counter-Cyclical Payment Program. The average adjusted gross income for Johnson Farms was all from farming and ranching. The average adjusted gross income for each of the stockholders was mostly from non-agricultural sources and the amounts were less than \$2.5 million with the exception of Mark.

**Determination** - Any program benefit issued to an entity, general partnership, or joint operation shall be reduced by an amount commensurate with the direct or indirect ownership interest of an individual or entity who has an average adjusted gross income in excess of \$2.5 million. Therefore, Johnson Farms is eligible for the benefits requested, but reduced by the 25 percent, which represents the interest held by Mark.