

At a Glance:
**Adjusted Gross Income
Provision**

October 2008

Overview

Adjusted gross income (AGI) is a calculation of an individual's or entity's adjusted gross income, averaged over the 3 tax years immediately preceding the year in which they are applying for payments and benefits.

The Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) amended the Food Security Act of 1985 (1985 Farm Bill) by adding an AGI provision that limited the eligibility of certain individuals and entities for commodity and conservation programs benefits. Covered conservation programs included the Conservation Reserve Program, Conservation of Private Grazing Lands Program, Conservation Security Program, Environmental Quality Incentives Program, Farm and Ranch Lands Protection Program, Grassland Reserve Program, Wetlands Reserve Program, and Wildlife Habitat Incentives Program.

The 2002 AGI provision stated that an individual or entity was not eligible for program payments or benefits if the individual's or entity's average adjusted gross income exceeded \$2.5 million for the 3 tax years immediately preceding the applicable year, and less than 75 percent of the average AGI is derived from farming, ranching, or forestry operations.

AGI determinations remain in effect for the life of the contract, unless either a successor takes over the contract or income variables change.

Legislative Changes

The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) amends the AGI provision, lowering the limitation for commodity programs and establishing a separate and distinct AGI for conservation program benefits. The 2008 Farm Bill limits conservation program benefits to individuals or entities with an AGI of \$1 million per year or less, unless two-thirds of that money is derived from agriculture, ranching, or forestry operations. The limit is based on the 3 tax years immediately preceding the year of the original contract obligation. Under the provision, the Secretary of Agriculture may waive this limitation on a case-by-case basis, if it is determined that environmentally sensitive land of special significance would be protected or a producer's participation in the Agricultural Water Enhancement Program is essential for a project to achieve the objectives of the program.

Under the 2008 Farm Bill, the conservation program AGI now applies to the Chesapeake Bay Watershed Program, Agricultural Management Assistance Program, and Conservation Stewardship Program payments and benefits, as well the conservation programs identified in the 2002 Farm Bill with continuing authorization.

More Information

For more information and updates about AGI and other Farm Bill topics, please refer to the U.S. Department of Agriculture Web site www.usda.gov/farmbill or the Natural Resources Conservation Service Web site www.nrcs.usda.gov/programs/farmbill/2008.

