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## Payment Limitations

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To access the transmittal page click on the short reference.

For State and County Offices

SHORT REFERENCE

1-PL  
(Revision 1)

UNITED STATES DEPARTMENT OF AGRICULTURE  
Farm Service Agency  
Washington, DC 20250



UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency  
Washington, DC 20250

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**Payment Limitations**  
**1-PL (Revision 1)**

**Amendment 50**

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



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**Amendment Transmittal**

**A Reasons for Amendment**

Subparagraph 52 D has been amended to clarify the supporting documentation requirements for corporations.

Subparagraph 233 C has been added to include the regulation for foreign persons.

Paragraph 333 has been amended to reflect the current policy and procedure for the required COC review of estates of duration of more than 2 years.

Paragraph 334 has been amended to update the case examples for estates.

Subparagraph 364 A has been amended to include the reference to 1-CM when using employer identification numbers for trusts.

Subparagraph 629 A has been amended for consistency with the regulation.

Paragraph 630 has been amended to:

- clarify AGI compliance certification requirements
- include an example of the revised 2008 CCC-526.

**Note:** As indicated, CCC-526 (10-15-03) is for the years 2003 through 2007; the CCC-526 (6-12-08) is for year 2008 only.

Subparagraph 706 D has been added to clarify end-of-year review reporting requirements.

Subparagraph 707 B has been amended to clarify State Office requirements for sending CCC-502EYR (Report PA-122R) to PECD.

## Amendment Transmittal (Continued)

### A Reasons for Amendment (Continued)

Subparagraph 800 C has been amended to include that no further program payments or benefits are to be issued, either directly or indirectly, to any entry listed on the “Payments to Individuals Identified as Deceased” Report until:

- the required review has been completed
- it is determined that all eligibility requirements have been met.

A new paragraph 802 has been added to provide codes and identifiers for payments issued to individuals identified as deceased.

Paragraph 803 has been added to provide the information previously in paragraph 802.

Exhibit 15 has been amended to provide an example of the “Payments to Individuals Identified as Deceased” Report (RPT-I-00-CM-08-1).

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Part 1 Introduction

1 Overview

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A

**Handbook  
Purpose**

This handbook provides instructions and uniform methods for State and County Offices to determine:

- "persons" for payment limitation purposes
- payment eligibility for each producer.

The provisions of this handbook apply to various programs operated by State and County Offices.

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\* \* \*

**2 Sources of Authority**

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**A**

**Statutory  
Reference**

Authority for the administration of the payment limitation and payment eligibility \*--provisions is provided by Sections 1001, 1001A, 1001B, 1001C, and 1001D--\* of the Food Security Act of 1985, as amended.

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**B**

**Regulatory  
Reference**

Authority for the administration of the payment limitation and payment eligibility provisions is provided by 7 CFR Part 1400. References from CFR applicable to each paragraph will be provided and updated through amendments.

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### 3 Legislative History of Payment Limitation and Payment Eligibility Provisions

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#### A

##### **Introduction**

Since established in 1970, the payment limitation provisions have been expanded to:

- apply to more programs
- include provisions for payment eligibility based on whether a producer is "actively engaged in farming" and the number of permitted entities through which the producer is receiving benefits.

Because County Offices are asked questions about the background of the payment limitation provisions, information on the legislative history of the payment limitation and payment eligibility provisions is provided in subparagraphs B through K.

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#### B

##### **Agricultural Act of 1970**

The Agricultural Act of 1970:

- established the first payment limitation provisions
  - provided that the amount of payments that a person could be entitled to receive under each of the annual programs for the 1971, 1972, or 1973 crop shall not exceed \$55,000
  - required the Secretary to reduce the amount of set-aside acreage required on farms when the total amount of payments that would have been earned would be reduced by the payment limitation
  - required the Secretary to issue regulations defining the term "person"
  - provided that payment limitation would not apply to lands owned by States, political subdivision, or agencies thereof so long as such lands are farmed primarily in the direct furtherance of a public function.
- 

Continued on the next page

### **3 Legislative History of Payment Limitation and Payment Eligibility Provisions (Continued)**

#### **C**

##### **7 CFR Part 795**

7 CFR Part 795 provided:

- the definition of the term "person"
  - the provisions for determining whether multiple individuals or other entities constitute 1 or separate persons
  - the provisions for changes in farming operations
  - the provisions for determining whether an agreement is a share lease or a cash lease
  - the custom farming rules
  - provisions for scheme or device
  - computation of reduction in set-aside acreage because of the limitation.
- 

#### **D**

##### **Agriculture and Consumer Protection Act of 1973**

The Agricultural and Consumer Protection Act of 1973 extended and amended the Agricultural Act of 1970, as it relates to payment limitation, to provide that:

- the amount of payments that a person could be entitled to receive under each of the annual programs for the 1974 through 1977 crops shall not exceed \$20,000
  - the rules for determining whether corporations and their stockholders may be considered as separate shall be based on ownership of more than 50 percent of the stock of the corporation.
- 

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**3 Legislative History of Payment Limitation and Payment Eligibility Provisions (Continued)**

**E**

**Food and  
Agriculture Act  
of 1977**

The Food and Agricultural Act of 1977 extended and amended the payment limitation provisions to require that the amount of payments that a person could be entitled to receive under:

- the 1978 wheat, feed grains, and upland cotton programs shall not exceed \$40,000
  - the 1978 rice programs shall not exceed \$52,250
  - the 1979 wheat, feed grains, and upland cotton programs shall not exceed \$45,000
  - the 1979 rice program shall not exceed \$50,000
  - the 1980 and 1981 wheat, feed grains, upland cotton, and rice programs shall not exceed \$50,000.
- 

**F**

**Agriculture and  
Food Act of 1981**

The Agricultural and Food Act of 1981 extended and amended the payment limitation provisions to require that:

- the amount of payments that a person could be entitled to receive under the 1982 through 1985 wheat, feed grains, upland cotton, and rice programs shall not exceed \$50,000
  - the total amount of disaster payments that a person shall be entitled to receive for wheat, feed grains, upland cotton, and rice shall not exceed \$100,000 for each of the 1982 through 1985 crops.
- 

Continued on the next page

**3 Legislative History of Payment Limitation and Payment Eligibility Provisions (Continued)**

**G**

**Food Security  
Act of 1985**

The Food Security Act of 1985:

- extended and amended the payment limitation provisions
  - required that the term "payments" not include the following:
    - marketing loans
    - loan deficiency payments
    - NL ("Findley") payments.
- 

**H**

**Omnibus Budget  
Reconciliation  
Act of 1987**

The Omnibus Budget Reconciliation Act of 1987 amended the Food Security Act of 1985 to:

- define the term "person"
  - provide that a State, political subdivision, and agencies thereof are considered 1 "person"
  - provide that a husband and wife may be separate "persons" if the husband and wife can show that each spouse brought separate farming operations into the marriage and have maintained separate farming operations throughout the marriage
  - include "cash-rent tenant" provisions that combined the cash-rent tenant with the landowner in certain situations
  - require that producers be "actively engaged in farming"
  - limit payment to foreign persons
  - limit the creation of entities to qualify as separate persons for payments.
- 

Continued on the next page

**3 Legislative History of Payment Limitation and Payment Eligibility Provisions (Continued)**

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**I  
Disaster Assistance  
Act  
of 1988**

The Disaster Assistance Act of 1988 established payment limitation provisions for LFP.

---

**J  
Pub. L. 99-198**

Pub. L. 99-198, dated November 13, 1989, amended the cash-rent tenant provisions of the Food Security Act of 1985:

- for 1989, to provide relief in cases where the cash-rent tenant provisions had been violated and the landowner did not consent to or knowingly participate in the cash-rent tenant's failure to meet the cash-rent tenant provisions
- for 1990, to no longer require that the landowner and cash-rent tenant be combined.

**Note:** Instead, the cash-rent tenant is determined ineligible for payment if the cash-rent tenant provisions are not met.

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Continued on the next page

**3 Legislative History of Payment Limitation and Payment Eligibility Provisions (Continued)****K****The Food,  
Agriculture,  
Conservation, and  
Trade Act of 1990**

The Food, Agricultural, Conservation, and Trade Act of 1990 extended and amended the provisions of the Omnibus Budget Reconciliation Act of 1987 to provide:

- a total \$75,000 limitation on "Findley" payments, marketing loan gains, and loan deficiency payments, excluding honey
- a \$200,000 limitation on honey marketing loan gains and honey loan deficiency payments
- a \$200,000 limitation on honey loan forfeiture
- separate limitations for wool and mohair payments of:
  - \$200,000 for the 1991 marketing year
  - \$175,000 for the 1992 marketing year
  - \$150,000 for the 1993 marketing year
  - \$125,000 for the 1994 and subsequent marketing years
- the Secretary discretionary authority to implement a rule allowing husbands and wives to be considered separate "persons" if certain requirements are met
- greater scrutiny of irrevocable trusts
- initial determinations be made by State Offices for farm operations consisting of 6 or more persons.

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### 3 Legislative History of Payment Limitation and Payment Eligibility Provisions (Continued)

#### L

#### **The Federal Agriculture Improvement and Reform Act of 1996**

The Federal Agriculture Improvement and Reform Act of 1996 amended the provisions of the Food Security Act of 1985 to:

- provide a \$40,000 limitation per FY on the total of SL payments made to a person under 1 or more production flexibility contracts
- provide a \$50,000 limitation on the total of NL payments made to a person under 1 or more production flexibility contracts (this limitation applies to the 7-year life of the contract)
- provide a \$75,000 limitation on the amount of marketing loan gains and loan deficiency payments a person may receive
- apply the payment limitation and payment eligibility requirements and restrictions of the 1985 Act to payments made under a production flexibility contract, marketing loan gains, and loan deficiency payments.

#### \*--M

#### **The Farm Security and Rural Investment Act of 2002**

The Farm Security and Rural Investment Act of 2002 amended the provisions of the Food Security Act of 1985 to provide a:

- \$40,000 limitation per crop year on the total direct payments made to a person under 1 or more DCP contracts on covered commodities

**Note:** This does not include peanuts.

- separate \$40,000 limitation per crop year on the total direct payments for peanuts made to a person under 1 or more DCP contracts
- \$65,000 limitation per crop year on the total counter-cyclical payments made to a person under 1 or more DCP contracts on covered commodities
- separate \$65,000 limitation per crop year on the total counter-cyclical payments for peanuts made to a person under 1 or more DCP contracts--\*

Continued on the next page

**3 Legislative History of Payment Limitation and Payment Eligibility Provisions (Continued)**

\*--M

**The Farm  
Security and  
Rural Investment  
Act of 2002  
(Continued)**

- \$75,000 limitation per crop year on the amount of marketing loan gains and LDP's a person may receive on loan commodities

**Note:** This does not include peanuts, wool, mohair, and honey.

- separate \$75,000 limitation per crop year on the amount of marketing loan gains and LDP's a person may receive on peanuts, wool, mohair, and honey
  - \$2.5 million average adjusted gross income limitation as an eligibility requirement for an individual and entity to receive any benefits listed above and benefits from all conservation programs administered by USDA.--\*
-

## 4 Related References

### A Related FSA Handbooks

FSA handbooks related to payment eligibility and payment limitations include:

- \*-9-AO for audits and investigations
- 16-AO for State and County organization and administration--\*
- 1-APP for appeals
- \*-1-AS for directives management
- 25-AS for record operations--\*
- 1-CM for common management and operating procedures
- \*-3-CM for farm, tract, and crop data--\*
- 5-CM for “person” determinations subject to 7 CFR Part 795
- \*-8-CM for common land unit--\*
- 7-CN \* \* \* for cotton price support payments
- \*-1-COR for quality control
- 2-CP for acreage compliance determinations
- 7-CP for finality rule and equitable relief--\*
- 1-CRP for CRP
- 2-CRP for CRP
- \*-4-DAP (Rev. 1) for livestock assistance programs
- 5-DAP crop disaster assistance for 2001-02
- 5-DAP (Rev. 1) crop disaster assistance for 2003-04--\*
- 1-DCP for direct and counter-cyclical payments
- \*-2-DCP for direct and counter-cyclical payments
- 1-ECP for ECP--\*
- 58-FI for claims and withholdings
- \*-3-LD for DIPP
- 10-LD for lamb meat adjustment assistance program
- 11-LD for milk income loss contract programs
- 2-LP Grains and Oilseeds for grain and oil seeds price support programs
- 2-LP Peanuts for peanut price support programs
- 2-LP Rice for rice price support programs
- 2-LP Honey for honey price support programs--\*
- 6-LP for commodity price support loans
- \*-8-LP for marketing assistance price support programs
- 1-NAP for noninsured crop disaster assistance--\*
- 2-PL for subsidiary files
- \*-3-PL for web-based subsidiary files
- 1-SP for special programs and TAA
- 1-TAP for TAA.--\*

5-13 (Reserved)





**Part 2 General Provisions**

**14 Overview**

**A Introduction**

This part includes rules, provisions, and determinations with general application.

**B In This Part**

The following sections are included in this part.

<b>Section</b>	<b>Title</b>	<b>Page</b>
1	Program Applicability	2-2
2	General Administration	2-31
3	Producer Filing Requirements	2-51
4	General Application Rules	2-81
5	Farming Operations	2-111
6	“Person” Determinations	2-151
7	“Actively Engaged” Determinations	2-171
8	Cash-Rent Tenant	2-237
9	Permitted Entities	2-251

**Section 1 Program Applicability**

**15 Overview**

**A Introduction**

This section provides details on the:

- programs for which the provisions in this handbook apply
- payment limit amount for each applicable program.

\* \* \*

**16 Applicable Programs**

**A Introduction**

The payment limitation and payment eligibility provisions in this handbook apply to multiple programs. This paragraph includes the current programs that are affected by the payment limitation and payment eligibility provisions.

16 Applicable Programs (Continued)

**B General Applicability**

[7 CFR 1400.1 (a) and (b)] This table provides the rules in this handbook that apply to USDA-administered programs.

\*--

Program or Payment	Applicable Rules						Gross Income/ Revenue
	Person	Actively Engaged in Farming	Cash-Rent Tenant	Permitted Entity	Foreign Person	AGI	
DCP Payment	•	•	•	•	•	•	
<b>Price Support</b>							
LDP's	•	•	•	•	•	•	
Loans					•		
MLG's	•	•	•	•	•	•	
<b>Conservation</b>							
CRP	•	•	•	•	•	•	
CSP						•	
ECP	•						
EQIP						•	
GRP						•	
<b>Crop Disaster</b>							
DAP (2001-02)	•						•
DAP (2003-04)	•					•	
NAP	•						•
TAP	•						
<b>Livestock</b>							
AILFP	•						
LAP	•						•
<b>Section 32 Disaster Programs</b>							
Catfish Grant	•						
Citrus	•					•	
FIP						•	
Fruit and Vegetables	•					•	
HIP	•					•	
Hurricane TAP	•						
LCP	•					•	
LIP						•	
LIP II	•					•	
Nursery Crops	•					•	
TIP	•					•	
Tropical Fruit	•					•	
<b>Other</b>							
AMA	•					•	
TAA	•					•	

1/ Payments are limited by attributing payments to individuals and entities based on their share in the payment recipient.

**Note:** Foreign persons are ineligible for payment under certain programs. These programs state “see definition of foreign person provided 1-PL, Part 3”. However, the “foreign person rule” as provided in Part 3 **only** applies to the programs or payments listed in this table.--\*

16 **Applicable Programs (Continued)**

**C Programs Not Requiring Determination of “Actively Engaged”**

[7 CFR 1400.1 (b) and 1400.6] If a program requires a determination of “persons” but not a determination of “actively engaged in farming”, \* \* \* the following is also required to be eligible for payments or benefits:

- the claimed share of the profits or losses of the farming operation must be commensurate with the contributions to the farming operation
- contributions at risk.

**D Specific Rules for Marketing Assistance Loans**

[7 CFR 1400.1 (a) (2)] Regular marketing assistance loans are denied if the producer does not meet the foreign person requirements in Part 3.

Marketing loan gains and LDP’s are subject to all the provisions of this handbook.

**17 Specific Rules for CRP****A Applicability**

The provisions in this handbook apply to participants with CRP contracts initially approved after July 31, 1988.

**Note:** Individuals and entities with CRP contracts that are not subject to the provisions of this handbook are subject to the “person” rules in 5-CM.

**B Option to Select Use of These Rules**

The producer may choose to have the CRP contract governed by the provisions of this handbook if the CRP contract was approved before August 1, 1988. For this conversion to be effective, the farm operator must provide COC with a written statement from each producer on the CRP contract, agreeing that:

- payment limitation determinations for the CRP contract will be subject  
\*--to the rules in 7 CFR Part 1400--\*
- the conversion is irrevocable.

**C Rules When Producers Convert to 1-PL Provisions**

When CRP participants choose to convert to the provisions of this handbook, instead of using the provisions of 5-CM:

- the date of the conversion request shall be considered as the effective date of the conversion
- the conversion shall be effective for FY in which the effective date of the conversion occurs

17 Specific Rules for CRP (Continued)

C Rules When Producers Convert to 1-PL Provisions (Continued)

- the payment limitation determinations for CRP participants shall be based on the crop year corresponding with FY for which the conversion is effective

**Example:** For a conversion that was effective September 30, 1990:

- make payment limitation determinations according to this handbook before the 1990 payment is issued
- the status date for the determination was April 13, 1990.
- applicable payment limitation forms and related data for converted contracts must be filed by the later of the following:
  - the applicable date for filing in this handbook
  - within 15 calendar days of the date of conversion.

D Status Date

See paragraph 74 to determine the status date applicable to an initial contract or succession-in-interest contract.

If there has been a revision or violation of CRP-1 that requires the producer to file a new or updated CCC-502 \* \* \*, the applicable status date shall be the date the revision or violation occurred if an earlier status date is not applicable to the producer according to paragraph 74.

**17 Specific Rules for CRP (Continued)****E Inheritance Provision**

A producer who becomes the owner of land enrolled in CRP by way of inheritance and succeeds to the CRP contract may receive payments for that contract without regard to the amount of payments received under any other contract executed before the inheritance.

**Note:** This provision also applies to an ownership interest in an entity received by way of inheritance if the entity was the owner of the land enrolled in CRP.

**F Inheritance Provision, Example 1**

**Situation:** Individual Y receives \$50,000 in annual payments from CRP contracts. Individual Z, the sole heir of Individual Y, also receives \$50,000 in annual payments from CRP contracts. Individual Y dies and Individual Z inherits Individual Y's land and becomes successor-in-interest to Individual Y's CRP contract.

**Determination:** Because the land transfer occurred by inheritance, Individual Z may receive \$50,000 in annual payments from the contracts previously in the name of Individual Y as well as the \$50,000 from the contracts executed by Individual Z before the inheritance.

**Note:** If the inheritance occurred before November 28, 1990, Individual Z could receive the \$50,000 in annual payments from the contracts previously in the name of Individual Y for 1991 and subsequent years. Individual Z may not retroactively receive annual payments for years before implementation of the 1990 Act.

**G Inheritance Provision, Example 2**

**Situation:** Individual Q indirectly receives CRP payments through Corporations R, S, and T. Individual A, an old friend of Individual Q, wills a 500-acre farm that had land enrolled in CRP to Individual Q. Individual Q becomes successor-in-interest to Individual A's CRP contract.

**Determination:** Because the land transfer occurred by inheritance, Individual Q may receive the amount of CRP annual payment to which Individual A was entitled without regard to permitted entities.



**17 Specific Rules for CRP (Continued)****H Inheritance Provision, Example 3**

**Situation:** Son B receives \$40,000 in CRP annual payments. Father D receives \$15,000 in CRP annual payments. Father D transfers the land enrolled in CRP to Son B. Son B becomes successor-in-interest to Father D's CRP contract.

**Determination:** Son B may only receive an additional \$10,000 in CRP annual payments. Because the land transfer did not occur by inheritance, Father D did not die, the limitation is applicable.

**I Inheritance Provision, Example 4**

**Situation:** Individual K receives \$30,000 in CRP annual payments. Individual L receives \$50,000 in CRP annual payments. Individual L dies. Individual K inherits the land from Individual L and becomes successor-in-interest to Individual L's CRP contract. Individual K bids additional land into CRP following the transfer of land by inheritance.

**Determination:** In this situation, Individual K may not receive CRP annual payments exceeding \$80,000. Although Individual K may receive the \$50,000 from the land that was inherited from Individual L, Individual K may not receive additional CRP annual payments in excess of the limitation from contracts executed after the inheritance unless such payments are also received because of a land transfer by inheritance.

**J Husbands and Wives**

A determination of separate "persons" made according to paragraph 253 shall not increase the value of an existing CRP-1.

**\*--K Adjusted Gross Income**

The \$2.5 million adjusted gross income limitation provisions do not apply to CRP contracts that were effective before October 1, 2002.--\*



**\*--18 Specific Rules for 2002 Peanut Direct and Counter-Cyclical Payments**

**A 2002 Peanut DCP**

For 2002 peanut DCP payment purposes only, determinations made according to this handbook for historic peanut producers who were:

- producers in 2002, will be based on the producer's 2002 farming operation
- not producers in 2002, will be based on the producer's last year in farming during the 1998 through 2001 crop years.--\*

\* \* \*

**18.5 (Withdrawn--Amend. 22)**

**19-21 (Withdrawn--Amend. 32)**



## 22 Payment Limits

### A Introduction

This paragraph provides the current dollar amounts of payment limitation for each applicable program.

### B Payment Limits

[7 CFR 1400.1] This table contains the applicable limitation for programs that are subject to provisions of this handbook.

Payment Type	Limitation (In Dollars)					
	2002	2003	2004	2005	2006	2007
direct payments on covered commodities except peanuts				40,000		
direct payments on peanuts				40,000		
counter-cyclical payments on covered commodities except peanuts				65,000		
counter-cyclical payments on peanuts				65,000		
Total of the following for all loan commodities except wool, peanuts, mohair, and honey:				75,000		
<ul style="list-style-type: none"> <li>• gains from marketing loans</li> <li>• LDP's</li> </ul>						
CRP annual rental payment				50,000		
Total of:				75,000		
<ul style="list-style-type: none"> <li>• wool</li> <li>• peanuts</li> <li>• mohair</li> <li>• honey</li> </ul>						
AMA				50,000		
EQIP cost-share				450,000		
<b>Note:</b> Applies to an individual and entity in aggregate for all contracts for FY 2002 through 2007, regardless of the number of contracts.						
NAP				100,000		
*--TAA				10,000 <sup>1/</sup>		
TAP				75,000 <sup>2/</sup>		

<sup>1/</sup> TAA payments and counter-cyclical payments for the same year are limited to a combined total of:

- \$65,000 if counter-cyclical payments are received for covered commodities or peanuts, but not both
- \$130,000 if counter-cyclical payments are received for both covered commodities and peanuts.

<sup>2/</sup> For 2004 through 2007.--\*

**Note:** See Exhibit 5 for additional information on specific payment limitations.

### 23-33 (Reserved)



**Section 2 General Administration****34 Overview****A Introduction**

This section provides details on general payment limitation administration.

**B In This Section**

The following paragraphs are included in this section.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
35	Annual Notice to Producers	2-32
36	Public Information	2-35
37	Casual Advice	2-36

## 35 Annual Notice to Producers

### A When to Provide Information

Annually advise all producers of the payment limitation and payment eligibility requirements in this paragraph. Use a newsletter and all other practical means available.

**Note:** It may be appropriate to provide this information more than once during a calendar year if there is more than 1 program operating in the county for which these rules apply.

### B What Information to Provide

Notify producers of the following:

•\*--payments and benefits under certain programs are subject to some or all of the following:

- payment limitation

**Note:** Notify producers of the payment limitation amounts for the applicable programs.

- “actively engaged in farming” requirements
- cash-rent tenant rule
- permitted entity restrictions
- foreign person rule
- average adjusted gross income limitation
- no program benefits subject to limitation will be provided until:
  - all required forms for the specific situation are provided
  - necessary payment limitation and payment eligibility determinations are made
- payment limitation and payment eligibility determinations may be initiated by COC or requested by the producer
- a farm operating plan is not required to be filed annually if the farming operation continues to be conducted as reflected on the farm operating plan and supporting documents are on file in the County Office. However, if any changes occur that could affect a “person,” “actively engaged in farming,” “cash-rent tenant,” “foreign person,” or “average adjusted gross income” determination, producers must timely notify the County Office by filing revised farm operating plans and/or supporting documentation, as applicable. Failure to do so may adversely affect payment eligibility.--\*



## 35 Annual Notice to Producers (Continued)

**B What Information to Provide (Continued)**

- there are statutory provisions that require entities earning program benefits that are subject to limitation to:
  - provide the names, addresses, and ID numbers of the entities' members to COC
  - inform the entities' members of the requirements for designating "permitted entities"
- \*--all CCC-501's, CCC-502's, and CCC-526's submitted by producers are subject to--\* spot check through the end-of-year review process

**Note:** Explain what information the producer must provide to COC.

- spouses may be considered separate "persons" for payment limitation purposes if this determination is requested and the applicable requirements are met
- a determination of not "actively engaged in farming" results in the producer being ineligible for any payment or benefit requiring a determination of "actively engaged in farming"
- \*--noncompliance with the adjusted gross income provisions, either by exceeding the \$2.5 million limitation or by failure to submit the applicable certification statement, will result in the determination of ineligibility for all program benefits subject to the adjusted gross income provisions; program benefits shall be reduced in an amount that is commensurate with the direct and indirect interest held by an ineligible individual or entity in any entity, general partnership, or joint operation that receives benefits subject to the average adjusted gross income limitation.--\*



**36 Public Information**

**A Providing Information to the Public**

Provide the following to any producer who requests such information:

- copy of this handbook according to 12-DS
- any other program provisions pertaining to payment limitations, payment eligibility, or “person” determinations.

**Note:** State Offices are encouraged to keep handbook copies on hand for this purpose.

**37 Casual Advice**

**A Rule**

Casual advice shall not be given on:

- possible determinations
- how to set up a farming operation to obtain additional payments.

**38-48 (Reserved)**

### Section 3 Producer Filing Requirements

#### 49 Overview

##### A Introduction

This section provides requirements for filing CCC-502's for applicable programs.

##### B In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
50	Filing Requirements	2-53
51	Withdrawn--Amend. 5	
52	Documentation	2-55
53	Withdrawn--Amend. 34	
54	Withdrawn--Amend. 31	
55	General Forms' Requirements	2-63
56-68	Reserved	

#### 50 Filing Requirements

##### A Initial CCC-502 Filing Requirements

[7 CFR 1400.2 (e)] There is no specific deadline for filing CCC-502, CCC-526, and related forms unless otherwise provided in specific program procedure. However, before a producer can be considered eligible for benefits subject to the provisions of this handbook, the producer must have filed the appropriate forms and documentation, and determinations must have been made according to Part 5.

## 50 Filing Requirements (Continued)

**B If 1 or More Producers Fail to File**

[7 CFR 1400.2 (e)] If 1 or more producers on a contract or application for benefits fail to file the applicable CCC-502, CCC-526, and related forms, the producers not filing the applicable forms will be ineligible to receive program benefits subject to eligibility and limitation from that contract or application.

This failure to file will not affect the eligibility of other producers who meet all filing requirements.

**Note:** Shares cannot be adjusted to circumvent the ineligibility of the producer who failed to file the applicable forms and related documentation.

**C Required Updates**

\*--Valid CCC-502, CCC-526, and other related forms filed by the producer are considered to be continuous certifications used for all payment eligibility and payment limitation determinations applicable for the program benefits requested.

Producers are **not** required to annually submit new or updated CCC-502, CCC-526, and other related forms for payment eligibility and payment limitation purposes.

Producers have the responsibility to:

- ensure that all CCC-502, CCC-526, and related forms on file in the County Office are correct at all times
- timely notify the County Office in writing of any changes in the farming operation that may affect the determinations of record.--\*

Changes that may affect the determinations include, but are **not** limited to, a change:

- of contract shares of a contract, which **may** reflect:
  - change of land lease from cash rent to share rent
  - change of a land lease from share rent to cash rent

**Note:** The producer would be subject to the cash rent tenant rule.
- modification of a variable/fixed bushel rent arrangement
- in the size of the producer's farming operation by the addition or reduction of cropland that may affect the application of a cropland factor
- in the structure of the farming operation, including any change in the member's shares

**50 Filing Requirements (Continued)****C Required Updates (Continued)**

- of contributions of farm inputs of capital, equipment, active personal labor, or active personal management
- in acquisition of farming interests not previously disclosed on CCC-502 or update, including the farming interests of a spouse or minor child
- increasing income that may affect the 3-year average for the determination of average adjusted gross income or other change that affects eligibility under the average adjusted income limitation.

**D Documenting Changes**

Changes to a farming operation may be documented on 1 of the following, depending upon the nature and extent of the changes:

- a photocopy of the previously filed CCC-502

**Note:** The producer should initial and date any changes.

- CCC-502 Continuation

**Note:** CCC-502 Continuation may be used to document changes affecting owned or leased land in the producer's farming operation.

- a new CCC-502.

**Note:** A new CCC-502 to document changes to the farming operation shall only be obtained if the extent of changes makes it impractical to record the changes by updating the previously filed CCC-502.

If changes are documented using CCC-502 photocopy or CCC-502 Continuation, CCC-502U shall also be completed, signed, and dated by the producer. See paragraph 55.

**Note:** If a new CCC-502 is submitted:

- applicable determinations must be made and the producer notified according to Part 5
- flag the producer as "awaiting determination" according to 3-PL, subparagraph 25 C until all determinations are finalized.--\*

**51 (Withdrawn--Amend. 5)**





## 52 Documentation

### A Introduction

This paragraph provides guidelines on documentation needed to support COC determination.

### B Adequate Documentation

COC shall require adequate documentation to support the applicable CCC-502 and CCC-526.

**Definition:** Adequate documentation is whatever documentation is required by the reviewing authority to make proper “actively engaged in farming”, “person” determinations, and the determination of average adjusted gross income compliance.

### C Documentation Not Required

The reviewing authority should avoid requiring documents that are extremely personal if the determination can reasonably be made without the documents. COC may:

- \*--accept documents with redacted information that is not relevant to the determinations of “actively engaged in farming”, “person”, and average AGI--\*
- accept income tax returns to make the determination if **voluntarily** provided by the producer.
- request income tax returns \* \* \* to verify compliance with all payment eligibility requirements.

It is not anticipated that amounts paid for land leases or equipment leases will be needed unless the equipment or land is leased from another member having an interest in the farming operation.

## 52 Documentation (Continued)

**D Documentation That May Be Used**

Supporting documents may include legal documentation concerning:

- land ownership
- corporations

**\*--Note:** Copies of the Articles of Incorporation and corporate meeting minutes are required. Copies of stock certificates are optional, but may be requested for verifying shares and shareholders.--\*

- trusts

**Note:** A copy of the trust agreement must be provided by the trust unless the trust is revocable.

- partnerships
- operating agreements
- land and equipment leases
- financial agreements, including letters of credit
- any other information, including income tax returns, needed to apply the payment eligibility and payment limitation rules.

**E Scrutiny of Trusts**

All trusts that receive payments shall be carefully scrutinized to ensure that the trusts are legitimate entities and have not been created solely for evading payment limitation provisions.

County Offices shall:

- require trusts to provide a copy of the trust agreement unless the trust is a revocable trust
- determine whether provisions are included in the trust agreement that would require the trust to be considered a revocable trust according to paragraph 362.

**52 Documentation (Continued)****F Determination Deadline**

Additional information may be requested at COC's option. However, this will not extend the 60-day period for making a determination. If the file, as submitted by the producer, does not support a favorable finding, COC shall make a determination based on the file as it exists.

**G Returning Documentation**

Any legal documentation obtained should be returned to the producer as soon as possible. Keep photocopies for the payment limitation file if needed to support COC's determination.

**\*--52.5 FLP Participants****A Information Exchange**

FLM or appropriate farm loan staff shall be provided copies of the following information on any program participant that is also an FLP borrower:

- new or updated CCC-502 A, B, C, or D and supporting documentation submitted
- CCC-501 A and B submitted
- the resultant CCC-503 A
- written notice of determination for payment eligibility and payment limitation purposes
- written notice of selection for End of Year Review for payment eligibility and payment limitation compliance purposes
- written notice of any determination that may adversely affect payment eligibility and payment limitation.

**Note:** This includes all farming interests of the FLP borrower, whether as an individual, or member of, or interest holder in an entity or joint operation.--\*

**\*--52.5 FLP Participants (Continued)**

**B Discrepancies**

If representations made for program payment eligibility/limitation purposes and those made for FLP purposes are found to be different, **and** have the appearance of adversely affecting payment eligibility or the application of any determination previously made, the discrepancies shall be resolved:

- by the program participant/FLP borrower to the satisfaction of COC and FLP reviewing authority
- before any further disbursement of any program benefits subject to the regulations at 7 CFR Part 1400 and provisions of this handbook.--\*

**53 (Withdrawn--Amend. 34)**

**54 (Withdrawn--Amend. 31)**

55 General Forms' Requirements

**\*--A Availability**

All forms required to be filed by a producer are available:

- at the local County Office or Service Center
- online at <http://intra3.fsa.usda.gov/dam/ffasforms/forms.html> or <http://www.sc.egov.usda.gov>
- through the authorized use of FSA's approved spreadsheet package.--\*

**Note:** Only forms with OMB approval shall be used.

**B CCC-502 Requirements**

This table provides an overview of CCC-502 requirements.

<b>IF the participating producer is...</b>	<b>THEN require...</b>	<b>Paragraph Reference</b>
an individual	CCC-502A or CCC-502EZ.	277 and 278
a general partnership or joint venture	CCC-502B.	297
a corporation, limited partnership, limited liability company, association, or any other similar entity	CCC-502C.	316
an estate or trust	CCC-502D.	335

**C CCC-502 Continuation and CCC-502U**

CCC-502 Continuation may be used:

- as a continuation sheet for leased or owned land
- to update a previously filed CCC-502 according to paragraph 50
- with CCC-502A, CCC-502B, CCC-502C, CCC-502D, or CCC-502EZ.

**\*--Note:** A copy of AD-1026A, printed for the producer, may be used to record the land in the farming operation **only** with the addition of information on lease terms, rental rate, and whether the land interest was the same as previous year. Producer must sign and date AD-1026A **after** the information is added.--\*

CCC-502U is used to update a previously filed CCC-502 according to paragraph 50.





55 General Forms' Requirements (Continued)

E Example of CCC-502U

This is an example of CCC-502U.

\*--

This form is available electronically. Form Approved-OMB No. 0580-0096

**CCC-502U** (10-09-02) **U.S. DEPARTMENT OF AGRICULTURE**  
Commodity Credit Corporation

**Update for  
CCC-502, Farm Operating Plan For Payment Eligibility Review**

**NOTE:** *The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The authority for requesting the following information is the Food Security Act of 1985 (Pub. L. 99-198), as amended, and the regulations promulgated under 7 CFR Part 1400 for Payment Eligibility Review requirements. The information will be used to determine eligibility for program benefits and other financial assistance administered by USDA agencies. Furnishing the requested information is voluntary. Failure to furnish the requested information will result in a determination of ineligibility for certain program benefits and other financial assistance administered by USDA agencies. This information may be provided to other agencies, IRS, Department of Justice or other State and Federal Law enforcement agencies and in response to a court magistrate or administrative tribunal. The provisions of criminal and civil fraud statutes, including 18 USC 286, 287, 371, 651, 1001, 15 USC 714m; and 31 USC 3729, may be applicable to the information provided.*

*According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0580-0096. The time required to complete this information collection is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.*

1. Name of Producer John Public	2. Identification Number 333-44-9999	3. Program Year 2003
------------------------------------	---	-------------------------

4. Producer Multi-County Control County and State (Name, return address and telephone number including Area code)

**5. Update for Payment Eligibility Review (Form CCC-502 A, B, C, D, or EZ)**

I certify that I have reviewed the CCC-502- A Farm Operating Plan for Payment Eligibility Review, that I filed in 1999 (year) and the previous year notification of the "person," "actively engaged in farming" and cash-rent tenant rule determinations. I certify that all items for the current year are exactly as recorded on the amended document and accompanying documents. I agree that the "person," "actively engaged in farming," and cash-rent tenant determinations made in a previous year will remain in effect for the current and subsequent years unless a change occurs which would affect these determinations. I understand I will receive no additional notification of these determinations unless the noted changes result in a different payment eligibility/person determination. I will promptly notify the County FSA Office of any change which would affect these determinations.

**NOTE:** *Changes that may affect the determination include but are not limited to a change in the structure of the farming operation, such as shares or members; a change in lease arrangements; significant changes in inputs to the farming operation.*

6. Producer(s) Sign Below: **NOTE:** If joint operation, ALL members must sign.

Producer(s) Signature	Date (MM-DD-YYYY)	Producer(s) Signature	Date (MM-DD-YYYY)
/s/ John Public	03-31-2003		

7. For County Office Use Employee Initials: \_\_\_\_\_

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--\*



55 General Forms' Requirements (Continued)

**\*--F CCC-501A and CCC-501B Requirements**

This table provides an overview of CCC-501A and CCC-501B requirements.--\*

<b>IF an...</b>	<b>THEN require...</b>	<b>Paragraph Reference</b>
entity files a contract to participate or application for benefits, subject to "permitted entities"  <b>Note:</b> A general partnership or joint venture is not an entity.	CCC-501A, unless all of the first level members are individuals.	200 and 201
individual has substantial beneficial interest in an entity receiving payment, subject to "permitted entities"  <b>Note:</b> A general partnership or joint venture is not an entity.	CCC-501B.	16 and 215 through 221

56-68 (Reserved)



## Section 4 General Application Rules

**69 Overview****A Introduction**

This section describes rules that have general application.

**B In This Section**

The following paragraphs are included in this section.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
70	Custom Farming	2-82
71	Scheme or Device	2-83
72	Joint and Several Liability	2-86
73	Withdrawn--Amend. 34	
74	Status Date	2-89
75	Two or More Rules Apply	2-92

**70 Custom Farming****\*--A Meaning of Custom Farming**

Custom farming is the performance of any field work, crop production handling, or related activity (such as crop harvesting, land preparation, or chemical application) for a producer on a fee for service basis (such as by the hour or per acre basis).

**B Applicability**

If an individual, joint operation, or entity receives custom farming services:

- make “person” and “actively engaged in farming” determinations according to Part 4
- the ability to meet the cash-rent tenant provisions may be adversely affected on land that is cash-rented in the farming operation.

**Note:** The equipment used in the performance of the custom farming service cannot be considered a significant contribution of equipment toward meeting the “actively engaged in farming” requirements because the individual, joint operation, or entity does not exercise complete control over this equipment.--\*

**71 Scheme or Device****A Introduction**

To ensure producer compliance with the intent of payment limitation and payment eligibility provisions, scheme or device detection is essential.

This paragraph provides guidelines and rules for determining and detecting a scheme or device.

**B Statutory Background**

The Omnibus Budget Reconciliation Act of 1987 amended the Food Security Act of 1985 to require that when the Secretary determines that a person has adopted a scheme or device to evade, or that has the purpose of evading, the provisions of this handbook, the person shall be ineligible to receive farm program payments subject to limitation for the crop year for which the scheme or device was adopted and the succeeding crop year.

Before implementation of the Omnibus Budget Reconciliation Act of 1987, rules for determining a scheme or device were in 7 CFR Part 795.

**C Scheme or Device Rule**

Any producer who has adopted or participates in adopting a scheme or device that is designed to evade, or has the effect of evading, the rules of the payment limitation and payment eligibility provisions shall be ineligible to receive payments under the programs \*--covered by this handbook for all farms in which the "person" and scheme or device participant, as applicable, have an interest for the year in which the scheme or device was--\* adopted and the succeeding year.

71 Scheme or Device (Continued)

**\*--D Scheme or Device Detection**

State and County Office personnel shall be aware of their responsibilities in detecting and reviewing suspected schemes or devices. To assist in scheme or device detection, State and County Offices, as appropriate, shall:

- compare automated multi-County producer files with information reported on CCC-502's to identify unreported farming interests
- use other system-generated reports and queries to identify possible schemes or devices
- closely scrutinize joint operations having individual members who are also stockholders, members, etc., of a member entity
- request OIG's assistance through the State Office, as appropriate.--\*

71 Scheme or Device (Continued)

**E Acts That May Be a Scheme or Device**

[7 CFR 1400.5 (a)] Acts, such as the following, shall be considered a scheme or device:

- concealing information that affects the application of the payment limitation provisions
- submitting false or erroneous information
- creating fictitious entities for the purpose of concealing the interest of a “person” in a farming operation.

**\*--Note:** Fraudulent intent is not required for the determination of scheme or device.--\*

**F COC or STC Determination**

This table provides required action after COC or STC determination.

<b>IF COC or State Office determines...</b>	<b>THEN...</b>
a scheme or device was adopted to evade, or that had the purpose of evading, the provisions of this handbook	the State or County Office, as appropriate, shall: <ul style="list-style-type: none"> <li>• obtain DD concurrence of COC’s determination</li> </ul> <p><b>Note:</b> DD shall initial the determination in COC minutes.</p> <ul style="list-style-type: none"> <li>• notify all County Offices in which the scheme or device participant or “person” has an interest of the determination</li> <li>• notify the scheme or device participant or “person” of the determination</li> <li>• obtain a refund of all payments received by the scheme or device participant or “person” for the year in which the scheme or device was adopted</li> <li>• <b>not</b> make payments to the scheme or device participant or “person” in the succeeding year.</li> </ul>
the producer or “person” did not adopt or participate in adopting a scheme or device	the producer or “person” is eligible to receive program benefits.

**72 Joint and Several Liability**

**A Rule**

If 2 or more individuals or entities that are considered 1 “person” receive payments totaling more than the limitation, the individuals or legal entities are jointly and severally liable for the refund.

The amount of liability shall not exceed the total amount due under any contract to which an individual or entity is a party. See 58-FI \* \* \*.

**Note:** This liability is in addition to any liability that may arise under a criminal or civil statute.

**73 (Withdrawn--Amend. 34)**



## 74 Status Date

**A Application of Status Date**

[7 CFR 1400.100 (a)] The status of an individual or entity on April 1 of the applicable crop, program, or fiscal year is the basis on which “person” determinations are made for the applicable crop, program, or fiscal year.

Actions taken by an individual or entity after April 1 of the applicable crop, program, or fiscal year shall:

- not increase the number of “persons” for the applicable crop, program, or fiscal year
- be used to determine whether there has been a decrease in the number of “persons” for the applicable program or fiscal year.

**B Examples of Application of Status Date**

**Situation:** As of April 1, 2 individuals are married and their status as husband and wife results in them being combined as 1 “person”. Later in the same year, the individuals divorce.

**Application of Status Date:** The 2 individuals shall be combined as 1 “person” for the applicable crop, program, or fiscal year even if they subsequently divorce during the year.

**Situation:** As of April 1, an individual was a minor and was combined as 1 “person” with his/her parents. Later in the same year, the individual reaches the age of majority.

**Application of Status Date:** The individual shall be combined 1 “person” with his/her parents for the applicable crop, program, or fiscal year even through the age of majority is reached during the year.

**Situation:** As of April 1, Individual A held a majority interest in Corporation X. Later in the same year, Individual A’s interest in Corporation X is reduced to 50 percent or less. Individual B acquires a majority interest in Corporation X.

**Application of Status Date:** Individual A shall be combined as 1 “person” with Corporation X for the applicable crop, program, or FY. Individual B shall also be combined as 1 “person” with Corporation X for the applicable crop, program, or fiscal year.



**75 Two or More Rules Apply**

\* \* \*

**A Rule**

If 2 or more rules seem to be applicable, apply the rule that is most restrictive.

**76-88 (Reserved)**



**Section 5 Farming Operations****89 Overview****A In This Section**

The following paragraphs are included in this section.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
90	Determining Farming Operations	2-112
91	Interest in a Farming Operation	2-116
92	Total Value of a Farming Operation	2-118
93	Determining Bona Fide and Substantive Change	2-125
94	Substantive Change Rule for Individuals	2-128
95	Substantive Change Rule for Joint Operations	2-130
96	Substantive Change Rule for Entities	2-136
97	Two or More Rules Apply	2-139

## 90 Determining Farming Operations

### A Definition of Farming Operation

A farming operation is a business enterprise engaged in the production of agricultural products.

### B Description

An individual's, entity's, or joint operation's farming operation consists of the acreage on all farms in all counties in which the individual, entity, or joint operation has an interest in the agricultural products or proceeds from the agricultural products produced. This includes all acreage in which the individual, entity, or joint operation is a producer, regardless of whether the acreage is:

- rented on a crop-share basis
- rented on a cash-lease basis
- owned by the producer.

**Note:** Exclude the owned acreage that has been cash rented to a cash-rent tenant if the landowner has no interest in any crop or crop proceeds from the acreage for the year.

**\*--Exception:** The farming operation of a landowner includes only the acreage owned by the landowner if both of the following apply:

- land owned by different landowners is combined into 1 farm with other tracts so that crops can be rotated anywhere on the entire acreage and the claimed share of the crops or crop proceeds is proportionate to size and value of the land and CAB's contributed
- the landowner is not also a tenant on the farm.--\*

### C Multiple Farming Operations

An individual or entity may have more than 1 farming operation if the individual or entity has an interest in 1 or more joint operations. Each interest in a joint operation will be an additional farming operation for the individual or entity.

90 Determining Farming Operations (Continued)

**D Example 1, Showing Farms Operated**

This table shows the farms operated by Sam Brown.

<b>Farm 1</b> Owner-Sam Brown Rental-None	<b>Farm 2</b> Owner-Pete Smith Rental-Crop share
<b>Farm 3</b> Owner-Henry Black Rental-Crop share	<b>Farm 4</b> Owner-Two Buddies Partnership Partners: <ul style="list-style-type: none"> <li>• Pete Smith</li> <li>• Henry Black</li> </ul> Rental-Crop share

**E Example 1, Defining Farming Operation**

This table defines the farming operation of each of the individuals involved in this example.

IF the determination is for...	THEN the farming operation consists of...
Sam Brown	all farms.
Pete Smith	Farm 2.
Henry Black	Farm 3.
Two Buddies Partnership	Farm 4.
	<b>Note:</b> This is a second farming operation for Pete Smith and Henry Black.

**Note:** None of the individuals or entities have any other farming interests.

90 Determining Farming Operations (Continued)

**F Example 2, Showing Tracts Operated**

This table shows the tracts operated by Sam Brown.

<b>Farm 9 Tract 1</b> Owner-Sam Brown Rental-None	<b>Farm 9 Tract 2</b> Owner-Pete Smith Rental-Cash lease
<b>Farm 9 Tract 3</b> Owner-Henry Black Rental-Cash lease	<b>Farm 9 Tract 4</b> Owner-Two Buddies Partnership Partners: <ul style="list-style-type: none"> <li>• Pete Smith</li> <li>• Henry Black</li> </ul> Rental-Cash lease

**G Example 2, Defining Farming Operation**

This table defines the farming operation of each of the individuals involved in this example.

<b>IF the determination is for...</b>	<b>THEN the farming operation consists of...</b>
Sam Brown	all of the land in Farm 9.
Pete Smith	none of the land in Farm 9.  <b>Note:</b> Pete Smith has no farming operation.
Henry Black	none of the land in Farm 9.  <b>Note:</b> Henry Black has no farming operation.
Two Buddies Partnership	none of the land in Farm 9.  <b>Note:</b> Two Buddies Partnership has no farming operation.

**Note:** None of the individuals or entities have any other farming interests. All ownership tracts are combined as 1 farm, Farm 9.



90 Determining Farming Operations (Continued)

\*--H Example 2.5, Showing Tracts Operated

This table shows the tracts operated by Brown and Black Partnership. Both tracts have 100 acres of corn base.

Farm 10 Tract 1	Farm 10 Tract 2
Owner-Sam Brown	Owner-Brown and Black
Rental-Crop Share	Partnership
Operator-Brown and Black Partnership	Rental-N/A

Sam Brown receives a pro rata crop share regardless of where the crop is planted.

I Example 2.5, Defining Farming Operation

This table defines the farming operation of each of the individuals involved in this example.

IF the determination is for...	THEN the farming operation consists of...
Sam Brown	the acreage in tract 1 of Farm 10.
Brown and Black Partnership	Farm 10.

**Note:** None of the individuals or entities have any other farming interests. Both ownership tracts are combined as 1 farm, Farm 10.--\*



90 Determining Farming Operations (Continued)

**J Example 3, Showing Tracts and Farms Operated or Leased**

This table shows the tracts and farms operated or subleased by Sam Brown.

<b>Farm 18 Tract 5</b>	<b>Farm 18 Tract 6</b>
Operator-Sam Brown Owner-Sam Brown Rental-N/A	Subleased to Bill Jones for cash Owner-Pete Smith Rental-Cash lease to Sam Brown
<b>Farm 18 Tract 7</b>	<b>Farm 19</b>
Subleased to Richard Alexander for cash Owner-Henry Black Rental-Cash lease to Sam Brown	Operator-Sam Brown Owner-Two Buddies Partnership Partners: • Pete Smith • Henry Black Rental-Crop share

**K Example 3, Defining Farming Operation**

This table defines the farming operation of each of the individuals involved in this example.

<b>IF the determination is for...</b>	<b>THEN the farming operation consists of...</b>
Sam Brown	the acreage in tract 5 of Farm 18 and all of Farm 19.
Bill Jones	the acreage in tract 6 of Farm 18.
Richard Alexander	the acreage in tract 7 of Farm 18.
Two Buddies Partnership	Farm 19.

**Note:** None of the individuals or entities have any other farming interests. Pete Smith and Henry Black have no individual farming operation.

**91 Interest in a Farming Operation****A Examples of Interest in a Farming Operation**

The following are considered interests in a farming operation:

- any producer who shares in the production or proceeds of the production from the farming operation
- \*--landowners have an interest in the farming operation containing the land owned, whether or not the landowner has an interest in the production or proceeds from the production--\*
- landlords, including landowners, have an interest in the farming operation containing the acreage owned or leased, whether or not the landlord has an interest in the production or proceeds from the production
- \*--a member of a joint operation when the joint operation is a producer in the farming operation--\*
- general partner of a limited partnership when the limited partnership is a producer in the farming operation
- grantor of a revocable trust when the trust is a producer in the farming operation.

**B Examples of No Interest in a Farming Operation**

The following are not considered interests in a farming operation:

- stockholders in a corporation when the corporation is a producer in the farming operation
- limited partners of a limited partnership when the limited partnership is a producer in the farming operation
- members of an association when the association is a producer in the farming operation

**91 Interest in a Farming Operation (Continued)**

**B Examples of No Interest in a Farming Operation (Continued)**

- heirs to an estate when the estate is a producer in the farming operation
- beneficiaries of a trust when the trust is a producer in the farming operation
- grantors of an irrevocable trust when the trust is a producer in the farming operation
- trustees and personal representatives of a trust or estate when the trust or estate, respectively, is a producer in the farming operation.

**C Most Restrictive Rule**

The application of a more restrictive rule may apply if an individual has an interest in another person's farming operation.

**92 Total Value of a Farming Operation****A Introduction**

The total value of a farming operation must be computed when determining whether:

- the contributions made by the individual or entity are significant
- contributions are commensurate with the claimed share of profits or losses from the farming operation.

**B Definition**

The total value of a farming operation is the total of the costs, excluding the value of active personal labor and active personal management that is contributed by a member of the farming operation, needed to carry out the farming operation for the year for which the determination is made.

**92 Total Value of a Farming Operation (Continued)****C Example 1, Scenario**

Partnership ABC has 3 equal partners, A, B, and C. Partnership ABC farms 2,000 acres of cropland growing corn and various vegetables. All of the land that Partnership ABC farms has a rental value equal to \$42 per acre.

Partner A contributes land with a total rental value of \$24,000 to the partnership. Partner A cash rents this land from a landowner with no interest in Partnership ABC's farming operation. Partner A's contributions to Partnership ABC also include equipment with a rental value of \$12,000 and \$12,000 of capital. None of Partner A's contributions are acquired as the result of a loan.

Partner B contributes land with a total rental value of \$12,000 to the partnership. Partner B cash rents this land from a landowner with no interest in Partnership ABC's farming operation. Partner B's contributions to Partnership ABC also include equipment with a rental value of \$12,000 and \$24,000 of capital. None of Partner B's contribution are acquired as the result of a loan.

Partner C contributes land with a total rental value of \$12,000 to the partnership. Partner C owns this land. Partner C's contributions to Partnership ABC also include equipment with a rental value of \$12,000 and \$24,000 of capital. None of Partner C's contributions are acquired as the result of a loan.

\*--Partnership ABC rents land from other landowners for a one-third share of the crop with a value of \$36,000. Partnership ABC contributes owned equipment with a rental value of--\* \$21,000 and \$99,000 of capital to the farming operation.

Each of the partners share equally in the labor and management of this farming operation and no additional labor or management is hired.

92 Total Value of a Farming Operation (Continued)

**D Example 1, Contributions**

\*--This table shows the contributions made by the partners and Partnership ABC and the total value of the farming operation.--\*

	Land	Capital	Equipment	Labor	Management	Total
Partner A	24,000	12,000	12,000	Active	Active	48,000
Partner B	12,000	24,000	12,000	Active	Active	48,000
Partner C	12,000	24,000	12,000	Active	Active	48,000
Partnership ABC	* * *	99,000	21,000			120,000
Total	84,000 <u>1/</u>	159,000	57,000	0	0	300,000

\*--1/ Includes the rental value of the land contributed by the share-rent landlord. Crop-share rent for the land is valued at \$36,000.--\*

**E Example 1, Determination**

The rental value of all the land involved in this farming operation is \$84,000. This rental value is derived by the following inputs:

- Partner A’s contribution of cash-rented land with a value of \$24,000
- Partner B’s contribution of cash-rented land with a value of \$12,000
- Partner C’s contribution of owned land with a rental value of \$12,000
- \*--share-rented land with a value of \$36,000 that is not attributed to any 1 partner or to the partnership.--\*

**Note:** If land is owned, a rental value that is normal for the area must be used when determining its value.



**92 Total Value of a Farming Operation (Continued)****E Example 1, Determination (Continued)**

The total amount of capital needed by this farming operation is equal to \$159,000. This figure is arrived at by taking the total expenditures necessary to conduct this farming operation and subtracting any equipment and land costs that will be expended by the partnership. The capital is derived by the following inputs:

- Partner A's contribution of \$12,000 of capital
- Partner B's contribution of \$24,000 of capital
- Partner C's contribution of \$24,000 of capital
- Partnership ABC's contribution of \$99,000 of capital.

The rental value of all of the equipment used on this farming operation is \$57,000. This rental value is derived by the following inputs:

- Partner A's contribution of owned equipment with a rental value of \$12,000
- Partner B's contribution of leased equipment with a rental value of \$12,000
- Partner C's contribution of owned equipment with a rental value of \$12,000
- Partnership ABC's contribution of owned equipment with a rental value of \$21,000.

**Note:** If equipment is owned, a rental value that is normal for the area must be used when determining its value.

Each partner is equally providing active personal labor and active personal management; therefore, no value is affixed to these contributions in determining the total value of the farming operation.

\*--The total value of this farming operation is equal to \$300,000.--\*

**92 Total Value of a Farming Operation (Continued)****F Example 2, Scenario**

Partnership ABC has 3 equal partners, A, B, and C. Partnership ABC farms 1,500 acres of cropland growing cotton and soybeans.

Partner A contributes land with a total rental value of \$5,000 to the partnership. Partner A cash rents this land from a landowner with no interest in Partnership ABC's farming operation.

Partner B contributes land with a total rental value of \$5,000 to the partnership. Partner B cash rents this land from a landowner with no interest in Partnership ABC's farming operation.

Partner C contributes land with a total rental value of \$5,000 to the partnership. Partner C owns this land.

Partnership ABC contributes land with a total rental value of \$69,000 to the farming operation. Partnership ABC owns this land. Partnership ABC contributes owned equipment with a rental value of \$57,000 and \$159,000 of capital to the farming operation. The capital is borrowed from a local bank and is not secured by any of the partners individually.

Partnership ABC will hire all of the labor needed to conduct this farming operation. The labor cost for this operation will be \$30,000.

Each of the partners share equally in the management of this operation and no additional management is hired.

**92 Total Value of a Farming Operation (Continued)****G Example 2, Contributions**

This table shows the contributions made by the partners and Partnership ABC.

	<b>Land</b>	<b>Capital</b>	<b>Equipment</b>	<b>Labor</b>	<b>Management</b>	<b>Total</b>
Partner A	5,000	0	0		Active	5,000
Partner B	5,000	0	0		Active	5,000
Partner C	5,000	0	0		Active	5,000
Partnership ABC	69,000	159,000	57,000	30,000		315,000
<b>Total</b>	<b>84,000</b>	<b>159,000</b>	<b>57,000</b>	<b>30,000</b>	<b>0</b>	<b>330,000</b>

**H Example 2, Determination**

The rental value of all of the land involved in this farming operation is \$84,000. This rental value is derived by the following inputs:

- Partner A's contribution of cash rented land with a value of \$5,000
- Partner B's contribution of cash rented land with a value of \$5,000
- Partner C's contribution of owned land with a rental value of \$5,000
- Partnership ABC's contribution of owned land with a rental value of \$69,000.

**Note:** If land is owned, a rental value that is normal for the area must be used when determining its value.

**92 Total Value of a Farming Operation (Continued)**

**H Example 2, Determination (Continued)**

The total amount of capital needed by this farming operation is equal to \$159,000. This figure is arrived at by taking the total expenditures necessary to conduct this operation and subtracting any equipment, land, and labor costs that will be expended by the partnership. The capital for this operation is being provided by Partnership ABC.

The rental value of all of the equipment used on this farming operation is \$57,000. Partnership ABC is contributing owned equipment with a rental value of \$57,000.

**Note:** If equipment is owned, a rental value that is normal for the area must be used when determining its value.

All of the labor for this farming operation is hired by Partnership ABC and will cost \$30,000.

Each partner will equally provide active personal management; therefore, no value is affixed to this contribution in determining the total value of the farming operation.

The total value of this farming operation is equal to \$330,000.

**\*--93 Determining Substantive and Nonsubstantive Change--\*****A Background**

The Food Security Act of 1985, as amended, requires that the Secretary may not approve, for purposes of the application of payment limitations, any change in a farming operation that will increase the number of “persons”, unless the Secretary determines that the change is bona fide and substantive.

**B Rule**

COC may not approve any change in a farming operation that will otherwise increase the number of “persons” to which payment limitations are applied for the current year, unless a “substantive change” in the farming operation occurs for the current year.

**Note:** The comparison for substantive change purposes is always between the current year’s operation and the previous year’s operation.

**C Substantive Change Not Required**

A substantive change is not required to be met for the current year when both of the following conditions are met:

- the change in the farming operation took effect in the previous year
- the farming operation was conducted in the previous year as submitted to COC.

**Note:** Substantive change is not required if the increase in “persons” is due to the application of the procedure applicable to separate “persons” status for husbands and wives.

\*--93 Determining Substantive and Nonsubstantive Change (Continued)--\*

**D Substantive Change Requirements**

[7 CFR 1400.109] If bona fide, the following are considered substantive changes.

Change	Requirement
Family member	The addition of a family member to a joint operation according to the “adult family member” provision as specified in paragraph 295.  <b>Note:</b> An addition will not affect the status of any other individual or entity that is added to the joint operation.
Land rental	For a landowner only, a change from cash rent to share rent.
Cropland	An increase through the acquisition of land not previously involved in the farming operation. The increase must be approximately 20 percent or more of the total cropland involved in the farming operation if such cropland has planting history of an amount which is at least normal for the area.
Ownership	A change in ownership by sale or gift of equipment or land from an individual or entity previously engaged in the farming operation to an individual or entity who has not been engaged in this operation is considered substantive, only if the transferred amount is commensurate with the new individual’s or entity’s share of the farming operation.
Equipment	The addition of equipment not previously involved in the farming operation may be considered substantive, if the rental value of the new equipment contributed is commensurate with the new “person’s” share of the rental value of all equipment on the farming operation.

**Note:** Substantive changes must be legitimate “arms length” business transactions. Documents that provide evidence of a change in farming operations that are fictitious or not legally binding are not acceptable.

**\*--93 Determining Substantive and Nonsubstantive Change (Continued)****E Nonsubstantive Changes**

The following are considered nonsubstantive changes:

- a decrease in the amount of land
- the dissolution of an entity
- any change not considered substantive for which the rules would require a more restrictive application of the payment limitation.

**F Example 1 of Nonsubstantive Change**

**Situation:** Three individuals each have separate and unrelated farming operations, which if continued unchanged, qualify for 3 “persons” for payment limitation purposes. The 3 individuals propose a farming operation by forming a corporation in which each are equal stockholders with each stockholder holding less than majority interest in the entity. The entity would lease for cash a portion of the cropland previously operated by each of the individuals. Separate “person” status is requested for the entity for a total of 4 “persons” for payment limitation purposes.

**Determination:** The formation of this entity and the leasing of the land formerly operated by the individuals would not constitute a bona fide and substantive change. Continue to recognize the 3 “persons” as determined previously for payment limitation purposes.

**Explanation:** The same land is farmed by the equipment and the same individuals as the previous year. The stockholders own more than 50 percent of the entity and each stockholder produced agricultural products or participated in programs subject to limitation in the previous year.

**G Example 2 of Nonsubstantive Change**

**Situation:** A corporation operates land that it owns. A general partnership, consisting of the stockholders of the corporation, leases land owned by unrelated parties that was previously operated by the corporation. The corporation farm manager and other employees complete the farming activities for both operations with equipment owned by the corporation. Records are kept of time spent by the employees and equipment usage for each of the farming operations. The corporation’s bookkeeper prepares separate payrolls for the employees that reflect the time for each employee on each farming operation. Invoices prepared on behalf of the corporation are issued to the partnership for the equipment usage and cropping expenses to represent its share of the operating expenses. Separate person status was requested for the corporation and each of the members of the partnership.--\*

**\*--93 Determining Substantive and Nonsubstantive Change (Continued)**

**G Example 2 of Nonsubstantive Change (Continued)**

**Determination:** Changes in bookkeeping for the manner records are kept does not constitute or demonstrate a substantive change. Continue to recognize 1 “person” for payment limitation purposes.

**Explanation:** The members of the partnership, who hold more than 50 percent of the corporation, are farming the same land with the same equipment previously operated by the corporation. Only a single farming operation of the corporation exists even though separate books are kept in an effort to justify the separate farming operation of the general partnership.--\*

**94 Substantive Change Rule for Individuals**

**A Individual Beginning to Farm**

If an individual begins to farm and is not a member of an entity or joint operation, **no** substantive change is required to be considered a separate “person”.

**B Member of an Entity**

This table provides guidance to determine when a substantive change is required for an individual beginning to farm.

<b>IF the individual owns, directly or indirectly, 50 percent or more interest in an entity that...</b>	<b>AND the individual will...</b>	<b>THEN a substantive change...</b>
produced program crops, or products or participated in a program subject to limitations the previous year	operate any land that was in the farming operation of the entity as an individual or a member of a joint operation	is required.
	<b>not</b> operate any land that was in the farming operation of the entity as an individual or a member of a joint operation	is <b>not</b> required.
did not produce program crops, or products, or participate in a program subject to limitation in the previous year	operate land as an individual or a member of a joint operation	is <b>not</b> required.  <b>Note:</b> The land may be land that was or was not in the farming operation of the entity.



**94 Substantive Change Rule for Individuals (Continued)****C Example**

**\*--Situation:** Individual A owns 50 percent of Corporation AB that produced crops on a--\* 600-acre farming operation last year. This year Corporation AB and Individual A will each operate part of the land that was in the farming operation of Corporation AB.

**Determination:** A substantive change would be required because Individual A owns \*--50 percent of Corporation AB.--\*

**D If Substantive Change Is Not Met**

If there is an increase in the number of “persons” in a farming operation, that results in applying the substantive change provisions, and a substantive change is not met:

- continue to recognize the “persons” for payment limitation purposes that were recognized in the previous year
- consider the “new person” who did not meet the substantive change ineligible for payment.

**Note:** The recognized “person’s” shares cannot be adjusted to circumvent the ineligibility of the “new person”.

**95 Substantive Change Rule for Joint Operations**

**A Introduction**

This paragraph provides guidelines for determining when substantive change is required for joint operations.

**B New Joint Operation Formed**

Use this table to determine when substantive change is required for a new joint operation.

<b>IF...</b>	<b>THEN substantive change...</b>
none of the members produced program crops, or products, or participated in a program subject to limitation in the previous year	would not be required.
some of the members produced program crops, or products, or participated in a program subject to limitation in the previous year	would be required. * * *
all of the members produced program crops, or products, or participated in a program subject to limitation in the previous year	would not be required.

**Note:** Substantive change would be required if a new joint operation will be farming any of the land that was farmed by an entity in which members of the new joint operation held a 50 percent or greater interest.

95 Substantive Change Rule for Joint Operations (Continued)

C Joint Operation Existed in the Previous Year

Use this table to determine when substantive change is required for a joint operation that existed in the previous year.

<b>IF there is an addition of 1 or more members to a joint operation that existed in the previous year and there is...</b>	<b>AND the “person”...</b>	<b>THEN substantive change...</b>
an increase in the total number *--of “persons” in the joint operation--*	causing the increase produced program crops, or products, or participated in a program subject to limitation in the previous year	would not be required.
	causing the increase did not produce program crops, or products, or participation in a program subject to limitation in the previous year	would be required.
no overall increase in the *--number of “persons” in the joint operation because of--* 1 or more of the members in the previous year leaving the joint operation	leaving the farming operation continues to farm any land that was part of the previous year's joint operation	would be required *--unless offset by a decrease in “persons” in the joint operation.--*
	leaving the farming operation does not farm any land that was part of the previous year's joint operation	would not be required.

**Notes:** If the increase in land provision is used for a substantive change, the 20 percent increase in land would be calculated from the amount of land that was in the joint operation in the previous year.

The 20 percent increase in land could be obtained in either of the following ways:

- the joint operation increases the land in the farming operation
- the individual or entity that left the joint operation, if applicable, increases the amount of land farmed.

**95 Substantive Change Rule for Joint Operations (Continued)****D Other Provisions**

Other than according to subparagraphs B and C, a substantive change is required when both of the following apply:

- at least 1 of the members of the joint operation did not produce program crops \* \* \* or participate in CRP in the previous year
- the joint operation will operate any of the land that was in the farming operation of members who did produce program crops \* \* \* or participate in CRP in the previous year.

**Note:** If the increase in land provision is used, the 20 percent increase in land shall be calculated from the amount of land that was in the previous year's joint operation.

**E Example 1, Joint Operation Existed - Increase in Persons**

**Situation:** Partnership ABC produced program crops last year. This year Individual D buys an equal share of Partnership ABC. Individual D did produce program crops last year.

**Determination:** A substantive change is not required because Individual D is an old producer; therefore, there has been no increase in "persons."

**F Example 2, Joint Operation Existed - Increase in Persons**

**Situation:** Partnership ABC produced program crops last year. This year Individual D buys an equal share of Partnership ABC. Individual D did not produce program crops last year. Partnership ABC's farming operation last year consisted of 1,000 acres.

**Determination:** A substantive change is required. If the increase in land provision is used, the 20 percent increase is based on the 1,000 acres Partnership ABC operated last year.

**95 Substantive Change Rule for Joint Operations (Continued)****G Example 1, Joint Operation Existed - No Overall Increase in “Persons”**

**Situation:** Partnership ABC produced program crops last year.

- This year Individual C sells his share of Partnership ABC to Individual D. Individual D did not produce program crops last year.
- Partnership ABC’s farming operation last year consisted of 1,000 acres.
- Individual C will farm 300 acres of the land that was in Partnership ABC’s farming operation last year.

**Determination:** A substantive change would be required before recognizing Individual D as a “person.”

- One way of doing that would be if Partnership ABC added 200 acres (20 percent of 1,000) to its farming operation that was not in Partnership ABC’s farming operation last year.
- Individual C could also meet the requirement if Individual C farmed 200 acres of land that was not in Partnership ABC’s farming operation last year.

**H Example 2, Joint Operation Existed - No Overall Increase in “Persons”**

**Situation:** Partnership ABC produced program crops last year.

- This year Individual C sells his share of Partnership ABC to Individual D. Individual D did not produce program crops last year.
- Partnership ABC’s farming operation last year consisted of 1,000 acres.
- Individual C will not farm any of the land that was in Partnership ABC’s farming operation last year.

**Determination:** A substantive change would not be required because there was no increase in the number of “persons” in the farming operation.

**95 Substantive Change Rule for Joint Operations (Continued)****I Example 1, Other Provisions**

**Situation:** Individual A produced program crops on a 600-acre farming operation last year. Individual B produced program crops on a 400-acre farming operation last year. This year Individuals A, B, and C form an equal partnership and will produce program crops on a farming operation that includes some of the land that was in Individual A's farming operation last year.

**Determination:** A substantive change would be required before recognizing Individual C as a "person." One way of doing that would be if Partnership ABC added 200 acres (20 percent of 1,000) to its farming operation that was not part of the farming of either Individual A or B in the previous year.

**J Example 2, Other Provisions**

**Situation:** Partnership AB produced program crops on a 600-acre farming operation last year and continue to farm part of the 600 acres this year.

- Individual C did not produce program crops last year.
- This year Individuals B and C form an equal partnership and will produce program crops on a farming operation that includes some of the land that was in Partnership AB's farming operation last year.

**Determination:** A substantive change would be required before recognizing Individual C as a "person."

- One way of doing that would be if Partnership BC added 120 acres (20 percent of 600) to its farming operation that was not part of the farming operation of Partnership AB.
- Another way of meeting the substantive change would be if Partnership AB added 120 acres (20 percent of 600) to its farming operation that was not part of the farming operation last year.

**95 Substantive Change Rule for Joint Operations (Continued)****\*--K Example 1**

**Situation:** Joint Operation ABCD was determined 4 “persons” for program payment limitation purposes in the previous year. This year, and before April 1, AB limited liability company and CD limited liability company were added and a total of 6 “persons” were requested, all with equal shares. Neither of the new members farmed or participated in the farm programs before. Interest in equipment held by the original 4 partners was gifted to each of the new members.

**Determination:** Substantive change would be required because of the increase in the number of “persons” in the farming operation. The gifting of equipment interest to each of the new members would meet the requirement if the amount was at least equal to the commensurate share of each new member.

**L Example 2**

**Situation:** Joint Operation Dollar Farms, comprised of individuals E, F, G, and H, was determined 4 “persons” for program payment limitation purposes in the previous year. This year, and before April 1, this joint operation was dissolved and a new joint operation Dollar Farms, comprised of individuals G, H, I, and J, was formed with a new tax identification number. The same land is farmed and the same equipment, all previously leased by the “old” Dollar Farms, is now leased by the “new” Dollar Farms.

**Determination:** Substantive change would not be required since there is not an increase in the number of “persons” for payment limitation purposes.--\*

**M Substantive Change Not Met**

If there is an increase in the number of “persons” in a farming operation, that results in applying the substantive change provisions, and a substantive change is not met:

- continue to recognize the “persons” for payment limitation purposes that were recognized in the previous year
- consider the “new person” who did not meet the substantive change ineligible for payment.

**96 Substantive Change Rule for Entities****A Produced Program Crops Previous Year**

\*--If an entity produced program crops, or products, or participated in a program subject to limitation in the previous year, a substantive change is **not** required.--\*

**B Did Not Produce Program Crops Previous Year**

If an entity did not produce program crops, or products, or participate in a program subject to limitation in the previous year and stockholders, heirs, or beneficiaries who produced program crops, or products, or participated in a program subject to limitation in the previous year own, directly or indirectly, 50 percent or more of the interest in the entity and the entity will:

- operate land that was in the farming operation of members who produced program crops, or products, or participated in a program subject to limitation in the previous year, a substantive change **would** be required

**Note:** If the increase in land provision is used, the 20 percent increase in land shall be calculated from the amount of land that was in the farming operation of members who produced program crops, or products, or participated in a program subject to limitation in the previous year.

- **not** operate any land that was in the farming operation of members who produced program crops, or products, or participated in a program subject to limitation in the previous year, a substantive change would **not** be required.

**C Ownership Change**

Any legal and bona fide change in the ownership of a corporation must be recognized, regardless of the amount of stock involved.



## 96 Substantive Change Rule for Entities (Continued)

**D Example 1**

**Situation:** Individual A produced program crops on a 600-acre farming operation last year. Individual B produced program crops on a 400-acre farming operation last year. Individual C did not produce program crops last year.

- This year Individuals A, B, and C form a corporation with equal shares and will produce program crops on a farming operation that includes some of the land that was in Individual A's farming operation last year.
- Individuals A and B will also farm this year.

**Determination:** A substantive change would be required before Corporation ABC would be recognized as a "person" in accordance with subparagraph B. One way of doing that would be if Corporation ABC added 200 acres (20 percent of 1,000) to its farming operation that was not part of the farming operation of either Individual A or B in the previous year.

**E Example 2**

**Situation:** Individual A produced program crops on a 600-acre farming operation last year. Individuals B and C did not produce program crops last year. This year Individuals A, B, and C form a corporation with equal shares and will produce program crops on a farming operation that includes some of the land that was in Individual A's farming operation last year.

**Determination:** A substantive change would not be required because less than 50 percent of the corporation is owned by Individual A, the member who produced program crops.

**96 Substantive Change Rule for Entities (Continued)****F Example 3**

**Situation:** Individual A produced program crops on a 600-acre farming operation last year. Individual B produced program crops on a 400-acre farming operation last year. Individual C did not produce program crops last year. This year Individuals A, B, and C form a corporation with equal shares and will produce program crops on a farming operation that is composed of land that was operated in the previous year by Individual Z. Individual Z no longer farms.

**Determination:** A substantive change would not be required because none of the land operated by the corporation was operated by Individual A or B in the previous year.

**G Substantive Change Not Met**

If there is an increase in the number of “persons” in a farming operation, that results in applying the substantive change provisions, and a substantive change is not met:

- continue to recognize the “persons” for payment limitation purposes that were recognized in the previous year
- consider the “new person” who did not meet the substantive change ineligible for payment.

**97 Two or More Rules Apply****A Two or More Rules Are Applicable**

If 2 or more rules appear to be applicable, apply the rule that is most restrictive on whether a substantive change is required.

**B Example**

**Situation:** In the previous year, Individuals A and B had separate farming operations and both produced program crops.

For the current year, Individuals A and B form:

- Corporation AB that is composed of Individuals A and B who each have a 50 percent ownership interest
- AB Joint Operation that is composed of Individual A, Individual B, and Corporation AB, each having a one-third share.

**Determination:** Subparagraph 95 D applies and provides that if the increase in land provision is used, the 20 percent increase in land shall be calculated from the amount of land that was in the previous year's joint operation. If the most restrictive rule is not applied, no substantive change would appear to be required if the increase in land provision is used since the joint operation did not farm in the previous year. However, paragraph 96 applies and a substantive change is required.

**98-108 (Reserved)**



Section 6 "Person" Determinations

109 Overview

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A

**Introduction**

This section explains general provisions relating to "person" determinations.

---

B

**In This Section**

The following paragraphs are included in this section.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
110	Defining "Person"	2-152
111	Two or More Rules Apply	2-153
112	Combined Individuals or Entities	2-154
113	Assumed Name Operations	2-155
114	Resolving "Persons"	2-156

---

## 110 Defining "Person"

## A

## Definition

A "person" is:

- an individual, or an individual participating as a member of a joint operation or similar operation
- a corporation, joint stock company, association, limited stock company, limited partnership, irrevocable trust, revocable trust together with the grantor of the trust, estate, or charitable organization including any entity participating in the farming operation as a partner in a general partnership, a participant in a joint venture, a grantor of a revocable trust, or a participant in a similar entity
- a State, political subdivision, or agency thereof.

**Note:** A cooperative association of producers that market commodities \*-- shall **not** be considered the "person," and payments and benefits thereby limited for the commodities marketed for the producers.--\*

## B

## Separate "Person" Requirements

For an individual or entity to be considered a separate "person," the individual or entity must:

- have a separate and distinct interest in the land or crop involved
- exercise separate responsibility for this interest
- maintain funds or accounts separate from that of any other individual or entity for this interest.

**Note:** A member of a joint operation is considered to have met these requirements if the joint operation meets these requirements.

**110 Defining “Person” (Continued)**

**\*--C Business Practices and “Person” Status**

Business practices and activities that may adversely affect the ability of an individual or entity to meet requirements to be considered a separate “person” include:

- common bank and loan accounts for multiple farming operations
- cross collateralization - the same assets, such as growing crops, program payments, crop and crop insurance proceeds, are pledged by multiple producers as security for a loan or multiple loans
- use of accounting ledgers rather than actual bank and supplier accounts
- farm operating loans are guaranteed or secured by assets of other farming operations, individuals, and entities.--\*

**111 Two or More Rules Apply**

**A Rule**

If 2 or more rules appear to be applicable, apply the rule that is most restrictive on the number of “persons”.

112 Combined Individuals or Entities

A Rule

When 2 or more individuals or entities are determined to be 1 “person” for payment limitation purposes:

- the determination applies to all programs subject to the provisions of this handbook
- the allowable payment may be distributed:

- as agreed to by all parties

**Note:** The amount for each producer may not exceed the producer’s commensurate share.

- by COC, with DD concurrence, if the parties cannot agree.

**Note:** COC shall distribute payments fairly and equitably.



113 Assumed Name Operations

---

**A**

**Definition**

An assumed name operation is a farming operation that conducts itself using a business name.

---

**B**

**Example**

Jane Smith conducts her farming operation under the name of Smith Enterprises.

---

**C**

**Making**

**Determinations**

When making determinations for an assumed name operation, the determination will be for the:

- individual if the individual owns the farming operation but uses an assumed name to conduct the operation
  - owner of the business if the farming operation is conducted under the same name as another business owned by the individual.
-

**\*--114 Resolving "Persons"**

---

**A**

**Introduction**

An entity or joint operation filing CCC-502 may have members, etc. which are entities.

---

**B**

**Required  
Determinations**

The responsibility for making "person" determinations extends to whatever level is required to resolve all entities.--\*

---

**115-128 (Reserved)**

**Section 7 “Actively Engaged” Determinations**

**129 Overview**

**A Introduction**

For an individual or entity to be eligible to receive specified payments, that individual or entity must be determined “actively engaged in farming”.

**B In This Section**

The following subsections are included in this section.

<b>Subsection</b>	<b>Title</b>	<b>Page</b>
1	“Actively Engaged” Considerations	2-172
2	Specific Rules for Contributions	2-201

**Subsection 1 “Actively Engaged” Considerations**

**130 Overview**

**A Introduction**

This subsection explains general provisions relating to “actively engaged in farming” determinations.

**B In This Subsection**

The following paragraphs are included in this subsection.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
131	General Considerations	2-173
132	Landowner Exemption	2-177
133	Landlord	2-178.5
134	Percent of Cropland Factor	2-181

131 General Considerations

**A Introduction**

For an individual or entity to be considered “actively engaged in farming,” the participant must make a significant contribution of certain farming inputs. This paragraph lists and defines these contributions.

**B General Provisions**

In general, for an individual or entity to be considered “actively engaged in farming,” the requirements of this table must be met.

Item	Requirement
1	Significant “left-hand” contributions to the farming operation of 1 or a combination of the following: <ul style="list-style-type: none"> <li>• capital</li> <li>• land</li> <li>• equipment.</li> </ul> <p><b>Note:</b> See paragraphs 274 and 295 for exceptions.</p>
2	Significant “right-hand” contributions to the farming operation of 1 or a combination of the following: <ul style="list-style-type: none"> <li>• active personal labor</li> <li>• active personal management.</li> </ul> <p><b>Note:</b> See paragraph 132 for exception.</p>
3	A claimed share of the profits or losses from the farming operation that is commensurate with contributions to the farming operation.
4	Contributions that are at risk.

**C Definition of Capital**

For payment limitation purposes, capital consists of the funding \* \* \* provided by an individual or entity to the farming operation for the operation to conduct farming activities.

**131 General Considerations (Continued)****D Definition of Land**

For payment limitation purposes, land is farmland consisting of cropland, pastureland, wetland, or rangeland that meets the specific requirements of the applicable program.

**E Definition of Equipment**

For payment limitation purposes, equipment is the machinery and implements needed by the farming operation to conduct activities of the farming operation.

This includes:

- machinery and implements needed for:
  - land preparation, planting, cultivating, or harvesting of the crops involved
  - establishing and maintaining conservation cover crops or conservation use acreages
  - conducting livestock operations
- irrigation equipment that is:
  - not of a permanent nature
  - commonly used in the area.

**F Definition of Active Personal Labor**

Active personal labor is defined as personally providing physical activities necessary in a farming operation.

These activities include physical activities:

- involved in land preparation, planting, cultivating, harvesting, and marketing of agricultural commodities
- required to establish and maintain conserving cover crops or conserving use acreages
- required in livestock operations.

**131 General Considerations (Continued)****G Active Personal Management**

Active personal management is defined as personally providing:

- the general supervision and direction of activities and labor involved in the farming operation
- services, whether performed on-site or off-site, reasonably related and necessary to the farming operation, including any of the following:
  - supervision of activities necessary in the farming operation
  - business-related actions that include discretionary decision making
  - evaluation of the financial condition and needs of the farming operation
  - assistance in structuring or preparing financial reports or analyses for the farming operation
  - consultations in or structuring of business-related financing arrangements for the farming operation
  - marketing and promoting agricultural commodities produced by the farming operation
  - acquiring technical information used in the farming operation
  - any other management function necessary to conduct the farming operation and for which the operation would ordinarily be charged a fee.

**131 General Considerations (Continued)**

**H Hybrid Seed Producers**

The existence of a hybrid seed contract for a producer shall not be taken into account when making an “actively engaged in farming” determination with respect to the producer. However, all other “actively engaged in farming” provisions shall apply.



**132 Landowner Exemption**

**A Rule**

A landowner shall be considered “actively engaged in farming” with respect to the owned land if all of the following requirements are met.

Item	Requirement
1	The landowner contributes owned land to the farming operation for which the landowner receives rent or income for use of the land based on the land’s production or the operation’s operating results.
2	The landowner’s share of the profits or losses from the farming operation is commensurate with the landowner’s contribution to the operation.
3	The landowner’s contributions are at risk.

**B Other Participants That Use This Rule**

This rule also applies to landowners who:

- are individuals, including individuals with a life estate in the land
- are entities, such as corporations, trust, or estates
- have an undivided interest in the land.

**\*--Note:** For revocable or living trusts, the landowner exemption “for actively engaged in farming” cannot be extended to the grantor since only the trust has equitable interest in the land.--\*

132 Landowner Exemption (Continued)

**B Other Participants That Use This Rule (Continued)**

- are members of a joint operation if the joint operation holds title to the land.

**Note:** This rule applies to joint operations only if 1 of the following applies:

- the members submit documentation to show the title to the land owned by the joint operation will revert to the individual members after dissolution of the \*--joint operation according to each member's share in the joint operation--\*

**Note:** This requirement is considered met if the documentation provides that upon dissolution of the joint operation, the land will be sold and the proceeds divided according to each member's share in the joint operation.

- if there is no documentation otherwise and the Regional Attorney advises that State law provides that upon dissolution of the joint operation the land will be sold and the proceeds divided according to each member's share in the joint operation.

**133 Landlord****A Rule**

A landlord who is not a landowner shall be considered to be “actively engaged in farming” under the same rules as any other individual or entity that is not a landowner.

**Notes:** If the landlord provides leased or rented land to an operation in return for a share of the crop, the land will be considered as a contribution. Other contributions, as applicable, are required.

\*--See paragraph 172 for cash-rent tenant requirements.--\*

**B Example 1**

**Situation:** Landowner A cash leases land to Individual B. Individual B subleases the land to Operator C. Individual B contributes land and does not contribute a significant amount of active personal labor or active personal management to the farming operation.

**Determination:** Individual B is not “actively engaged in farming.” Individual B cannot be considered to be “actively engaged in farming” because of the landowner provision, since Individual B is a landlord and not a landowner. Landowner A is not “actively engaged” on this farming operation since cash rent is received for the use of the land, but may be “actively engaged” with respect to another farming operation. A separate determination will be made for Operator C.



## 133 Landlord (Continued)

## C Example 2

**Situation:** Individual D cash leases land from Landowner E. Individual D subleases the land to Producer C on a share-rent basis. Individual D contributes the land and active personal management to the farming operation.

**Determination:** Because Individual D cash rents the land from Landowner E, Individual D:

- is a cash-rent tenant.

**Note:** A cash-rent tenant is eligible to receive program payments on the cash rented land, if the cash-rent tenant provides a significant contribution of either of the following:

- active personal labor and capital, equipment, or land
  - active personal management and equipment.
- is not the landowner and cannot be considered “actively engaged in farming” because of the landowner provision.

Because Individual D has provided a significant contribution of land and management, Individual D can be considered “actively engaged in farming”. However, Individual D is **ineligible** to receive program payments on the cash rented land, because the necessary contributions for a cash-rent tenant were not made.

A separate determination will be made for Producer C.

Landowner E is not considered “actively engaged in farming” for this farming operation, but may be considered “actively engaged in farming” for another farming operation.



## 134 Percent of Cropland Factor

### A Introduction

In some cases, producers may only be eligible for payment for a portion of the cropland in the farming operation. Therefore, FSA shall determine the percentage of the farming operation that is eligible for payment. This is determined based on the percent of cropland.

### B When to Use

Use “percent of cropland” factor when a producer:

- does not provide a significant contribution of active personal labor or active personal management to the entire farming operation
- is “actively engaged in farming” and eligible for payment on a portion of the land in the farming operation because of the landowner provision
- is a cash-rent tenant and is ineligible for payment for the cash-rented land.

**Note:** The automated system does not handle cases where the producer is “actively engaged” on some but not all farming operations.

### C Applying the Factor

The “percent of cropland” factor shall be applied to all program payments earned by the producer on each farm within the farming operation.

134 Percent of Cropland Factor (Continued)

**D Determining the Factor**

Determine a “percent of cropland” factor according to this table. CCC-504 may be used.

Step	Action
1	List the total cropland acres for each farm in the producer’s farming operation and total the acres.
2	List the cropland acres owned by the producer on each of those farms and total the acres.  <b>Note:</b> Also include cropland acres that are not cash-rented and for which the producer meets the requirements to be eligible for payment.
3	Divide the result of step 2 by the result of step 1.
4	Multiply the factor from step 3 times the producer’s payments earned on each farm.
5	Pay the producer the adjusted payment allowed for each farm as determined by step 4.



134 Percent of Cropland Factor (Continued)

E Example of CCC-504 (Optional)

This example shows how CCC-504 (Optional) may be used to determine the "percent of cropland" factor.

REPRODUCE LOCALLY. Include form number and date on reproductions.  
**CCC-504 (OPTIONAL)** U.S. DEPARTMENT OF AGRICULTURE  
04-11-90 Commodity Credit Corporation

**WORKSHEET TO BLEND SHARES AND DETERMINE PERCENT OF CROPLAND FACTOR**

1. PROGRAM YEAR: 1991  
 2. STATE: IA 3. COUNTY: Warren

**SECTION I - BLENDING A PRODUCER'S SHARE OF PROGRAM CROPS, ACR, CU FOR PAYMENT, AND CRP'**

4. PRODUCER NAME: McGlynn Farms, Inc.

FARM NUMBER	CROP OR LAND USE	ACRES	PERCENT SHARE	ACRE SHARE
6	6	7	8	8
		<b>TOTAL</b>	<b>TOTAL</b>	

10. Divide the total of column 9 by the total of column 7. \_\_\_\_\_ = Producer's blended share.

**SECTION II - DETERMINING ADJUSTED PAYMENTS ALLOWED BY PERCENT OF CROPLAND FACTOR**

FARM NUMBER	CROPLAND ACRES OWNED	TOTAL CROPLAND ACRES	PERCENT OF CROPLAND FACTOR	PRODUCER PAYMENTS EARNED BY FARM	ADJUSTED PAYMENTS ALLOWED
11	12	13	14	15	16
16	75.0	275.0	.1630	20544.00	3349.00
25		185.0		9213.00	1502.00
<b>TOTALS</b>	75.0	460.0	.1630	29757.00	4851.00

REMARKS

134 Percent of Cropland Factor (Continued)

**\*--F Example 1**

In this example, Sam Brown hires all labor and management necessary to conduct the farming operation.

<p><b>Farm 20</b>  <b>Tract 1 - 100 acres</b></p> <p>Operator - Sam Brown                  Owner - Sam Brown                  Rental - N/A</p>
<p><b>Farm 20</b>  <b>Tract 2 - 100 acres</b></p> <p>Operator - Sam Brown                  Owner - Pete Smith                  Rental - Cash lease</p>

**Result:**

The farming operation for Sam Brown is the entire acreage on Farm 20. There is no farming operation for Pete Smith because he does not have an interest in any crop or crop proceeds.

Because Sam Brown does not provide a significant “right hand” contribution to the farming operation, he may only be considered “actively engaged in farming” under the landowner exemption for that portion of the farming operation represented by land he owns.

Sam Brown owns 50 percent of the cropland in his farming operation. Therefore, payments to Sam Brown would be subject to a percent of cropland factor of 50 percent.--\*

134 Percent of Cropland Factor (Continued)

**\*--G Example 2**

This example is the same as example 1, except that the tracts are not combined as 1 farm. In this example, Sam Brown hires all labor and management necessary to conduct the farming operation.

<p><b>Farm 21</b> <b>100 acres</b></p>
<p>Operator - Sam Brown Owner - Sam Brown Rental - N/A</p>

<p><b>Farm 22</b> <b>100 acres</b></p>
<p>Operator - Sam Brown Owner - Pete Smith Rental - Cash lease</p>

**Result:**

The farming operation for Sam Brown is the entire acreage on Farm 21 and Farm 22. There is no farming operation for Pete Smith because he does not have an interest in any crop or crop proceeds.

Because Sam Brown does not provide a significant “right hand” contribution to the farming operation, he may only be considered “actively engaged in farming” under the landowner exemption for that portion of the farming operation represented by land he owns.

Sam Brown owns 50 percent of the cropland in his farming operation. Therefore, payments to Sam Brown would be subject to a percent of cropland factor of 50 percent.--\*

**134 Percent of Cropland Factor (Continued)****\*--H Example 3**

In this example, Sam Brown hires all labor and management necessary to conduct the farming operation.

<b>Farm 23</b> <b>100 acres</b>
Operator - Sam Brown
Owners - Sam Brown and Pete Smith (undivided joint interest)
Rental - Cash lease

**Result:**

Because Sam Brown does not provide a significant “right hand” contribution to the farming operation, he may only be considered “actively engaged in farming” under the landowner exemption for that portion of the farming operation represented by land he owns.

Because Sam Brown has an undivided ownership interest in the entire acreage in his farming operation, the percent of cropland owned is 100 percent. Accordingly, Sam Brown is “actively engaged in farming” on 100 percent of his farming operation and is eligible to receive 100 percent of the payment earned.--\*

134 Percent of Cropland Factor (Continued)

I Example 4

In this example, Sam Brown and Pete Smith each have a 50 percent share in the partnership. The partnership and the members do not have any other farming interests not indicated. Sam Brown shares in the pro rata share of all crops, regardless of where the crops are planted. The partnership agreement stipulates that upon dissolution, the land ownership will revert to the members according to their current shares of the partnership. The Brown and Smith partnership hires all labor and management necessary to conduct the farming operation.

<p><b>Farm 24</b>  <b>Tract 1 - 100 acres</b>                  Operator - Brown and Smith, a general partnership                  Owner - Sam Brown                  Rental - .3333 crop share</p>
<p><b>Farm 24</b>  <b>Tract 2 - 100 acres</b>                  * * *                  Owner - Brown and Smith, a general partnership                  Rental - N/A</p>

**Result:**

The partnership’s farming operation is the entire acreage in Farm 24.

\*--Sam Brown’s farming operation is the acreage in tract 1.

Because the members of the partnership do not provide a significant “right-hand” contribution to the farming operation, the members of the partnership are only considered to be “actively engaged in farming” under the landowner exemption for that portion of their farming operation represented by owned land. Therefore, a percent of cropland factor of 50 percent would apply to payments made to the partnership.

A percent of cropland factor of 100 would apply to Sam Brown since he is considered to be “actively engaged in farming” on his entire farming operation.--\*

134 Percent of Cropland Factor (Continued)

\*--J Example 5

This example is similar to example 4, except that the tracts are not combined as 1 farm. In this example, Sam Brown and Pete Smith are members of Brown and Smith Partnership. Neither the partnership nor the members have any other farming interests not indicated. The partnership agreement stipulates that upon dissolution, the land ownership will revert to the members according to their current shares of the partnership. Brown and Smith Partnership hires all labor and management necessary to conduct the farming operation.

**Farm 25**  
**100 acres**

Operator - Brown and Smith, a general partnership  
Owner - Sam Brown  
Rental - .3333 crop share

**Farm 26**  
**100 acres**

Operator - Brown and Smith, a general partnership  
Owner - Brown and Smith, a general partnership  
Rental - N/A

**Result:**

The partnership's farming operation consists of Farm 25 and Farm 26. Sam Brown's farming operation consists of the acreage in Farm 25, only. Because neither member of the partnership provides a significant "right hand" contribution to the farming operation, the members of the partnership may not be considered "actively engaged in farming" on the entire farming operation under the individual or joint operation provisions. The members of the partnership, as landowners of Farm 26, are considered "actively engaged in farming" under the landowner exception.--\*

134 Percent of Cropland Factor (Continued)

\*--J Example 5 (Continued)

Sam Brown, as individual landowner of farm 25, is considered “actively engaged in farming” under the landowner exception. This is 100 percent of Sam Brown’s individual farming operation. Sam Brown’s interest in the partnership is a separate farming operation.

The partnership owns 50 percent of the cropland in its farming operation. Therefore, the members of the partnership are “actively engaged in farming” on 50 percent of the partnership’s farming operation and it is entitled to receive 50 percent of its earned payment on each farm in the farming operation.

K Example 6

In this example, Brown, Smith, Black, and Jones Partnership is made up of the 4 individual landowners. The partnership and the members of the partnership do not have any other farming interests. Each farm is of equal size and value. The contributions of each partner are commensurate and at risk. Each of the landowners contribute their own land to the partnership, so no rent will be paid. All payments go to the partnership.

The partnership hires all labor and management necessary to conduct the farming operation.

<p><b>Farm 27</b>  <b>100 acres</b>  Operator - Brown, Smith, Black, and Jones, a general partnership  Owner - Sam Brown  Rental - N/A</p>
--

--\*

134 Percent of Cropland Factor (Continued)

\*--K Example 6 (Continued)

**Farm 28**  
**100 acres**

Operator - Brown, Smith, Black, and Jones, a general partnership  
 Owner - Pete Smith  
 Rental - N/A

**Farm 29**  
**100 acres**

Operator - Brown, Smith, Black, and Jones, a general partnership  
 Owner - Henry Black  
 Rental - N/A

**Farm 30**  
**100 acres**

Operator - Brown, Smith, Black, and Jones, a general partnership  
 Owner - Bill Jones  
 Rental - N/A

**Result:**

The farming operation for the partnership consists of all the acreage in farms 27, 28, 29, and 30. Because the members do not provide “right hand” contributions, the members of the partnership are not “actively engaged in farming” under the individual or joint operation provisions. However, each individual is “actively engaged in farming” with respect to the actual land owned under the landowner exception.

Because the members of the partnership are not “actively engaged in farming” on the entire farming operation, only that portion earned with respect to the owned land may be paid. The percent of cropland owned by each owner is 25 percent. Accordingly, a 25 percent of cropland factor would be applied to the partnership’s payment on each farm.--\*

135-148 (Reserved)



## Subsection 2    Specific Rules for Contributions

### 149    Overview

#### A    Introduction

This subsection explains specific rules for contributions required for “actively engaged in farming” determinations.

#### B    In This Subsection

The following paragraphs are included in this subsection.

Paragraph	Title	Page
150	Significant Contribution of Capital, Equipment, and Land	2-202
151	Specific Rules for Capital	2-203
152	Specific Rules for Equipment	2-205
153	Specific Rules for Land	2-208
154	Significant Contribution of Active Personal Labor or Management	2-211
155	Specific Rules for Active Personal Labor or Management	2-212
156	Inputs for Commensurate Contributions	2-213
157	Determining Commensurate Contributions	2-215
158	Blended Shares	2-218
159	Determining Contributions “At Risk”	2-220

**150 Significant Contribution of Capital, Equipment, and Land**

**A Introduction**

When a significant contribution of capital, equipment, or land is required, use the rule in this paragraph to determine what is considered “significant.”

**B Rules for Significant Contributions**

This table shows the general rules for determining when a significant contribution is provided to a farming operation by an individual or entity.

<b>Item</b>	<b>Rule</b>
Capital	The capital must have a value equal to at least 50 percent of the individual’s or entity’s commensurate share of the total capital necessary to conduct the farming operation, excluding any outlays of capital for land or equipment.
Equipment	The equipment must have a rental value equal to at least 50 percent of the individual’s or entity’s commensurate share of the total rental value of the equipment necessary to conduct the farming operation.
Land	The land must have a rental value equal to at least 50 percent of the individual’s or entity’s commensurate share of the total rental value of the land necessary to conduct the farming operation.  <b>Note:</b> Share rented land is a contribution of the landlord, not the share renter.
Any combination of capital, equipment, and land	The combined contribution of capital, equipment, and land must have a value equal to 30 percent of the individual’s or entity’s commensurate share of the total value of the farming operation.

**151 Specific Rules for Capital****A Introduction**

For capital to be a significant contribution to the farming operation, the capital contributed must meet the requirements of this paragraph.

**B General Rule**

The capital must be contributed directly to the farming operation from a fund or account separate and distinct from that of any other individual or entity with an interest in the farming operation.

Capital contributions to a farming operation **do not** include:

- the value of labor or management
- outlays for land or equipment.

**C Source of Capital**

The capital may be a direct out-of-pocket input of either of the following:

- a specified sum by the individual, entity, joint operation, members of a joint operation, or combined State producer
- an amount borrowed by the individual or entity.

**\*--Note:** Current year advance program payments, such as advance direct payments, are **not** considered a capital contribution for purposes of meeting the requirements of “actively engaged in farming.” The applicant is **not** eligible to receive such program payments until after the determination of “actively engaged in farming” is made by COC or reviewing authority.--\*

151 Specific Rules for Capital (Continued)

**D Borrowed Capital**

Capital used as a significant contribution may be borrowed. The rules in this table apply to borrowed capital.

<b>IF the farming operation is conducted by...</b>	<b>THEN borrowed capital must...</b>
<p>any of the following:</p> <ul style="list-style-type: none"> <li>• an individual</li> <li>• a joint operation, but the capital is contributed by a member of the joint operation rather than by the joint operation itself</li> <li>• an entity</li> </ul>	<ul style="list-style-type: none"> <li>• be contributed directly to the farming operation by the applicable individual, entity, or member</li> <li>• not have been acquired as a result of a loan made to, guaranteed by, or secured by: <ul style="list-style-type: none"> <li>• any other individual, joint operation, or entity that has an interest in the farming operation</li> <li>• the individual, joint operation, or entity by any other individual, joint operation, or entity that has an interest in the farming operation</li> <li>• any other individual, joint operation, or entity in whose farming operation this individual, joint operation, or entity has an interest.</li> </ul> </li> </ul>
<p>a joint operation in which the capital is contributed by the joint operation rather than by any members</p>	<ul style="list-style-type: none"> <li>• be contributed directly to the farming operation by the joint operation</li> <li>• not have been acquired as a result of a loan made to, guaranteed by, or secured by: <ul style="list-style-type: none"> <li>• any individual, entity, or joint operation that has an interest in the farming operation, except members of the joint operation to which the loan is made</li> </ul> <p style="margin-left: 40px;"><b>Note:</b> Refer to the example in subparagraph 296 C.--*</p> <li>• the joint operation by any individual, entity, or other joint operation that has an interest in the farming operation</li> <li>• any individual, entity, or other joint operation in whose farming operation this joint operation has an interest.</li> </li></ul>

**152 Specific Rules for Equipment**

**A Introduction**

To be credited as a significant contribution to the farming operation, owned or leased equipment must meet the requirements of this paragraph.

**B Leased Equipment**

\*--The equipment may be leased from any individual, entity, or joint operation, but use the following table to determine if restrictions apply.

<b>IF the equipment is leased from...</b>	<b>THEN...</b>
another individual, entity, or joint operation that has an interest in the farming operation	the producer must:
a joint operation that has 1 or more members in common with the producer to whom the equipment is leased	<ul style="list-style-type: none"> <li>• be able to prove to COC that the equipment was leased at a fair market value</li> <li>• make the payment within the time determined by COC to be reasonable and customary for the area, taking into consideration whether the equipment is leased by the hour, day, or acre, or on an annual basis.</li> </ul>
an individual, entity, or joint operation not otherwise indicated in this table	the restrictions provided in this table do not apply.

--\*

152 Specific Rules for Equipment (Continued)

C Financing Rules for Equipment

The restrictions on financing for equipment in this table apply to both owned and leased equipment contributed for credit as a significant contribution.

IF the farming operation is conducted by...	THEN the equipment must...
any of the following: <ul style="list-style-type: none"> <li>• an individual</li> <li>• a joint operation, but the equipment is contributed by a member</li> <li>• an entity</li> </ul>	<ul style="list-style-type: none"> <li>• be contributed directly to the farming operation by the applicable individual, entity, or member</li> <li>• not have been acquired as a result of a loan made to, guaranteed by, or secured by:                             <ul style="list-style-type: none"> <li>• any other individual, joint operation, or entity that has an interest in the farming operation</li> <li>• the individual, joint operation, or entity by any other individual, joint operation, or entity that has an interest in the farming operation</li> <li>• any other individual, joint operation, or entity in whose farming operation this individual, joint operation, or entity has an interest.</li> </ul> </li> </ul>
a joint operation in which the equipment is contributed by the joint operation	<ul style="list-style-type: none"> <li>• be contributed directly to the farming operation by the joint operation</li> <li>• not have been acquired as a result of a loan made to, guaranteed by, or secured by:                             <ul style="list-style-type: none"> <li>• any individual, entity, or joint operation that has an interest in the farming operation, except members of the joint operation to which the loan is made</li> </ul> <p style="margin-left: 40px;"><b>Note:</b> Refer to the example in subparagraph 296 C.--*</p> <ul style="list-style-type: none"> <li>• the joint operation by any individual, entity, or other joint operation that has an interest in the farming operation</li> <li>• any individual, entity, or other joint operation in whose farming operation this joint operation has an interest.</li> </ul> </li> </ul>

**152 Specific Rules for Equipment (Continued)**

**D Effects of Borrowed Capital on Equipment Contribution**

If any capital was borrowed by the individual, entity, or joint operation from any other individual, entity, or joint operation with an interest in the farming operation, the cash-leased equipment will not be considered as a significant contribution unless the individual, entity, or joint operation can prove to COC that sufficient capital was available from another source to pay the cash lease.

**E Occasional Exchange of Equipment**

The occasional exchange of equipment, including labor, with a neighbor will not affect the contribution determination if each producer has adequate equipment, through ownership or lease, to conduct his or her own farming operation in a manner normally acceptable for the area.

**153 Specific Rules for Land**

**A Introduction**

To be considered a significant contribution to the farming operation, owned or cash leased land must meet the requirements of this paragraph.

**B Leased Land**

The land may be leased from any individual, entity, or joint operation.

If the land is leased from another individual, entity, or joint operation that has an interest in \*--any crop or crop proceeds in the farming operation, the producer must:

- be able to prove to COC that the land was leased at a fair market value
- make the payment within the time determined by COC to be reasonable and customary for the area.--\*

**Note:** Share-rented land is a contribution of the landlord, not the share renter.



153 Specific Rules for Land (Continued)

C Financing Rules for Land

The restrictions in this table apply to both owned and leased land contributed for credit as a significant contribution.

<b>IF the operation is conducted by...</b>	<b>THEN the land must...</b>
<p>any of the following:</p> <ul style="list-style-type: none"> <li>• an individual</li> <li>• a joint operation, but the land is contributed by a member</li> <li>• an entity</li> </ul>	<ul style="list-style-type: none"> <li>• be contributed directly to the farming operation by the applicable individual, entity, or member</li> <li>• not have been acquired as a result of a loan (including land acquired by “Contract of Deed”, “Deed of Trust”, “Land Contract”, or other similar arrangement) made to, guaranteed by, or secured by:                             <ul style="list-style-type: none"> <li>• any other individual, joint operation, or entity that has an interest in the farming operation</li> <li>• the individual, joint operation, or entity by any other individual, joint operation, or entity that has an interest in the farming operation</li> <li>• any other individual, joint operation, or entity in whose farming operation this individual, joint operation, or entity has an interest.</li> </ul> </li> </ul>
<p>a joint operation in which the land is contributed by the joint operation</p>	<ul style="list-style-type: none"> <li>• be contributed directly to the farming operation by the joint operation</li> <li>• not have been acquired as a result of a loan (including land acquired by “Contract of Deed”, “Deed of Trust”, “Land Contract”, or other similar arrangement) made to, guaranteed by, or secured by:                             <ul style="list-style-type: none"> <li>• any individual, entity, or other joint operation that has an *--interest in the operation, except members of the joint operation to which the loan is made</li> </ul> <p style="margin-left: 40px;"><b>Note:</b> Refer to the example in subparagraph 296 C.--*</p> </li> <li>• the joint operation by any individual, entity, or other joint operation that has an interest in the farming operation</li> <li>• any individual, entity, or other joint operation in whose farming operation this joint operation has an interest.</li> </ul>

**153 Specific Rules for Land (Continued)**

**D Effects of Borrowed Capital on Land Contribution**

If any capital was borrowed by an individual, entity, or joint operation from any other individual, entity, or joint operation with an interest in the farming operation, cash leased land will not be considered as a significant contribution unless the individual, entity, or joint operation can prove to COC that sufficient capital was available from another source to pay the cash lease.

154 Significant Contribution of Active Personal Labor or Management

**A Introduction**

[7 CFR 1400.3] When a significant contribution of active personal labor or active personal management is required, use the rules in this paragraph to determine what is considered “significant.”

**B Rules on Significant Contribution**

This table shows the general rules for determining when a significant contribution is provided to a farming operation by an individual or entity.

Item	Rule
Active personal labor	The active personal labor must be an amount that is the smaller of: <ul style="list-style-type: none"> <li>•*--1,000 hours per either FY or crop year--*</li> <li>• 50 percent of the total hours that would be required to conduct a farming operation comparable in size to this individual’s or entity’s commensurate share in the farming operation.</li> </ul>
Active personal management	The contribution of active personal management must be critical to the profitability of the farming operation, taking into consideration the individual’s or entity’s commensurate share in the farming operation.
Any combination of labor and management	Combined contributions of active personal labor and active personal management must have a critical impact on the profitability of the farming operation in an amount at least equal to the significant contribution of either consideration when taken alone.

**Note:** If a member of a joint operation receives a guaranteed payment for any part of a contribution of labor or management, exclude all of the specific type of contribution for which payment is received.

**155 Specific Rules for Active Personal Labor or Management****A Introduction**

It is difficult to measure a significant contribution of management. The required hours of labor will be different in 1 type of farming operation than in another. In some cases, it is difficult to distinguish between labor and management.

**B Basis for Decisions**

Decisions must be based on COC's best judgement considering:

- the requirements in this section
- the intent of these provisions is to provide program benefits to bona fide farmers, personally providing meaningful inputs on the farm.

**Note:** COC's are given enough discretion to make the subjective decisions required.

**C Requiring Proof**

If necessary, COC may require proof of who provides:

- labor equal to 50 percent or more of the individual's or the entity's commensurate share of the labor required

**Note:** Proof of labor exceeding 1,000 hours is not required.

- management input critical to the overall profitability of the farming operation
- a satisfactory contribution of a combination of labor and management.

156 Inputs for Commensurate Contributions

**A Introduction**

For a farming input to be considered toward satisfying the requirements of commensurate contributions, the requirements of this paragraph must be met.

**B Rules for Commensurate Contributions**

After the requirements for significant contributions have been met, apply the rules in this table when determining commensurate contributions.

Farming Input	General Rule	Requirements	
<ul style="list-style-type: none"> <li>• Land</li> <li>• Capital</li> <li>• Equipment</li> </ul>	Include if contributed directly to the farming operation by the individual or entity.	<b>IF the contribution was acquired as a result of a loan to...</b> <ul style="list-style-type: none"> <li>• the farming operation in which the individual or entity has an interest</li> <li>• the individual, entity, or farming operation:                             <ul style="list-style-type: none"> <li>• by the farming operation or any of its members, beneficiaries, or related entities</li> <li>• that was guaranteed or secured by the farming operation or any of its members, beneficiaries, or related entities.</li> </ul> </li> </ul>	<b>THEN the loan must...</b> <ul style="list-style-type: none"> <li>• bear the prevailing interest rate</li> <li>• have a repayment schedule normal for the area.</li> </ul>
<ul style="list-style-type: none"> <li>• Labor</li> <li>• Management</li> </ul>	Include all contributions of labor and management, including hired labor and hired management.	*--If a member of a joint operation receives a guaranteed payment for any part of a contribution of labor or management, exclude all of the specific type of contribution for which payment is received.--*  <b>Note:</b> “Draws” or advances for a member that have an effect on the member’s share of the partnership or proceeds of the partnership are not considered a guaranteed payment.	



**157 Determining Commensurate Contributions**

**A Introduction**

Use the guidelines in this paragraph to determine whether contributions are commensurate with shares.

**B General Rule**

Total contributions that are “within reason” of being equal to the claimed share of profits and losses shall be considered commensurate.

**Note:** COC’s shall not establish a specific tolerance for “within reason.”

**C Determining Contributions**

Use the steps in this table to determine each individual’s or entity’s contributions to a farming operation.

\*--

<b>Step</b>	<b>Action</b>
1	Determine the total amount of each farming input needed to conduct the farming operation.
2	Determine the type and amount of farming inputs provided by the individual or entity that meet the requirements in paragraph 156.
3	Determine the percentage of each input required to conduct the farming operation provided by the individual or entity.
4	<p>Does the individual or entity provide the same percentage of all inputs required to conduct the farming operation?</p> <ul style="list-style-type: none"> <li>• If yes, consider the individual or entity as providing that percentage of that percentage of the farming inputs required to conduct the farming operation.</li> <li>• If no, determine the value of the inputs provided by the individual or entity relative to the total amount of farming inputs required to conduct the farming operation.</li> </ul>
5	Determine whether the individual’s or entity’s contributions to the farming operation are commensurate with the individual’s or entity’s claimed share of the farming operation. See subparagraph 157 D.

--\*

157 Determining Commensurate Contributions (Continued)

**D Determining Commensurate Shares**

Use the steps in this table to determine whether contributions to a farming operation are commensurate with the claimed share of the profits or losses.

Step	Determination
1	Is the producer’s farming operation participating in more than 1 program? <ul style="list-style-type: none"> <li>• If yes, go to step 2.</li> <li>• If no, go to step 4.</li> </ul>
2	Are the producer’s total contributions to the entire farming operation commensurate with the claimed shares of all programs for the entire farming operation? <ul style="list-style-type: none"> <li>• If yes, go to step 5.</li> <li>• If no, go to step 3.</li> </ul>
3	Are the producer’s contributions to <b>each</b> of the programs commensurate with the claimed shares of each program separately? <ul style="list-style-type: none"> <li>• If yes, go to step 5.</li> <li>• If no, do not continue.</li> </ul> <p style="text-align: center;"><b>Note:</b> Determine the producer to be <b>not</b> “actively engaged” for the farming operation.</p>
4	Are contributions by the producer that COC considers pertinent to the farming operation commensurate with the claimed share of profits or losses from the farming operation? <ul style="list-style-type: none"> <li>• If yes, go to step 5.</li> <li>• If no, do not continue.</li> </ul> <p style="text-align: center;"><b>Note:</b> Determine the producer to be <b>not</b> “actively engaged” for the farming operation.</p>
5	Determine the producer to be “actively engaged in farming” if all other provisions are satisfied.



**157 Determining Commensurate Contributions (Continued)**

**E DD Responsibility**

DD is responsible for:

- verifying that no “tolerance” for commensurate contributions is established in any county
- maintaining reasonable uniformity between counties
- ensuring that the integrity of the program is maintained.

**158 Blended Shares**

**A Introduction**

Producers may have different shares of \* \* \* crops and land uses, possibly on different farms, within a farming operation.

**B When to Use**

Use this procedure to blend the different shares of \* \* \* crops and land uses to determine the producer's overall share of the farming operation.

**C Determining Blended Shares**

Follow this table to determine the producer's overall shares of the farming operation. CCC-504 may be used.

Step	Action
1	*--List acres of crops and land uses on farms in which the producer has a share.--*  * * *
2	Add the acres of the listed crops and land uses.
3	Multiply the acres of each of the listed crops and land uses by the producer's percent share of that crop or land use.
4	Add the results of step 3.
5	Divide the result of step 4 by the result of step 2 to determine the producer's blended share of the farming operation.

158 Blended Shares (Continued)

D Examples

This example shows how CCC-504 (Optional) may be used to determine blended shares.

\*--

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<b>CCC-504 (OPTIONAL) U.S. DEPARTMENT OF AGRICULTURE</b> (04-11-89) Commodity Credit Corporation  <b>WORKSHEET TO BLEND SHARES AND DETERMINE PERCENT OF CROPLAND FACTOR</b>			1. PROGRAM YEAR		
			199X		
2. STATE		3. COUNTY			
IA		Warren			
<b>SECTION I - BLENDING A PRODUCER'S SHARE OF PROGRAM CROPS, ACR, CU FOR PAYMENT, AND CRP</b>					
4. PRODUCER NAME <p style="text-align: center;">McGlynn Farms, Inc.</p>					
5	6	7	8	9	
FARM NUMBER	CROP OR LAND USE	ACRES	PERCENT SHARE	ACRE SHARE	
16	Corn	150.0	.7500	112.5	
16	Wheat	75.0	.7500	52.5	
21	Wheat	50.0	.7500	37.5	
25	Corn	80.0	.7500	60.0	
25	Wheat	105.0	.6667	70.0	
<b>TOTAL</b>		460.0	<b>TOTAL</b>	332.5	
10. Divide the total of column 9 by the total of column 7. <span style="float: right;">.7223 = Producer's blended share.</span>					
<b>SECTION II - DETERMINING ADJUSTED PAYMENTS ALLOWED BY PERCENT OF CROPLAND FACTOR</b>					
			Column 14 divide the total cropland acres owned by the total cropland acres in the producer's farming operation to get the percent of cropland factor. The factor applies to each payment earned by the producer.		
				Column 16 multiply the percent of cropland factor by the producer's payments earned on each farm to get the producer's adjusted payments allowed.	
11	12	13	14	15	16
FARM NUMBER	CROPLAND ACRES OWNED	TOTAL CROPLAND ACRES	PERCENT OF CROPLAND FACTOR	PRODUCER PAYMENTS EARNED BY FARM	ADJUSTED PAYMENTS ALLOWED
			→	x	=
<b>TOTALS</b>		+	=		
REMARKS					

--\*

**159 Determining Contributions “At Risk”**

**A Introduction**

In addition to other requirements for an individual or entity to be considered “actively engaged in farming”, the contributions made by the individual or entity must be “at risk”.

**B General Rule**

For a producer’s contribution to be considered “at risk”, there must be a possibility that the producer could suffer loss.

**C Specific Rules for “At Risk”**

Apply the rules in this table when determining whether contributions are “at risk”.

<b>IF the producer is...</b>	<b>THEN...</b>
an individual	the individual’s contributions to the farming operation must be at risk.
a joint operation	the members’ contributions to the farming operation must be at risk.
an entity	the entity’s contributions to the farming operation must be at risk.

**160-170 (Reserved)**

Section 8 Cash-Rent Tenant

171 Overview

A Background

The Omnibus Budget Reconciliation Act of 1987 amended the Food Security Act of 1985 to provide restrictions on payments to cash-rent tenants.

B In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
172	Cash-Rent Tenant Rule	2-238
173	Cash-Rent Tenant Example	2-240

**172 Cash-Rent Tenant Rule****A Introduction**

A cash-rent tenant must meet the requirements of this paragraph to be eligible to receive payment for programs that require application of the cash-rent tenant rule. See paragraph 16.

**B Applicability**

**[7 CFR 1400.401 (a)]** The cash-rent tenant rule applies to any producer that rents land from another producer for cash or a crop share guaranteed as the amount of the commodity to be paid in rent.

The provisions also apply to tenants who rent land for 0 dollars or who farm the land in exchange for compensation other than cash, such as:

- controlling weeds on land not owned
- barter arrangements.

**C Rule**

**[7 CFR 1400.401 (a)]** Any cash-rent tenant shall be ineligible to receive payment unless the \*--cash-rent tenant makes either of the following:

- a significant contribution of active personal labor to the farming operation
- a significant contribution of both of the following to the farming operation:
  - active personal management
  - equipment.--\*

**Notes:** A cash-rent tenant must also meet all applicable requirements to be considered “actively engaged in farming.”

See paragraph 134 if the producer is eligible to receive payment for a portion of the farming operation represented by the amount of cropland that is not cash rented from another producer.

172 Cash-Rent Tenant Rule (Continued)

**D Specific Rules for Equipment**

Use the rules in this table if a significant contribution of equipment is necessary to meet the requirements of the cash-rent tenant rule.

<b>IF the cash-rent tenant...</b>	<b>THEN...</b>
provides the harvesting equipment	the rental value of harvesting equipment is included when determining the total rental value of the equipment necessary to conduct the farming operation.
meets both of the following requirements: <ul style="list-style-type: none"> <li>• custom harvesting is used in the cash-rent tenant’s farming operation</li> <li>• the custom harvester has no interest in the farming operation</li> </ul>	the rental value of harvesting equipment is not included when determining the total rental value of the equipment necessary to conduct the farming operation. <p><b>Note:</b> The rental value of harvesting equipment would still be considered in making “actively engaged in farming” determinations.</p> <p><b>Example:</b> Individual A, a cash-rent tenant, owns or leases all equipment for the farming operation except equipment needed for harvesting. Harvesting is custom hired. The custom harvester has no interest in the farming operation.</p> <p>The rental value of harvesting equipment shall not be included in determining the total rental value of equipment needed to conduct the farming operation for purposes of the cash-rent tenant rule.</p>
leases the equipment from the landowner	*--the lease and payment must meet the requirements of subparagraph 152 B.--*
leases the equipment from the same individual or entity that is providing hired labor to the farming operation	both of the following conditions must be met: <ul style="list-style-type: none"> <li>• the contracts for the lease of the equipment and for the hired labor must be 2 separate contracts that reflect the fair market value of the leased equipment and the hired labor</li> <li>• the cash-rent tenant must exercise complete control over the use of a significant amount of the equipment during the current crop year.</li> </ul>

**173 Cash-Rent Tenant Example****\*--A Example 1--\***

**Situation:** Individual A cash leases land from Landowner B. Individual A subleases the land to Producer C on a share-rent basis. Individual A contributes the land and active personal management to the farming operation.

**Determination:** Because Individual A cash rents the land from Landowner B, Individual A:

- is a cash-rent tenant
- is not the landowner and cannot be considered “actively engaged in farming” because of the landowner provision.

Because Individual A has provided a significant contribution of land and management, Individual A can be considered “actively engaged in farming”. However, Individual A is **ineligible** to receive program payments on the cash rented land, because the necessary contributions for a cash-rent tenant were not made.

A separate determination will be made for Producer C.

Landowner B is not considered to be “actively engaged in farming” for this farming operation, but may be considered “actively engaged in farming” for another farming operation.

**\*--B Example 2**

**Situation:** A joint operation consists of individuals A, B, C, and D; all with equal shares. All land is cash-rented by the joint operation. Members A and B provide all of the equipment, Members C and D provide all the capital, all necessary labor is hired by the joint operation, and active personal management is provided equally by the members.

**Determination:** Only Members A and B meet the requirements of the cash-rent tenant rule. Therefore, payment to the joint operation is limited to the amount represented by the shares held by Members A and B.

**Explanation:** Since all labor is hired by the joint operation, significant contributions of both equipment and active personal management are required. Members C and D do not provide any contributions of equipment and, therefore, do not meet the requirements of the cash-rent tenant rule required for payment eligibility.--\*



## 173 Cash-Rent Tenant Example (Continued)

**\*--C Example 3**

**Situation:** Same as subparagraph B, except that the joint operation provides all capital, equipment, and hired labor. Active personal management is equally provided by the members.

**Determination:** All members meet the requirement of the cash-rent tenant rule.

**Explanation:** Since all labor is hired by the joint operation, significant contributions of both equipment and active personal management of the members are required. A significant contribution of equipment was provided by the joint operation and active personal management was provided by the members.

**D Example 4**

**Situation:** Same as subparagraph C, except that the joint operation has all of the land custom farmed by unrelated individuals and entities.

**Determination:** All members are ineligible for payment on the land cash-rented by the joint operation.

**Explanation:** Significant contributions of active personal labor by the members, or a significant contribution of equipment and a significant contribution of active personal management, were not provided to the operation as required for payment eligibility.

**E Example 5**

**Situation:** A local Future Farmers of America chapter requests program payments on land that is cash-rented from an unrelated party. The chapter members are providing active personal labor and active personal management to the farming operation.

**Determination:** The National Future Farmers of America is a Federally chartered corporation with its purpose to create, foster, and assist subsidiary chapters composed of students enrolled in vocational agriculture in public schools. The corporation may not issue stock, declare or pay any dividend.

According to current rules and regulations, the combined beneficial interest of all the partners, stockholders, or members providing active personal labor, active personal management, or a combination of active personal labor and active personal management, must be at least 50 percent (subparagraph 314 B; 7 CFR §1400.204).

Even though the chapter members may be providing active personal labor and/or active personal management, they do not have the required beneficial interest in the corporation. Consequently, Future Farmers of America chapters cannot be considered to have met the requirements of the cash-rent tenant rule on the rented land.--\*

**174-180 (Reserved)**



Section 9 Permitted Entities

181 Overview

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A

**Background**

The Omnibus Budget Reconciliation Act of 1987 amended the Food Security Act of 1985 to provide that an individual or entity may not receive specified payments, either directly or indirectly, from more than 3 "permitted entities".

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\* \* \*

**Subsection 1 (Withdrawn--Amend. 38)**

182-185 (Withdrawn--Amend. 38)

186-196 (Reserved)



**Subsection 2 Entity Notification Requirements**

**197 Overview**

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**A  
In This Subsection**

The following paragraphs are included in this subsection.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
198	Entity Responsibilities	2-272
199	Notification Exceptions	2-273
200	Required Information	2-275
201	Completing CCC-501A	2-276
202	Results of Nondisclosure	2-281

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198 Entity Responsibilities

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**A**

**Introduction**

The Omnibus Budget Reconciliation Act of 1987 requires the entity to provide the information in subparagraph B. These requirements ensure that USDA can adequately control compliance with permitted entity provisions.

---

**B**

**Responsibility for Providing Information**

The entity receiving payment is responsible for obtaining the name, address, and ID number of each member, individual and entity, including individuals and entities in each lower level of embedded entity.

---

**C**

**Responsibility for Notifying Members**

Each entity must notify each individual member, including members of embedded entities, of the:

- requirements and limitation of the "permitted entities" provisions
  - final date for members to designate "permitted entities".
-

**199 Notification Exceptions****A Introduction**

The notification requirements for entities apply to all entities receiving payment, including embedded entities, unless an exception in this paragraph applies.

**B Exceptions**

Notification requirements do not apply if the entity:

- is publicly traded on 1 of the following stock exchanges:
  - New York Stock Exchange
  - American Stock Exchange
  - Pacific Stock Exchange
  - National Association of Stock Dealers Automated Quotations (NASDAQ)
- has more than 100 members
- is tax exempt under section 501(C)(3) of the Internal Revenue Code.

**Notes:** Approval by IRS shall be indicated by providing COC with a copy of either of the following:

- IRS determination letter notifying the organization or entity of approval as a tax exempt entity for the year
- copy of the organization's or entity's most recently filed IRS-990.

Documentation not effective for the current year may be accepted if COC is satisfied the status for the current year is the same as supported by the documentation.

**Note:** If the entity meets 1 of the exceptions stated in this subparagraph, it must also meet the requirement in subparagraph C.

199 Notification Exceptions (Continued)

**C Requirement if Entity Qualifies for Exception**

If an exception in subparagraph B applies, a responsible representative of the entity **must** certify member ownership interest according to this table.

<b>IF...</b>	<b>THEN...</b>
no member holds 5 percent interest in the entity	<ul style="list-style-type: none"> <li>• enter on applicable CCC-502, section 5, the statement, “No member holds more than 5 percent ownership interest in this entity.”</li> <li>• have the entity representative initial the statement and sign CCC-502C or CCC-502D</li> <li>• CCC-501A and CCC-501B are not required.</li> </ul>
a member holds more than 5 percent interest in the entity	<ul style="list-style-type: none"> <li>• the entity must provide membership information for those members with more than 5 percent interest</li> <li>• the entity is <b>not</b> required to provide the membership information for the balance of its members</li> </ul> <p style="text-align: center;"><b>Note:</b> On the applicable CCC-502, enter the statement, “Except as listed above, no other member holds more than 5 percent ownership interest in this entity.”</p> <ul style="list-style-type: none"> <li>• the representative of the entity must initial the statement and sign CCC-502C or CCC-502D</li> <li>• members and embedded entities, if applicable, shall be entered on CCC-501A.</li> </ul> <p><b>Note:</b> Designation as a “permitted entity” is not required by members with less than 10 percent interest unless COC determines the interest a substantial beneficial interest.</p>

**\*--Note:** The exceptions in this paragraph **do not** apply to AGI compliance (see subparagraph 630 A.--\*)



**200 Required Information**

**A Rule**

Each entity that submits a contract for a program or an application for payment that is subject to permitted entity designations or payment limitation control by attribution must provide the name, ID number, and address of each individual and embedded entity that holds or acquires any interest, directly or indirectly, in the entity earning payment. This information will be recorded on CCC-501A. See paragraph 201.

**Notes:** Joint operations are not entities.

See paragraph 199 for notification exceptions.

**B Information Deadline**

[7 CFR 1400.502] Provide the information to COC at the time CCC-502C or CCC-502D is filed.

If the required information is not filed in the County Office according to paragraph 50, the entity will be ineligible to receive program payments.

**Note:** If an entity participates only in programs not subject to permitted entity designations, CCC-501B is not required. However, embedded membership information, if applicable, is required on CCC-502's to resolve "person" determinations.

**201 Completing CCC-501A, Member's Information**

**A Who Must Complete CCC-501A**

Each corporation, limited partnership, estate, trust, or similar entity that submits a contract for payment that is subject to the limitation must provide the member's information required on CCC-501A.

**Exception:** CCC-501A is not required if all of the first level members are individuals.

**Note:** New CCC-501A's are not required to be filed in subsequent years if CCC-502 is \*--updated according to paragraph 50.--\*

**B Filing Responsibility**

The entity that is earning payment is responsible for obtaining and providing the required information to COC.

**C Deadline for Submitting CCC-501A**

The entity earning payment shall provide the completed CCC-501A to COC at the time CCC-502C or CCC-502D is filed.

**D Filing and Distribution**

File the original in the entity's payment limitation folder and give the second copy to the payment entity.

**\*--201 Completing CCC-501A, Member's Information (Continued)**

**E  
Completing  
CCC-501A**

Complete CCC-501A according to this table.

<b>Item Number</b>	<b>Instruction</b>
1	Enter the program year.
2	Enter the county and State in which the entity is headquartered.--*
Part A	Enter the payment entity's name.
3-6	Enter the name, Social Security and employer ID numbers, address, and percentage share of ownership for each individual or entity who is a member of the entity. Use supplemental CCC-501's, if needed.
Parts B-E	Enter the name of any entity that is a member (embedded entity) of the previously listed entity or embedded entity. If there is more than 1 entity that is a member of the previously listed entity, use supplemental CCC-501A to properly list the embedded entity at the appropriate level.
Part F	List the name, Social Security and employer ID numbers, address, and percentage share of ownership for each individual who has more than 50 percent ownership share in any further embedded entity.
Part G	*--Signature of authorized representative and date.--*

Continued on the next page

\*--201 Completing CCC-501A, Member's Information (Continued)

**F**  
**Example of**  
**CCC-501A**

The following is an example of a completed CCC-501A.

Form Approved - OMB No. 0560-0096

<b>CCC-501A</b> (12-14-99)		U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation	
<b>MEMBER'S INFORMATION</b>		1. PROGRAM YEAR 2000	
		2. COUNTY AND STATE Craighead, AR	
<p><b>NOTE:</b> The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The Agriculture Act of 1949, as amended, and the Food Security Act of 1985, as amended, authorize the collection of the data on this form which will be used in applying statutory payment eligibility and limitation provisions. Furnishing this data is voluntary; however, without it we may be unable to establish your maximum eligibility for program payments. This data may be furnished to any agency responsible for enforcing these provisions.</p> <p>According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0096. The time required to complete this information collection is estimated to range from 20 minutes to 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. <b>RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.</b></p>			
<p><b>Part A-</b> For each individual or entity who is a member of this entity, list the member's name, social security/employer identification number, address, and percentage share of ownership. If a member has both types of identification numbers, list both.</p>			
<p style="text-align: center;"><b>ENTITY NAME</b> Masner Farms, Inc.</p>			
3 MEMBER'S NAME	4 SOCIAL SECURITY/EMPLOYER IDENTIFICATION NUMBER	5 ADDRESS	6 PERCENT SHARE
J. Masner	11-11111111	333 Jones Rd., Somecity, AR 72401	50 %
M. Bruce, Inc.	22-22222222	66 Somestreet, Anytown, AR 72501	50 %
			%
			%
			%
<p><b>Part B- Embedded Entities:</b> For any member listed in Item A, who is an entity, list such embedded entity's name and list the requested information for each member of such entity. If a member has both types of identification numbers, list both. If more than one member, listed in Item A is an entity, provide the requested information for each entity on supplemental sheets.</p>			
<p style="text-align: center;"><b>EMBEDDED ENTITY NAME</b> M. Bruce, Inc.</p>			
7 MEMBER'S NAME	8 SOCIAL SECURITY/EMPLOYER IDENTIFICATION NUMBER	9 ADDRESS	10 PERCENT SHARE
M. Bruce	222-22-2222	66 Somestreet, Anytown, Ar 72451	50 %
M. Mangrum, Inc.	33-33333333	105 Normal St., Sometown, AR 72432	50 %
			%
			%
			%
<p><b>Part C- Embedded Entities:</b> For any member listed in Item B, who is an entity, list such embedded entity's name and list the requested information for each member of such entity. If a member has both types of identification numbers, list both. If more than one member, listed in Item B is an entity, provide the requested information for each entity on supplemental sheets.</p>			
<p style="text-align: center;"><b>EMBEDDED ENTITY NAME</b> M. Mangrum, Inc.</p>			
11 MEMBER'S NAME	12 SOCIAL SECURITY/EMPLOYER IDENTIFICATION NUMBER	13 ADDRESS	14 PERCENT SHARE
M. Mangrum, Inc.	33-33333333	105 Normal St., Sometown, AR 72432	50 %
Glenn Farms, Inc.	44-44444444	12 Fisher St., Farmtown, AR 72432	50 %
			%
			%
			%

--\*

Continued on the next page

\*--201 Completing CCC-501A, Member's Information (Continued)

**F**  
**Example of**  
**CCC-501A**  
**(Continued)**

**CCC-501A** (Reverse) (12-14-99)

**Part D- Embedded Entities:** For any member listed in Item C, who is an entity, list such embedded entity's name and list the requested information for each member of such entity. If a member has both types of identification numbers, list both. If more than one member, listed in Item C is an entity, provide the requested information for each entity on supplemental sheets.

**EMBEDDED ENTITY NAME** Glenn Farms, Inc.

15. MEMBER'S NAME	16. SOCIAL SECURITY/EMPLOYER IDENTIFICATION NUMBER	17. ADDRESS	18. PERCENT SHARE
D. Glenn	444-44-4444	12 Fisher St. Farmtown, AR 72432	50 %
R. Stewart, Inc.	55-55555555	20 C Street, Anycity, AR 72001	25 %
F. Brown	666-66-6666	171 School St., Sometown, AR 72432	25 %
			%
			%

**Part E- Embedded Entities:** For any member listed in Item D, who is an entity, list such embedded entity's name and list the requested information for each member of such entity. If a member has both types of identification numbers, list both. If more than one member, listed in Item D is an entity, provide the requested information for each entity on supplemental sheets.

**EMBEDDED ENTITY NAME** R. Stewart, Inc.

19. MEMBER'S NAME	20. SOCIAL SECURITY/EMPLOYER IDENTIFICATION NUMBER	21. ADDRESS	22. PERCENT SHARE
R. Stewart	555-55-5555	20 C Street, Anycity, Ar 72001	50 %
T. Smith, Inc.	66-66666666	55 Federal Ave., Somecity, AR 72401	25 %
N. Heindselman	777-77-7777	Rt. 1, Box 3, Sometown, AR 72432	15 %
J. Timbs	888-88-8888	12 T Street, Nowhere, Ar 72352	10 %
			%

**Part F- List the following information for an individual who has more than a 50 percent ownership share in any further embedded entity.**

**EMBEDDED ENTITY NAME** T. Smith, Inc.

23. MEMBER'S NAME	24. SOCIAL SECURITY/EMPLOYER IDENTIFICATION NUMBER	25. ADDRESS	26. PERCENT SHARE
T. Smith, Inc.	66-66666666	55 Federal Ave., Somecity, AR 72401	60 %
			%

**EMBEDDED ENTITY NAME**

27. MEMBER'S NAME	28. SOCIAL SECURITY/EMPLOYER IDENTIFICATION NUMBER	29. ADDRESS	30. PERCENT SHARE
			%
			%

**Part G- CERTIFICATION**

I certify that all the information entered on this document is true and correct. I understand furnishing incorrect information will result in forfeiture of payments and the assessment of a penalty. I will timely provide written notification to the Farm Service Agency committees for the county and State listed on this form of any changes in the information provided.

31. REPRESENTATIVE'S SIGNATURE OF PAYMENT ENTITY <i>/s/ Masner farms, Inc. by J. Masner</i>	32. TITLE <i>President</i>	33. DATE <i>01-24-XX</i>
--	-------------------------------	-----------------------------

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--\*



**202 Results of Nondisclosure**

**A COC Responsibilities**

[7 CFR 1400.301 (e)] If the entity fails to provide COC with the name, ID number, and address of each applicable individual and entity, COC shall:

- deny any payment earned by the entity
- notify the entity of the denied payment and reason for the denial
- not be responsible for notifying the members
- \*--permit the producer to cancel the applicable contract according to 1-DCP or 1-CRP.--\*

**203-213 (Reserved)**





## Subsection 3 Permitted Entity Designations

## 214 Overview

## A In This Subsection

The following paragraphs are included in this subsection.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
215	General Permitted Entity Requirements	2-292
216	Designation of Embedded Entities	2-295
217	Designations Involving Combined Individuals or Entities	2-301
218	Completing CCC-501B	2-306
219	*--Notifications of Reduced Payment--*	2-311
220	Results of Nondesignation	2-314
221	Withdrawn--Amend. 34	
222-232	Reserved	

**215 General Permitted Entity Requirements**

**A Introduction**

Persons holding, directly or indirectly, a substantial beneficial interest in an entity that receives a payment subject to “permitted entity” provisions must designate that interest for the share to be paid.

**Notes:** See paragraph 16 for program applicability.

A joint operation is not an entity.

**B General Rule**

The following table explains the general “permitted entity” rule.

<b>IF a person...</b>	<b>THEN that person may not receive additional payments, directly or indirectly, from holding substantial beneficial interest in more than...</b>
receives payments subject to “permitted entity” designations directly or as a member of a joint operation	<b>2</b> entities which also receive payments.
does <b>not</b> receive payments subject to “permitted entity” designations directly or as a member of a joint operation	<b>3</b> entities which receive payments.

**Notes:** One set of “permitted entities” applies to all programs subject to “permitted entity” designations.

\*--Individuals may refuse or refund payment as an individual and be allowed to designate 3 entities through which to receive payment.--\*

215 General Permitted Entity Requirements (Continued)

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**C****Substantial  
Beneficial  
Interest**

A substantial beneficial interest is an ownership interest of either of the following:

- 10 percent or more in an entity

**Note:** In determining whether this interest equals at least 10 percent, all interests in the entity that are owned by an individual or entity, directly or indirectly, shall be taken into consideration.

**Example:** A corporation owns the entity.

- \*--less than 10 percent in an entity if both of the following apply:

- any individual or entity has a direct or indirect interest of less than 10 percent in more than 1 entity earning payment
- COC determines that the arrangement was established for the purpose of circumventing the "permitted entity" provisions of the program.

**Note:** This determination applies to all interests of the "person" that are less than 10 percent.

---

**D****Required  
Information**

The entity receiving payment must provide COC the name, address, and ID number or each individual and entity in each lower level of embedded entity.

**Note:** Record this information on CCC-501A. See paragraph 201.

A current CCC-502 is required for all program participants.

**Note:** CCC-502 may be required for an embedded entity if COC considers the information necessary for "person" and "actively engaged in farming" determinations for the entity receiving payment.--\*

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Continued on the next page

**215 General Permitted Entity Requirements (Continued)**

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**E****Who Must Designate**

"Permitted entity" designations must be made by individuals holding, directly or indirectly, a substantial beneficial interest in the entity.

The responsibility for "permitted entity" designations follows to each embedded entity until either all shares are represented by individuals or the fifth level is reached. If an entity has no individuals at any level or, in the fifth level, 1 or more of the members is still an entity:

- the entity must designate for itself
- members beyond the fifth level will be disregarded, insofar as "permitted entity" designations are concerned.

**Example:** If the combined State producer has an interest in an entity receiving payment which is not combined as 1 "person" with the combined State producer, that interest must be designated by the combined State producer to be paid.

**Note:** Use the drawing, conducted according to paragraph 256, to determine "permitted entity" order, if necessary.

**Notes:** This does not relieve the responsibility for making "person" determinations to whatever level is required to resolve all entities.

See paragraph 216 for designation of embedded entities.

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Continued on the next page

**215 General Permitted Entity Requirements (Continued)**

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**F****Notification by  
Members of  
Permitted  
Entities**

If an individual or entity, as applicable, holds substantial beneficial interest, directly or indirectly, in 1 or more entities or embedded entities, the individual or entity shall:

- designate the "permitted entities" of his or her choice on CCC-501B.

**Note:** Total designations for all programs shall not exceed the allocation of permitted entities. Designations must be made no later than the final date allowed by applicable program procedure in order to be effective for that program.

- notify COC's in the counties where the member has earnings, if any, plus each county where the designated "permitted entity" has earnings.

**Note:** See paragraph 220 for results of nondesignation and paragraph 275 for incapacitated individual rule.

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Continued on the next page

**215 General Permitted Entity Requirements (Continued)**

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**G****Perpetual Designation**

Once a designation is filed with COC, it will remain in effect for succeeding years, unless it is changed by the producer. Designation of permitted entities may not be made or changed later than the final date allowed by the applicable program procedure for submitting required documentation.

---

**H****Permitted Entity Designations for Trusts**

Trustees of a trust shall not be allowed to designate "permitted entities" on CCC-501B for the individual beneficiaries of the trust, unless FSA-211 is on file authorizing the trustee to designate "permitted entities" for the individual beneficiary.

---

**I****Designating More Than Allowable Number of Permitted Entities**

Do not make payments to any individual or entity that designates more than the allowable number of "permitted entities." Payments must be withheld from the individual, entity, and all parent entities. COC may allow the producer to delete the excess designations if all of the following apply:

- COC determines that the excess designation was inadvertent and not intentional
  - COC determines the deletion does not serve to change a legitimate designation that was later found to be undesirable
  - COC's determination is recorded in the minutes.
- 

**J****Recording a Redesignation**

A redesignation shall be recorded by:

- drawing a line through the old designation on CCC-501B and have the member initial
  - recording the new designation on the same line as the previous designation
  - obtaining the member's signature and current date
  - updating the permitted entity selections in the automated system.
-

**\*--216 Designation of Embedded Entities**

---

**A**

**Rule**

If an individual or entity, as applicable, has an interest in an embedded entity, designation of that interest will count as 1 of the "permitted entities" for that individual or entity.

---

**B**

**Example for Designating "Permitted Entities"**

This is an example for designating "permitted entities" for embedded entities.

Level	Corporation	Stockholder	Percent of Stock
1	A	Individual A Individual B Corporation B	33 33 34
2	B	Individual A Individual C Corporation C	33 33 34
3	C	Individual A Individual D Corporation D	33 33 34
4	D	Individual A Individual E Corporation E	33 33 34
5	E	Individual A Individual F Corporation F	33 33 34

**Note:** In this example, only Corporation A is earning program benefits.--\*

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Continued on the next page

**\*--216 Designation of Embedded Entities (Continued)**

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**C****Example of Designations, First Level**

Only Individuals A and B may designate "permitted entities". If both individuals designate Corporation A as 1 of their "permitted entities", this accounts for 66 percent of the possible payment to the corporation.

---

**D****Example of Designations, Second Level**

Because only individuals may designate "permitted entities," Corporation B must look to its stockholders to make the designations.

If:

- Individual A (as a member of Corporation B) designates Corporation A as a "permitted entity":
    - this represents the second selection for Individual A
    - the share of Corporation A that may be paid is 77.22 percent (66 percent plus 33 percent times 34 percent equals 77.22 percent)
  - Individual C (as a member of Corporation B) designates Corporation A as a "permitted entity":
    - this represents the first selection for Individual C
    - the share of Corporation A that may be paid is 88.44 percent (66 percent plus 66 percent times 34 percent equals 88.44 percent).--\*
- 

Continued on the next page



**\*--216 Designation of Embedded Entities (Continued)**

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**E****Example of Designations, Third Level**

Again, Corporation C (in the second level) cannot designate, so the share of Corporation A that is represented by Corporation C's share of Corporation B must be designated by the members of Corporation C.

If:

- Individual A (as a member of Corporation C) designates Corporation A as a "permitted entity":
  - this represents the third selection for Individual A
  - the share of Corporation A that may be paid is 92.25 percent (66 percent plus 66 percent times 34 percent, plus 33 percent times 34 percent times 34 percent equals 92.25 percent)
- Individual D (as a member of Corporation C) designates Corporation A as a "permitted entity":
  - this represents the first selection for Individual D
  - the share of Corporation A that may be paid is 96.07 percent (66 percent plus 66 percent times 34 percent, plus 66 percent times 34 percent times 34 percent equals 96.07 percent).--\*

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Continued on the next page

**\*--216 Designation of Embedded Entities (Continued)**

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**F****Example of Designations, Fourth Level**

Again, the members of Corporation D must designate for the corporation.

- Individual A (as a member of Corporation D) may not designate another entity because 3 have already been designated.
  - If Individual E (as a member of Corporation D) designates Corporation A as a "permitted entity":
    - this represents the first selection for Individual E
    - the share of Corporation A that may be paid is 97.37 percent (66 percent plus 66 percent times 34 percent, plus 66 percent times 34 percent times 34 percent, plus 33 percent times 34 percent times 34 percent equals 97.37 percent).
- 

**G****Example of Designations, Fifth Level**

Corporation E may not designate and must look to its members.

- Individual A (as a member of Corporation E) may not designate another entity because 3 have already been designated.
  - If Individual F (as a member of Corporation E) designates Corporation A as a "permitted entity":
    - this represents the first selection for Individual F
    - the share of Corporation A that may be paid is 97.81 percent (66 percent plus 66 percent times 34 percent, plus 66 percent times 34 percent times 34 percent, plus 33 percent times 34 percent times 34 percent times 34 percent, plus 33 percent times 34 percent times 34 percent times 34 percent times 34 percent equals 97.81 percent).--\*
- 

Continued on the next page

**\*--216 Designation of Embedded Entities (Continued)**

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**G****Example of Designations, Fifth Level (Continued)**

- Because this is the fifth level, Corporation F may designate for itself. Therefore, if Corporation F (as a member of Corporation E) designates Corporation A as a "permitted entity":
    - this represents the first and only selection allowed for Corporation F
    - the share of Corporation A that may be paid is 98.27 percent (66 percent plus 66 percent times 34 percent, plus 66 percent times 34 percent times 34 percent, plus 33 percent times 34 percent times 34 percent times 34 percent, plus 67 percent times 34 percent times 34 percent times 34 percent times 34 percent equals 98.27 percent).--\*
-



217 Designations Involving Combined Individuals or Entities

**A**

**Rules**

The following table provides rules for "permitted entity" designations involving combined "persons."

<p><b>Combined "Person"</b></p>	<p><b>Rules for Designations</b></p>
<p>Individuals only</p>	<ul style="list-style-type: none"> <li>• The combined "person" is allowed 3 "permitted entities."</li> <li>• If any of the individuals receive payments directly, including as a member of a joint operation, the direct payment interests of the individuals will be considered the first designation of the combined "person," and the combined "person" will have 2 other "permitted entities."</li> <li>• If none of the individuals receive payment directly, including as a member of a joint operation, the combined "person" will have 3 "permitted entities."</li> <li>• One designation will cover the interests of the combined "person" in the same entity at the same level.</li> </ul>
<p>One or more individuals and 1 or more entities</p>	<ul style="list-style-type: none"> <li>• The combined "person" is allowed 3 "permitted entities."</li> <li>• If any of the individuals receive payments directly, including as a member of a joint operation, the direct payment interests of the individuals, and the individuals' share of the combined direct payment entities (not embedded), will be considered as the interest of the combined "person," and the combined "person" will have 2 other "permitted entities."</li> <li>• If none of the individuals receive payment directly, including as a member of a joint operation, the combined "person" will have 3 "permitted entities."</li> </ul>
<p>Entities only</p>	<p>Each share of all entities must be designated by individual stockholders or members just as if the "persons" were not combined.</p> <p><b>*--Note:</b> See subparagraph 215 E if there are no individual members.--*</p>

Continued on the next page

217 Designations Involving Combined Individuals or Entities (Continued)

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**B**  
**Example for**  
**Individuals**  
**Combined as 1**  
**"Person"**

**Scenario:** Producers A and B are combined as 1 "person" for payment limitation purposes.

Producer B has an interest as a stockholder in 3 corporations.

Producer A and the 3 corporations are "actively engaged in farming" and have program earnings.

**Solution:** If Producers A and B are combined, the combined "person" has earnings as an individual and is only allowed to select 2 other permitted entities. Because the 3 corporations are not a part of the combined "person," only those shares designated as "permitted" may be paid.

- The combined "person" may use its 2 "permitted entities" to designate Producer B's interest in 2 of the 3 corporations.
- Producer B's share of 1 of the corporations must remain unpaid.

The other shares of the 3 corporations must be designated by the other stockholders of the corporations for those shares to be paid.

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Continued on the next page

## 217 Designations Involving Combined Individuals or Entities (Continued)

**C**  
**Example for**  
**Individuals**  
**Combined as**  
**1 "Person"**

**Scenario:** Corporation 3 has 3 stockholders. Member X owns 25 percent of the stock and Minor M owns 25 percent of the stock. Producer Y owns the remaining 50 percent of the stock.

The corporation is "actively engaged in farming." Neither Member X nor Minor M has any earnings as individuals. Member X and Minor M are combined as 1 "person."

**Solution:** In this example, Member X and Minor M are combined as 1 "person" and together have 1 allocation of "permitted entity" \*--designations to spend. Since neither individual has earnings as an--\* individual, the combined "person" may select 3 "permitted entities."

- Corporation 3 is not a part of the combined "person," so all shares must be designated to be paid.
- Member X and Minor M are considered as 1 "person;" therefore, 1 "permitted entity" designation will cover both shares.
- The combined "person" may elect to use 1 of its 3 "permitted entity" designations to cover Member X's and Minor M's 50 percent share of the earnings of the corporation.

Producer Y must also designate its share of the corporation for 100 percent of the payment to be issued to Corporation 3.

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Continued on the next page

**217 Designations Involving Combined Individuals or Entities (Continued)**

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**D****Example for Entities Combined With Individuals**

**Scenario:** Corporation X has 2 stockholders. Producer A owns 51 percent of the stock and Producer C owns 49 percent.

Producer A and Corporation X are combined as 1 "person" for payment limitation purposes.

Producer A and Corporation X are "actively engaged in farming" and have program earnings.

**\*--Solution:** If Producer A and Corporation X are combined, the--\* combined "person" is considered to have earnings as an individual and is only allowed to select 2 other "permitted entities."

Producer A's earnings as an individual and Producer A's share (51 percent) of the corporation's earnings are considered as earnings of the individual. Producer A is allowed 2 other selections. Producer C would have to spend 1 "permitted" for the other 49 percent of the corporation to be paid.

If none of the individuals have earnings as an individual, the combined "person" may designate 3 "permitted entities."

In designating "permitted entities," if 2 or more combined individuals have stock or membership in an entity that is not a part of the combined "person," all these individuals' share in that entity may be covered by 1 "permitted" designation.

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Continued on the next page



217 Designations Involving Combined Individuals or Entities (Continued)

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**E****Example for  
Entities  
Combined With  
Entities**

**Scenario:** Corporation 1 has 3 stockholders. Producer A owns 50 percent of the stock, Producer B owns 25 percent, and Producer C owns 25 percent.

Corporation 2 has 2 stockholders. Producer A owns 50 percent of the stock and Producer B owns 50 percent.

Corporations 1 and 2 are combined as 1 "person" for payment limitation purposes.

**Solution:** In this example, none of the individuals (Producers A, B, and C) are combined with either Corporation 1 or 2. Therefore, each share within the corporations must be designated by the individual stockholders for the combined "person" to receive payment.

If any of the individuals (Producers A, B, and C) elect their respective corporation as a "permitted entity," they will have 2 remaining "permitted entity" designations.

---

**\*--218 Completing CCC-501B, Designation of "Permitted Entities"**

**A  
Completing  
Items 1  
Through 4 of  
CCC-501B**

Complete items 1 through 4 of CCC-501B according to this table.

Item Number	Instruction
1	Enter the name of the individual.
2	Enter the county.
3	Enter the State.
4	Enter the date.

**B  
Completing  
Part A of  
CCC-501B**

Complete Part A according to this subparagraph.--\*

- List each entity, an individual farming interest, an interest in a joint operation, and such individual's, entity's, or joint operation's Social Security or employer ID number in which the individual has a farming interest, regardless of whether or not such entity receives a direct payment.
- For any interest the individual has in an embedded entity, list the name and employee ID number of **both** the embedded entity and the entity receiving payments.

Individual A has the following farming interests.

Item Number 5	Description
a	An individual interest that receives a direct payment.
b	An individual interest as a partner in AB Partnership that receives a direct payment.
c	An individual interest as a beneficiary in Trust B that receives a direct payment.
d	An individual interest as a stockholder in Corporation C which has a direct interest in Limited Partnership E.
e	An individual interest as a stockholder in Corporation C which has direct interest in Corporation D.
f	An individual interest as a stockholder in Corporation F which is a member of F and G Partnership.

Continued on the next page

**\*--218 Completing CCC-501B, Designation of "Permitted Entities" (Continued)**

**C  
Completing  
Parts B and C of  
CCC-501B**

Complete Parts B and C according to this subparagraph.--\*

- If payment is received as an individual, any farming interest as an individual, including any individual interest in a joint operation, that receives payments subject to "permitted entity" designations must be listed as the first "permitted entity" designation. Two additional "permitted entity" designations are allowed.

**Note:** List any individual farming interest and any individual interest in a joint operation as 1 entry.

- If payment is not received as an individual, list up to 3 entities, including embedded entities, to be designated as "permitted entities."

Individual A has the following farming interests.

<b>Item Number</b>	<b>Instruction</b>
9	Individual A designates his individual farming interest as a "permitted entity." Individual A's interest in AB Partnership is also counted the same as the individual farming interest.
10	Individual A also designates Limited Partnership E, through Corporation C, as the second "permitted entity."
11	Individual A also designates Corporation D, through Corporation C, as the third "permitted entity."
12	Individual making the "permitted entity" designation shall sign and date the certification.

Continued on the next page

**\*--218 Completing CCC-501B, Designation of "Permitted Entities" (Continued)**

**D  
Example of  
CCC-501B**

The following is an example of a completed CCC-501B.

Form Approved - OMB No. 0560-0096

<b>CCC-501B</b> U.S. DEPARTMENT OF AGRICULTURE (11-22-99) Commodity Credit Corporation  <b>DESIGNATION OF "PERMITTED ENTITIES"</b>		1. NAME OF INDIVIDUAL Individual A		
		2. COUNTY	3. STATE	4. DATE
		Any County	Any State	XX-XX-XXXX
<p><b>NOTE:</b> <i>The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The Agriculture Act of 1949, as amended, and the Food Security Act of 1985, as amended, authorize the collection of the data on this form which will be used in applying statutory payment eligibility and limitation provisions. Furnishing this data is voluntary, however, without it we may be unable to establish your maximum eligibility for program payments. This data may be furnished to any agency responsible for enforcing these provisions.</i></p> <p><i>According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0096. The time required to complete this information collection is estimated to range from 20 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.</i></p>				
<b>PART A - ALL ENTITIES</b>				
List each entity, an individual farming interest, an interest in a joint operation, and such individual's, entity's, or joint operation's social security or employer identification number in which you have a farming interest, regardless of whether or not such entity receives a direct payment. For any interest you have in an embedded entity, list the name and the employee identification number of <b>BOTH</b> the embedded entity and the entity receiving payments directly from the Commodity Credit Corporation or other agency of the U.S. Department Of Agriculture. See the reverse side of this form for definitions and for examples related to this Section.				
ENTITY <i>(Direct Payment Entity)</i> 5	SOCIAL SECURITY/EMPLOYER IDENTIFICATION NUMBER 6	EMBEDDED ENTITY <i>(Indirect Payment Entity)</i> 7	SOCIAL SECURITY/EMPLOYER IDENTIFICATION NUMBER 8	
a. Individual A	111-11-1111			
b. AB Partnership	22-2222222			
c. Trust B	33-3333333			
d. Limited Partnership E	77-7777777	Corporation C	44-4444444	
e. Corporation D	88-8888888	Corporation C	44-4444444	
f. F and G Partnership	55-5555555			
g. Corporation F	66-6666666			
h.				
i.				
j.				
<b>PART B - PERMITTED ENTITIES</b>				
List the three entities with embedded entities, if any, through which you wish to receive payments, subject to applicable limitations. Any farming interest which you have as an individual and which receives payments subject to applicable limitations must be listed. List your individual farming interest and any individual interest in a joint operation as one entry.				
9. Individual A and AB Partnership				
10 Limited Partnership E through Corporation C				
11. Corporation D through Corporation C				
<b>PART C - CERTIFICATION</b>				
I certify that all the information entered on this document is true and correct. I understand furnishing incorrect information will result in forfeiture of payments and the assessment of a penalty. I will timely provide written notification to the Farm Service Agency committees for the county and State listed on this form of any changes in the information provided.				
12. SIGNATURE OF PRODUCER				DATE
<i>Individual A</i>				XX-XX-XXXX
<small>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.</small>				

--\*

**\*--219 Notification of Reduced Payments--\***

**A Who Must Be Notified**

If an entity has payments reduced because of the “permitted entity” rule, COC must notify the entity and each individual who has direct or indirect interest in the entity receiving a direct payment of the percentage of the reduction.

**B When Must Notification Be Made**

COC must notify entities and individuals affected by reduced payments before making any payment, but not later than 75 calendar days after the final signup date.

**\*--C Sample Notification Letter**

This is an example of a letter notifying applicable producers of the reduction in payment.

[Letterhead]	Any County Office 501 B Street Uptown, ST 11233
Date	
Great Plains Investments, Inc. Maxwell Smart, President P O Box 99 Midwest, ST 11223	
Dear Mr. Smart:	
The payment(s) made to <u>Great Plains Investments, Inc.,</u> will be subject to a reduction of <u>30.00</u> percent. The following individual(s) did not designate their respective share in such entity which is eligible to receive a payment, loan, or other program benefit subject to the permitted entity rules.	
John Smith 10 percent Jane Doe 10 percent Tom Jones 10 percent	
The members have the opportunity to adjust among themselves their shares of the reduced payment(s) in this entity. This adjustment of the member’s proceeds from the designated entity does not affect the amount of earnings that may be paid to the entity, but will allow the entity to distribute its earnings differently that the member’s interest would otherwise indicate.	
If you have any questions, please contact this office.	
Sincerely,	
Joe B. Kool County Executive Director	

--\*

\* \* \*



**\*--219 Notification of Reduced Payments (Continued)**

**D Adjusting Member's Proceeds--\***

Permit the members to adjust among themselves, their proceeds from the designated entity or entities. This adjustment of the member's proceeds from the designated entity does not affect the amount of earnings that may be paid to the entity, but will allow the entity to distribute its earnings differently than the member's interests would otherwise indicate.

**220 Results of Nondesignation****A Failure to Designate Permitted Entities**

Each individual may only designate his or her share of an entity as a “permitted entity” designation. If any share of an entity representing a substantial beneficial interest is not \*--designated as “permitted entity” designation according to paragraph 215, reduce the--\* payment to the entity by an amount equal to the sum of all nondesignated shares.

**Note:** Payment amounts representing shares that are not considered as substantial beneficial interest may be paid without designation.

**B Examples**

**Situation 1:** A corporation operates a farm, is considered “actively engaged in farming”, and is a “person” for payment limitation purposes. Stock is owned equally by 2 stockholders, neither of whom designated the entity as a “permitted.”

**Determination:** The entire earnings of the corporation must be denied.

**Situation 2:** Same as previous example, except 1 of the stockholders designated the corporation as a “permitted.”

**Determination:** The corporation may be paid 50 percent of the earnings it would otherwise be entitled to receive (after limitation, if applicable).



220 Results of Nondesignation (Continued)

---

C

**How Denial of Payments Is Accomplished**

The reduction in payments to an entity resulting from the nondesignation of a substantial beneficial interest in the entity is implemented through the permitted entity software. The software:

- requires the County Office to enter shares designated as "permitted entities"
  - determines shares that are not substantial beneficial interest
  - calculates the total "permitted share" for the entity that is used to calculate payments.
- 

221 (Withdrawn--Amend. 34)

222-232 (Reserved)



**Part 3 Foreign Person Provisions**

**233 Overview**

**A Introduction**

This part provides instructions and requirements identifying a foreign individual or entity, and determining eligibility for program benefits.

**B In This Part**

The following paragraphs are included in this part.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
234	Applicability of Foreign Person Rule	3-2
235	Foreign Individual Identification	3-4
236	Foreign Entity Identification	3-6
237	Foreign Person Payment Eligibility	3-8
238	Requesting Benefits for Nonforeign Shares	3-9
239	Notification Examples - Foreign Person Rule	3-12

**\*--C Foreign Person Rule**

[7 CFR 1400.501] Any person who is not a citizen of the United States or a lawful alien shall be ineligible to receive payments, loans, and benefits, with respect to any commodity produced, or land set aside from production, on a farm that is owned or operated by such person unless such person is an individual who is providing land, capital, and a substantial amount of active personal labor on such farm.

A corporation or other entity shall be ineligible to receive payments, loans, and benefits if more than 10 percent of the beneficial ownership of the entity is held by persons who are not citizens of the United States or lawful aliens unless each foreign individual who is a stockholder or other type of member provide a substantial amount of active personal labor in the production of crops on the farm owned or operated by this entity.--\*

**\*--234 Applicability of Foreign Person Rule--\*****A Introduction**

Before making any “person” or “actively engaged in farming” determinations, it must be established whether individuals or entities, projected to share in applicable program benefits, are “foreign persons”.

**B Program Applicability**

Apply the provisions in this part to:

- any type of payment, loan, and benefit made for 1989 and subsequent crop years

**\*--Note:** Refer to paragraph 16 for program applicability.--\*

- \* \* \* CRP contract approved after December 21, 1987. If a CRP contract was approved after December 20, 1987, but before August 1, 1988, the person may elect to have provisions of this part apply.

**Note:** Unless otherwise specified, all other provisions of this handbook are applicable in determining payment eligibility for “foreign persons”. See paragraph 16 for applicability to specific programs.

**\*--234 Applicability of Foreign Person Rule (Continued)--\***

**C Person Applicability**

The provisions in this part are applicable to “foreign persons” as defined in paragraphs 235 and 236.

**Note:** The provisions in this part are **not** applicable to a citizen of the U.S., a lawful alien, or entity that is **not** subject to this part, who is:

- in lawful possession, through a lease or otherwise, of a farm owned by an individual or entity who is subject to this part
- successor-in-interest to a program contract or agreement for a farm owned by an individual or entity who is subject to this part.

**D COC Determination**

COC shall make the initial determination of “foreign” or “nonforeign” status for individuals, corporations, or other similar entities based on documentation provided.

**235 Foreign Individual Identification**

**A Definition**

A foreign individual is someone who is not a:

- citizen of the U.S.
  
- ~~lawful alien possessing a valid Permanent Resident Card or Resident Alien Card~~ (Form I-551 \* \* \*).

**B Proof of Citizenship**

If COC questions the citizenship of an individual, acceptable proof of citizenship must be provided, and may include:

- a birth certificate
- nationalization and citizenship papers
- a certificate of citizenship
- verification through the nearest office of Immigration and Naturalization Service.

235 Foreign Individual Identification (Continued)

**\*--C Forms of Identification**

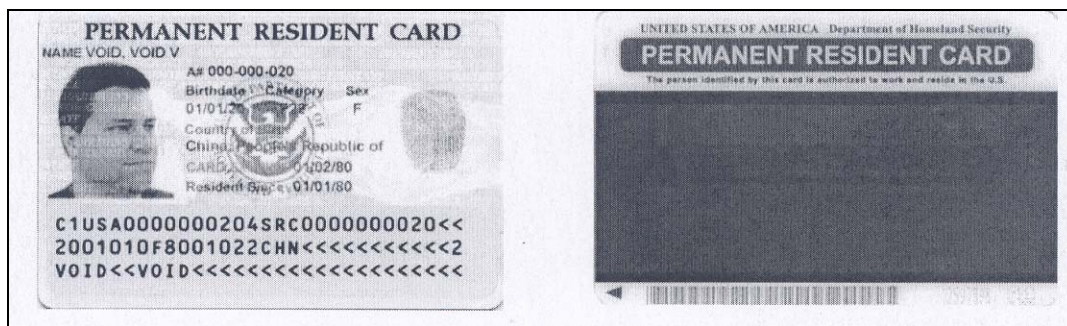
The following are the front and back views of the Permanent Resident Card and Resident Alien Card (Form I-551) currently in use.--\*

- Special attention must be taken to ensure that proper identification of lawful aliens is made.
- Note visual inspection of this card on the applicable CCC-502.
- Request to photocopy the receipt card if there is any question of its validity.

**\*--Permanent Resident Card (Form I-551)**

The latest version of the Permanent Resident Card (Form I-551):

- began being issued in November 2004
- displays the seal of the Department of Homeland Security
- contains a detailed hologram on the front of the card
- is personalized with an etching displaying the following:
  - bearer's photo
  - name
  - signature
  - date of birth
  - alien registration number
  - card expiration date
  - card number.



--\*

## 235 Foreign Individual Identification (Continued)

### C Forms of Identification (Continued)

#### \*--Resident Alien Card (Form I-551)

The Resident Alien Card (Form I-551) is:

- no longer issued
- valid indefinitely or until their expiration date
- commonly referred to as a “green card”
- is the replacement for the Alien Registration Recipient Card (Form I-151).

Recipients of the Resident Alien Card (Form I-551) are lawful permanent residents.



--\*

## 236 Foreign Entity Identification

### A Definition

A foreign entity is a corporation, trust, estate, or other similar organization, that has more than 10 percent of its beneficial interest held by individuals who are not:

- citizens of the U.S.
- \*--lawful alien possessing a valid Permanent Resident Card or Resident Alien Card--\* (Form I-551 \* \* \*).

### B Determining Beneficial Interest

In determining whether beneficial interest is held, the beneficial ownership shall be based on the higher amount of interest on either of the following dates:

- the date applicable program contract or agreement is executed
- the beginning harvest date for the commodity as determined by STC.

**Note:** All interest in an entity, including interest in an embedded entity, shall be taken into account.



236 Foreign Entity Identification (Continued)

**C Entity Ownership Share**

Use this table to determine an individual's or entity's ownership interest in a foreign entity.

<b>IF ownership is...</b>	<b>THEN the ownership percentage held by an individual or entity shall be based on...</b>
of 1 class of stock or other similar unit	their outstanding share of ownership compared to the total outstanding unit of ownership.
of more than 1 class of stock or other similar unit	the fair market value of all outstanding stock.
	<b>Note:</b> To determine the fair market value, follow paragraph 313.

**Note:** The value of different classes of stock or other unit of ownership can be determined by COC, STC, or DAFP, but shall be determined by the earliest level before referring to the next higher level of authority.

**D Less Than 10 Percent Interest**

DAFP may determine that an ownership interest of 10 percent or less shall be considered beneficial interest.

**E Entity's Responsibility**

The entity shall inform COC of any increase in ownership by a member that occurs after the beneficial interest has been determined.

**Note:** If there has been an increase in ownership after a payment, loan, or benefit has been made, the entity must refund the payment, loan, or benefit.

**237 Foreign Person Payment Eligibility**

**A Introduction**

This paragraph provides the requirements to determine a “foreign person” eligible to receive payments, loans, or benefits subject to the foreign person rule.

**Note:** See paragraph 16 for applicability of the foreign person rule.

**B Contribution Requirements**

In addition to the requirements for “person” and “actively engaged”, the following significant contributions must be provided by an individual or entity considered to be a “foreign person”.

<b>Foreign Person</b>	<b>Who Must Make the Contribution</b>	<b>What Significant Contribution Must Be Provided</b>
Individual	Individual	<ul style="list-style-type: none"> <li>• Land</li> <li>• Capital</li> <li>• Active personal labor</li> </ul>
Entity	Each foreign individual who is a stockholder or other type of member	Active personal labor for the entity

**Note:** The eligibility determination will apply to all program benefits associated with payments, loans, and benefits subject to the foreign person rule, with respect to any commodity produced, or land set aside from production for that crop year.

**C Active Personal Labor Exception for CRP**

Labor that is custom hired may be excluded when determining both the amount of labor necessary to conduct the farming operation and whether the foreign person has provided a significant contribution of active personal labor if both of the following apply:

- the foreign person receives only CRP payments
- COC determines and State Office concurs that such labor is always custom hired in the county.

**Note:** Exceptions shall be producer specific and documented on CCC-503A or attachment.

238 Requesting Benefits for Nonforeign Shares

---

A

**Introduction**

Entities that have been determined ineligible for payment, loan, or benefit because of the foreign person rule may receive the amount of payment that represents the percentage interest of the entity which is owned by U.S. citizens or lawful aliens.

**\*--Note:** This provision is also applicable to foreign stockholders, etc. of an entity if some, but not all, of the foreign individuals provide a significant contribution of active personal labor.--\*

---

B

**Requesting Payment**

To receive the eligible portion of payment, loan, or benefit, the entity must:

- provide a written request for payment to COC that includes the percentage of foreign ownership (see subparagraph C)
  - receive an approval determination letter from COC (see subparagraph D).
- 

*Continued on the next page*

238 Requesting Benefits for Nonforeign Shares, *Continued*

C

**Sample Letter From Entity** This is an example of a letter from a foreign entity.

**Sample Letter Requesting Percentage of Eligible Payments From Entity With "Foreign Persons" Holding More Than 10 Percent**

To: County Committee

From: Corporation/Entity

According to program provisions dealing with "foreign persons" having more than 10 percent beneficial ownership of an entity, the following request for payment of program benefits is made.

Listed below are the "foreign persons" holding a beneficial interest that totals more than 10 percent ownership of the entity:

Name	Percent of Ownership
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Total: \_\_\_\_\_

The information provided above indicates that \_\_\_\_\_ percent of the entity's ownership is held by U.S. citizens and/or lawful aliens. We formally request payment of this percentage of benefits that the entity is eligible to receive.

*Continued on the next page*

238 **Requesting Benefits for Nonforeign Shares (Continued)**

---

**D**

**Sample COC  
Approval Letter**

This is an example of a letter notifying a foreign entity of COC approval of request for payment.

\*--

--\*

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**Sample Letter of COC Approval of Payment to an Entity  
With More Than 10 Percent Foreign Ownership**

Dear Producer:

The \_\_\_\_\_ County FSA Committee has reviewed your request for payment of eligible benefits. It is our finding that \_\_\_\_ percent of the beneficial ownership is held by "foreign persons" and ineligible for payment.

Based on this determination, \_\_\_\_ percent of payments earned by your entity will be eligible to be paid.

[Give appeal rights according to 1-APP.]

Our determination has been based on the facts as submitted. Any unrevealed circumstances could require the application of a more restrictive rule.

**\*--239 Notification Examples - Foreign Person Rule--\***

---

**A**

**Introduction**

This paragraph provides examples of notifications to "foreign persons".

---

**B**

**Letter to Eligible  
"Foreign  
Persons"**

Insert the statement, "Based on the information you (your representative) provided, the \_\_\_\_\_ County FSA Committee has determined you to be a foreign person eligible to receive certain program benefits.", in notification letters to "foreign persons" determined eligible for payments and other benefits.

**Note:** Insert the statement following the "actively engaged in farming" and "person" determinations.

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Continued on the next page

239 Notification Examples - Foreign Person Rule (Continued)

---

C

**Letter to Ineligible Foreign Persons**

This is a sample notification letter to "foreign persons" determined ineligible for payments and other benefits.

\*--

--\*

---

D

**Letter to Ineligible Foreign Entities**

Insert the statement, "Foreign entities that have been determined ineligible to receive certain benefits may request payment of the percentage of entity ownership held by U.S. citizens and/or lawful aliens. The request must be in writing and include the percentage of foreign ownership.", in notification letters to ineligible foreign entities.

---

240-250 (Reserved)

Dear Producer:

Based on the information you (your representative) provided, the \_\_\_\_\_ County FSA Committee has determined you to be a foreign person ineligible to receive certain program benefits. These benefits include payments and loans.

[Give appeal rights according to 1-APP]

Our determination has been based on the facts as submitted. Any unrevealed circumstances could require the application of a more restrictive rule.

Sincerely,

County Executive Director





**Part 4 Determinations for Farming Operations****251 Overview****A Introduction**

This part provides requirements and instructions for “person” and “actively engaged in farming” determinations for specific farming operations.

**B In This Part**

The following sections are included in this part.

<b>Section</b>	<b>Title</b>	<b>Page</b>
1	General Determinations	4-2
2	Individuals	4-41
3	Joint Operations	4-75
4	Corporations, Limited Partnerships, Associations, and Similar Entities	4-111
5	Estates	4-151
6	Trusts	4-201

## Section 1 General Determinations

## 252 Overview

## A Introduction

This section provides general determinations for various farming operations.

## B In This Section

The following paragraphs are included in this section.

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**253 Husband and Wife****A History of Rule**

The Agricultural Act of 1970 and subsequent Acts required the Secretary to issue regulations defining the term “person”. The regulations provided that a husband and wife are considered 1 “person” for payment limitation purposes.

The Omnibus Budget Reconciliation Act of 1987 amended the Food Security Act of 1985 to provide that a husband and wife may be considered separate “persons” if the husband and wife can show that each spouse brought separate farming operations into the marriage and have maintained the separate operations.

The United States District Court for the District of Columbia issued an order on April 1, 1988, that required “person” determinations to be made without regard to the marital status of the individuals involved in the farming operation. This court order was reversed by the United States Court of Appeals for the District of Columbia Circuit on June 2, 1989.

The Food, Agriculture, Conservation, and Trade Act of 1990 provided that, at the option of the Secretary, spouses could be considered separate “persons” if:

- the spouses do not hold, directly or indirectly, a substantial beneficial interest in more \*--than 1 entity receiving payment, including the spouses themselves--\*
- all other requirements to be considered separate “persons” are met.

253 Husband and Wife (Continued)

**B “Person” Rule**

A husband and wife are considered 1 “person” for payment limitation purposes, unless either of the following rules applies.

<b>Rule</b>	<b>Requirements</b>
Separate farming operations before marriage	<p>Both spouses were separately engaged in unrelated farming operations before their marriage and the farming operations of both spouses have been maintained separately and distinctly after their marriage.</p> <p><b>Notes:</b> Do not combine spouses solely because a joint tax return was filed.</p> <p style="padding-left: 40px;">*--The farming operations for each spouse must have been established and conducted separately in at least the previous crop year.--*</p> <p>Generally, community property States allow married couples to maintain separate property and interests. However, State Offices in community property States shall contact the Regional Attorney to determine whether the farming operations of spouses who had separate farming operations before their marriage are presumed to be separate after marriage or whether some action must be taken.</p> <p><b>Example:</b> See an example in subparagraph 253.5 C.</p>
Interest in no more than 1 entity	<p>Neither spouse receives payment:</p> <ul style="list-style-type: none"> <li>• as an individual, including as an individual in a joint operation, and also holds, directly or indirectly, a substantial beneficial interest in an entity receiving payment as a separate “person”</li> <li>• by holding, directly or indirectly, a substantial beneficial interest in more than 1 entity receiving payment as a separate “person,” if payment is not received as an individual.</li> </ul> <p><b>Examples:</b> See examples in subparagraphs 253.5 A and 253.5 B.</p> <p><b>Note:</b> Do not combine spouses solely because community property laws consider spouses to have an interest in any entity in which the other spouse has an interest.</p>

**Note:** Do not determine spouses to be separate “persons”, unless this determination is requested. Notify spouses of their status as a combined “person” if they are not determined to be separate.

**253 Husband and Wife (Continued)****C Interest in Estate**

With respect to any interest in an estate, for 2 program years after the program year in which the individual died, a husband and wife shall not be considered as having an interest in an entity for determining “persons.”

**Note:** This provision is also applicable to estates of duration greater than 2 program years after the program year in which the individual dies if the requirements in subparagraph 333 C are met.

**D Parents of Minor Children**

Parents of minor children with farming interests are combined as 1 “person” with the minor children with the following exceptions:

- if the parents of a minor child are divorced, the minor child will be combined with the parent, or parents, having legal custody
- if the parents otherwise qualify as separate “persons” according to this paragraph, the minor children shall be combined as 1 “person” with the parent receiving the larger amount in payments, directly or indirectly.

**Note:** If the parents receive equal amounts in payments, the parents shall designate which parent shall be combined with all minor children as 1 “person.” The combination of minor children with a parent shall not result in the parent being considered as having an interest in more than 1 entity for the “person” rule for spouses.

See paragraph 254 for additional minor child exception.



253 Husband and Wife (Continued)

**E “Actively Engaged in Farming” Rule**

Use this table for “actively engaged in farming” determinations involving spouses.

<b>IF the spouses are both of the following...</b>	<b>THEN...</b>
<ul style="list-style-type: none"> <li>• farming together in a joint operation</li> <li>• combined as 1 “person” for payment limitation purposes</li> </ul>	the requirements for both spouses to be considered “actively engaged in farming” may be met through the combined contributions of both spouses to the joint operation.
<ul style="list-style-type: none"> <li>• farming together in a joint operation</li> <li>• considered separate “persons” for payment limitation purposes</li> </ul>	<p>the requirements for both spouses to be considered “actively engaged in farming” may <b>not</b> be met through the combined contributions of both spouses to the joint operation.</p> <p>Each spouse must provide qualifying contributions, including active personal labor or active personal management as applicable.</p>
<ul style="list-style-type: none"> <li>• involved in separate farming operations</li> <li>• combined as 1 “person” for payment limitation purposes</li> </ul>	each spouse must meet all applicable requirements to be considered “actively engaged in farming”.
<ul style="list-style-type: none"> <li>• involved in separate farming operations</li> <li>• considered separate “persons” for payment limitation purposes</li> </ul>	

**\*--F Benefits From Other Programs**

The receipt of payments and benefits from programs that are not subject to a limitation per “person” will not adversely affect the application of the husband and wife rule, see subparagraph B.

See examples in subparagraphs 253.5 E and 253.5 F.--\*

**\*--253.5 Examples of Determinations for Husband and Wife--\*****A Example 1**

**Situation:** Husband A and Wife B have a joint farming operation comprised of 500 acres of owned land. In addition, Wife B has 25 percent interest in Corporation X, which is participating in CRP and earning annual payments.

- Husband A and Wife B jointly own all the equipment and provide all the capital.
- Husband A contributes at least 50 percent of Husband A's commensurate share of active personal labor and contributes a significant contribution of active personal management.
- In this situation, Husband A's and Wife B's share of the profits or losses from the farming operation are commensurate with their contributions and the contributions are at risk.

**Determination:** Husband A and Wife B are considered to be "actively engaged in farming." However, Husband A and Wife B are considered 1 "person" for payment limitation purposes \*--because Wife B also receives payments indirectly through Corporation X, which is a separate "person" from Wife B.--\*



**\*--253.5 Examples of Determinations for Husband and Wife (Continued)--\*****B Example 2**

**Situation:** Husband X and Wife Y have a joint farming operation comprised of 500 acres of owned land. In addition, Husband X and Wife Y have combined interest of 33 percent in Corporation Z, which produces vegetables and does not earn USDA benefits.

- Husband X and Wife Y jointly own all the equipment and provide all the capital on the individual farming operation.
- Husband X contributes at least 50 percent of X's commensurate share of active personal labor and contributes a significant contribution of active personal management.
- Wife Y provides a significant contribution of active personal management.
- In this situation, Husband X's and Wife Y's share of the profits or losses from the farming operation are commensurate with their contributions to the farming operation and the contributions are at risk.

**Determination:** Husband X and Wife Y are considered to be "actively engaged in farming" and separate "persons" for payment limitation purposes because Corporation Z does not earn USDA benefits.

**\*--253.5 Examples of Determinations for Husband and Wife (Continued)--\*****C Example 3**

**Situation:** Husband A and Wife B were both involved in separate unrelated farming operations before their marriage.

- Husband A rents 1,000 acres of cropland for one-fourth of the crop and is a 50 percent stockholder in Corporation X, which rents 500 acres of cropland to Individual C for one-half of the crop.
- Wife B owns land that was given to her by her father before her marriage to Husband A.
- The farming operations have been kept separate and distinct during the marriage. Both individuals have been determined to be “actively engaged in farming.”

**Determination:** Husband A and Wife B would be considered separate “persons” for payment limitation purposes because each had separate farming operations before marriage which have remained separate and distinct. Separate determinations would be made for Individual C and Corporation X.

**\*--253.5 Examples of Determinations for Husband and Wife (Continued)--\*****D Example 4**

**Situation:** Husband M and Wife N have a joint farming operation comprised of 500 acres of owned land. In addition, Wife N is an heir of the estate of her father who died in the previous year.

- Husband M and Wife N jointly own all the equipment and provide all the capital on the joint farming operation.
- Husband M contributes at least 50 percent of the producer's commensurate share of active personal labor and contributes a significant contribution of active personal management for the joint operation.
- Wife N provides a significant contribution of active personal management for the joint operation.
- The estate of which Wife N is an heir owns land and meets the requirements to be considered "actively engaged in farming" under the landowner provision.
- In this situation, Husband M's and Wife N's share of the profits or losses from the farming operation are commensurate with their contributions to the farming operation and the contributions to the farming operation and the contributions are at risk.

**Determination:** Husband M, Wife N, and the estate are considered to be "actively engaged in farming" and separate "persons" for payment limitation purposes.

**253.5 Examples of Determinations for Husband and Wife (Continued)****\*--E Example 5**

**Situation:** Husband J and Wife L have a joint farming operation comprised of 1200 acres of owned land. Additionally, Wife L holds a substantial beneficial interest in Big Horns Cattle Co. Inc., a custom feedyard.

- Husband J and Wife L jointly own all equipment and provide all inputs on their joint farming operation.
- Husband J and Wife L are determined actively engaged in farming and separate “persons” for program payment eligibility and limitation purposes.
- Husband J and Wife L through their joint operation each receive DCP and CRP benefits.
- Big Horns Cattle Co. Inc. requests and receives benefits under EQIP for the construction of a livestock waste management facility.

**Determination:** EQIP benefits are not subject to “person” rules as the payments are limited by attribution to individuals and entities. Therefore, the receipt of EQIP benefits by the entity in which Wife L holds an interest will not adversely affect the separate “person” status currently held by Husband J and Wife L.

**253.5 Examples of Determinations for Husband and Wife (Continued)****\*--F Example 5**

**Situation:** Husband C and Wife K have a joint farming operation comprised of 500 acres of owned and cash rented land. Husband C holds substantial but less than majority interest in Northern Berries, Inc., a blueberry, strawberry and blackberry grower.

- Husband C and Wife K jointly own all equipment and provide all inputs on their joint farming operation.
- Husband C and Wife K are determined actively engaged in farming and separate “persons” for program payment eligibility and limitation purposes.
- Husband C and Wife K through their joint operation each receive DCP and CRP benefits.
- Northern Berries, Inc., requests and receives TAA on blueberries for the same year that DCP and CRP benefits are received by Husband C and Wife K.

**Determination:** TAA benefits are subject to the “person” rules and the \$10,000 limit for TAA is also part of the \$65,000 limit applicable to the counter-cyclical payments under DCP. The receipt of TAA benefits by the entity Northern Berries, Inc., would adversely affect the separate “person” status previously determined for Husband C and Wife K. As outlined in subparagraph 253 B, 1 spouse (Husband C) holds substantial beneficial interest in an entity (Northern Berries) receiving payment as a separate “person.” Husband C and Wife K cannot meet requirements to be considered separate “persons” under the husband and wife provision.

**254 Minor Child****A Definition of Minor Child**

[7 CFR 1400.106 (c)] A minor child is an individual that is not 18 years of age on or before the status date of the current year.

**Note:** Court action conferring majority on such person does not change this person's status as a minor child.

**B Rules for Minor Child**

[7 CFR 1400.106 (a)] A minor child:

- is combined as 1 "person" with each parent or court-appointed person who is responsible for the child
- that is a beneficiary of a trust or heir of an estate, is combined with each parent or court-appointed person who is responsible for the child.

**Exception:** If the parents are considered to be separate "persons" according to paragraph 253, the minor child shall be combined as 1 "person" with the parent receiving the larger amount in payments.

**Notes:** A conservatorship does not necessarily mean the appointee is responsible for the child. A conservatorship means the appointee has control of certain assets of the child's.

See subparagraph 253 D for minors with divorced parents.

**C Exception to Rule**

[7 CFR 1400.106 (c)] A minor may be considered a separate "person" from a parent or court-appointed person if both of the following requirements are met:

- the minor is a producer on a farm
- neither the minor's parents nor court-appointed person has any interest in the minor's farm or production from that farm.

254 Minor Child (Continued)

**D Exception Restrictions**

Either of the following must be met for the minor to remain as a separate person:

- the minor meets all of the following:
  - has established and maintains a separate household from the parent or court-appointed person
  - personally carries out the farming activities in his or her operation
  - maintains a separate accounting for his or her farming operation
- the minor meets all of the following:
  - does not live in the same household as his or her parents
  - is represented by a court-appointed person responsible for the minor
  - has ownership of the farm vested in him or her.

255 Native Americans

**A Definitions**

\*--Indian tribe means any Indian tribe, band, nation, pueblo, or other organized group or community, including any Alaska Native village or regional corporation as defined in or established under the Alaska Native Claims Settlement Act, which is recognized as eligible for the special programs and services provided by the U.S. because of their status as Indian.

Tribal venture is a joint operation conducted by members of a Native American or Indian tribe.--\*

**B Rule**

This table provides rules applicable to Native Americans.

<b>IF the farming operation is conducted by...</b>	<b>THEN...</b>
the tribal venture on land it owns	<ul style="list-style-type: none"> <li>• payments exceeding 1 limitation may be made to the tribal venture if a BIA official or tribal council certifies that no 1 “person,” directly or indirectly, will receive more than the limitation (this should be completed on item 18, “Remarks,” or attached to CCC-502B)</li> </ul> <p style="text-align: center;"><b>Note:</b> [7 CFR 1400.105 and 1400.106] “Person” includes spouse and minor children unless determined separate “persons.”</p> <ul style="list-style-type: none"> <li>• [7 CFR 1400.207] individual members are considered “actively engaged” because of land ownership</li> <li>• earnings are attributable to each individual Native American, and each individual may select 2 “permitted entities” if applicable</li> <li>• use CCC-502B.</li> </ul>
the tribal venture on land that is rented or otherwise acquired	determinations must be made as for any other joint operation on CCC-502B.
individual Native Americans or groups of Native Americans represented by BIA on allotted land	<ul style="list-style-type: none"> <li>• a BIA official must certify that no 1 “person,” directly or indirectly, will receive more than the limitation (this should be completed on item 18, “Remarks,” or attached to CCC-502B)</li> <li>• individual members are considered “actively engaged” because of land ownership</li> <li>• earnings are attributable to each individual Native American, and each individual may select 2 “permitted entities” if applicable.</li> </ul>



**\*--255 Native Americans (Continued)****C Individual Operations**

[7 CFR 1400.4] If individual Native Americans have their own operation plus interest in--\* the tribal venture operation, the individual must certify that his or her total payments do not exceed the limitation. This should be completed on CCC-502 or attached to CCC-502.

**D Entity Operations Involving Native Americans**

Corporations, trusts (revocable or irrevocable), and estates having Native Americans as members are subject to the same rules as all other entities.

**E Examples**

\*--The following are examples to clarify procedure for filing CCC-502's involving Native American tribal ventures.--\*

Example 1 - Situation -- Native American tribal venture "AB" farms land owned by the tribal venture. BIA has certified that payments exceeding the applicable payment limitation, with respect to the land owned by the tribal venture, will not accrue directly or indirectly to any individual Native American including the spouse or minor children of the Native American. Individual Native Americans of the tribal venture farm land owned by third parties.

Determination -- BIA certification is effective only for the land owned by the tribal venture. Each individual Native American farming land owned by third parties must certify that they will not receive payments exceeding the applicable payment limitation with respect to the earnings from:

- the tribal venture's farming operation
- their individual farming operation.

\*--255 Native Americans (Continued)--\*

## **E Examples (Continued)**

Example 2 - Situation -- Native American tribal venture “CD” farms land that is owned by the tribal venture and land that is leased to the tribal venture. The tribal venture provides all the capital and equipment, but only a few members of the tribal venture contribute a significant amount of active personal labor or active personal management to the farming operation on the leased land.

BIA has certified that payments exceeding the applicable payment limitation, with respect to the land owned by the tribal venture, will not accrue directly or indirectly to any individual Native American.

Some members of the tribal venture lease land and farm as individuals, contributing significant amounts of leased equipment, active personal labor, or active personal management to the farming operation on the individually leased land.

Determination -- BIA’s certification is applicable only for the land that is owned by the tribal venture. The tribal venture is considered to be actively engaged in farming, with respect to land that is owned, and may earn payments exceeding the applicable payment limitation.

The land that is leased by the tribal venture must qualify under the same provisions that apply to joint operations. Therefore, for land leased to the tribal venture, each member of the tribal venture must contribute a significant amount of active personal labor or active personal management to the farming operation to be considered actively engaged in farming. The tribal venture must complete the necessary forms for COC to determine whether the members of the tribal venture are actively engaged with respect to the leased land.

Each individual receiving payment as an individual must certify that they will not receive payments exceeding the applicable payment limitation with respect to the earnings from:

- the tribal venture’s farming operation
- their individual farming operation.

The individual Native American must also complete the necessary forms for COC to determine whether the individual is actively engaged in farming.

**256 States, Political Subdivisions, and Agencies****A Rule**

All State agencies, divisions, or political subdivisions are combined as 1 “person” for payment limitation purposes with the State.

**Example:** A city would be combined as 1 “person” with the State in which the city is located.

**Note:** Combined State producers shall not be denied the opportunity to participate in programs unless specifically ineligible for that program.

**B Exceptions to Rule**

**Exception 1:** Payments issued to public schools with respect to land owned by public school districts or by the State and used to support public schools are not limited. This is considered an exempt entity and is separate from the combined State, political subdivisions, and agency entity.

**\*--Notes:** If a public school receives payment, directly or indirectly, from land which is neither owned by the public school nor by the State and used to support public schools, the payment is **not** exempt from limitation and must be included with payments made to the combined State producer or designated as a “permitted entity,” as applicable.

The term “public school” includes State universities.--\*

**Exception 2:** Payments made to States under a State conservation enhancement agreement are not limited.

256 States, Political Subdivisions, and Agencies (Continued)

**C Exempt and Limited Earnings**

If a public school has earnings from land that is limited, these earnings will be considered earnings of the combined State producer.

<b>IF a public school...</b>	<b>THEN...</b>
has earnings from both exempt and limited sources	the school may be required to obtain an identifying number for each category of earnings.
is a member of an entity  <b>Example:</b> One of 2 or more beneficiaries of an irrevocable trust.	<ul style="list-style-type: none"> <li>• earnings from this entity are not exempt from limitation</li> <li>• a share of this entity must be designated, using 1 of the permitted entities allowed to the combined State producer.</li> </ul>

**D Controlling the Limitation**

If the combined State producer exceeds the applicable limitation in projected program payments or has designated more than 2 “permitted entities” in addition to direct payments to the “person,” the participants shall be polled to determine the method of disbursement and “permitted entity” designation. If an agreement is not reached by all participants by the end of the applicable signup, a drawing shall be conducted by the control County Office to determine the order of payment and “permitted entity” designation.

\*--LDP’s and gains from marketing loans shall be available on a first-come-first-served basis. CED shall contact the control County Office for instructions.--\*

256 States, Political Subdivisions, and Agencies (Continued)

**E “Permitted Entities”**

If the combined State producer has an interest in an entity receiving payment which is not combined as 1 “person” with the combined State producer:

- that interest must be designated by the combined State producer to be paid
- the authorized representative of the applicable combined State producer shall be allowed to complete CCC-501B, but the applicable entity and combined State producer shall be notified that the interest cannot be paid until approval is received from the control County Office. See subparagraph G.

**F Action by Noncontrol County**

Noncontrol County Offices shall use this table for a combined State producer.

Step	Action
1	<p>Notify combined State producers before the end of applicable signup that:</p> <ul style="list-style-type: none"> <li>• combined State producers may agree to a method of disbursing program payments and selecting “permitted entity” designations</li> <li>• a drawing will be conducted on the second Friday after the end of signup to select the payment order in which participating combined State producers will receive program payments and designate “permitted entities” if no alternative payment method is agreed upon by the combined State producers</li> <li>• combined State producers shall contact the control County Office by the end of signup to give the alternative payment method agreed upon by all affected parties, if applicable</li> <li>• the method used for selection will apply for:                             <ul style="list-style-type: none"> <li>•*--the direct and counter-cyclical payment program contract</li> <li>• applicable per “person” limitations.--*</li> </ul> </li> </ul>



256 States, Political Subdivisions, and Agencies (Continued)

F Action by Noncontrol County (Continued)

Step	Action
2	<p>Send the following to the control County Office by the first Friday after the end of signup for all eligible participating combined State producers and participating entities in which the combined State producer has an interest:</p> <ul style="list-style-type: none"> <li>•*--direct and counter-cyclical payment program contracts</li> <li>• estimated payments subject to limitation, if applicable</li> <li>• CCC-501B's, if applicable</li> <li>• CCC-502's, if applicable</li> <li>• CCC-526, and information on payment reductions, if applicable.--*</li> </ul>
3	<p>Notify affected producers of the results of the drawing conducted by the control County Office no later than 1 week after the drawing is held. Allow combined State producers to withdraw CRP offer, no later than 30 calendar days after the notification of results of drawing. * * *</p> <p><b>Note:</b> Notify the control County Office of any cancellations.</p>

256 States, Political Subdivisions, and Agencies (Continued)

G Letter to Combined State Producers

Send this letter to combined State producers no later than 30 calendar days before the end of signup.

\*--

Producer's Name  
Street  
City, State ZIP Code

Dear Producer:

A State, including political subdivisions and agencies thereof, is collectively considered as 1 "person" for payment limitation purposes and therefore may not receive payments or "permitted entity" designations exceeding the amount afforded 1 "person". To be eligible for payment, each "person" must be determined "actively engaged in farming" and in compliance with highly erodible land conservation and wetland conservation provisions.

If you intend to participate in (program subject to limitation), you must enroll by (end of signup). No later than (end of signup), all combined State producers should develop a method for disbursing program payments subject to limitation and selecting "permitted entity" designations and inform the control County Office (give office name and address). If no method is given, the control County Office will conduct a drawing, open to the public, on (second Friday after signup) at 10:00 a.m., for selecting the order in which participating combined State producers will receive payments subject to limitation and "permitted entity" designations.

If a drawing is conducted, you will be notified of the results.

Sincerely,

County Executive Director

--\*



256 States, Political Subdivisions, and Agencies (Continued)

**H State Drawing, Control County**

Control County Offices shall use this table if it is necessary to conduct a drawing for combined State producers. The drawing shall be open to the public and conducted at 10 a.m. on the second Friday after the end of signup.

Step	Action
1	<p>Determine the number of combined State producers by counting each eligible contract or application subject to the same limitation and assign a number to each.</p> <ul style="list-style-type: none"> <li>●*--Include only timely filed contracts or applications in which the combined State producer has an interest.</li> <li>● If applicable, conduct separate drawings for payments made under programs with separate limitations.</li> </ul> <p><b>Note:</b> For DCP, separate drawings should be conducted for covered commodities and peanuts.</p>
2	<p>Select by drawing the numbers assigned in step 1 until a payment order has been established for all combined State producers. For DCP contracts, use:</p> <ul style="list-style-type: none"> <li>● the calculated direct payment amount to determine when the limitation has been reached for direct payments</li> <li>● the projected amount for counter-cyclical payments to determine when the limitation has been reached for counter-cyclical payments.</li> </ul> <p><b>Note:</b> For both the direct and counter-cyclical payments, allocate the amounts to producers in the same order as determined by the drawing and issue payment when appropriate.--*</p>
3	<p>Notify the noncontrol County Offices of the results of the drawing.</p> <p><b>Note:</b> Include a list of payment and designation order as determined in step 2 that indicates:</p> <ul style="list-style-type: none"> <li>● each producer’s earnings subject to the applicable limitation</li> <li>● if the producer may select a “permitted entity.”</li> </ul>
4	<p>Update the list in Step 3 if any producers cancel their contract or application.</p> <ul style="list-style-type: none"> <li>●*--Subsequent final payments subject to the applicable limitations shall be made in the order listed.</li> <li>● Total payments shall not exceed the per “person” amount applicable for each respective program payment limitation amount.--*</li> </ul>

257 Farm Credit Banks and Agricultural Credit Associations

**A Definitions**

ACA. Agricultural Credit Association is an agricultural lending entity resulting from the merger of PCA and FLBA and is the short-, intermediate-, and long-term direct lender for its territory.

FCB. Farm Credit Bank is an agricultural lending entity that is a direct lender of long-term real estate loans and provides funds to PCA's under certain circumstances.

\* \* \*

PCA. Production Credit Association is an entity that provides agricultural lending  
\*--independent of ACA or FCB.--\*

**Note:** Each of these entities have their own chartered territory for which they provide credit.

257 Farm Credit Banks and Agricultural Credit Associations (Continued)

**B Rule**

Each of the lending associations' chartered territories is considered a separate "person". This table shows the number of each entity's recognized "persons" in the U.S.

<b>Entity</b>	<b>Number of "Persons"</b>
ACA	58
FCB	10
* * *	* * *
PCA	*--84--*

**C Control County**

State Offices shall designate control counties for each of the lending entities involved in their State. If an entity has jurisdiction across State lines, the State where the district or association office is located shall be responsible for designating a control county.

## 257 Farm Credit Banks and Agricultural Credit Associations (Continued)

**D Farm Credit Banks**

This table shows the 10 FCB districts that are considered “persons”, the States included in each of the districts, the address and telephone number for correspondence with FCB, and the contact person.

<b>District Bank</b>	<b>States</b>	<b>Address and Telephone</b>	<b>Contact Person</b>
FCB's of Springfield	CT, ME, MA, NH, NJ, NY, RI, and VT	Box 141 Springfield, MA 01102 413-789-7600	Norman Payne
FCB's of Baltimore	DC, DE, MD, PA, PR, VA, and WV	Box 155 Baltimore, MD 21203 301-628-5500	Bill Collins
FCB's of Columbia	FL, GA, NC, and SC	Box 1499 Columbia, SC 29202 803-799-5000	*--Marie Stiles--*
FCB's of Louisville	IN, KY, OH, and TN	Box 32660 Louisville, KY 40232 502-566-7414	Jenny Snyder

## 257 Farm Credit Banks and Agricultural Credit Associations (Continued)

## D Farm Credit Banks (Continued)

<b>District Bank</b>	<b>States</b>	<b>Address and Telephone</b>	<b>Contact Person</b>
Agribank, FCB	AR, IL, MI, MN, MO, ND, and WI	*--Box 64949 St. Paul, MN 55164 612-282-8800	John O'Day--*
Farm Credit Services of Omaha	IA, NE, SD, and WY	206 S 19th St. Omaha, NE 68102 402-444-3246	Terry Bentley
Farm Credit Services of Wichita	CO, KS, OK, and NM	Box 2940 Wichita, KS 67201-2940 *--316-266-5100	A.R. Cordell
FCB's of Texas	AL, LA, MS, and TX	Box 15919 Austin, TX 78761 512-465-0475	Penny Painter
Ag America, FCB/Western FCB, Sacramento	AZ, CA, HI, NV, and UT	Box 13106 Sacramento, CA 95813-4106 916-485-6280	Brent Baglien
FCB's of Spokane	AK, ID, MT, OR, and WA	Box 2515 Spokane, WA 99220-2515--* 509-838-9210	Linda Henricksen

257 Farm Credit Banks and Agricultural Credit Associations (Continued)

**E Associations in Each District**

This table indicates the number of PCA's and ACA's \* \* \* within each of the FCB districts.

<b>FCB Districts</b>	<b>PCA's</b>	<b>ACA's</b>	<b>* * *</b>
Springfield		13	
Baltimore	1	18	
Columbia	1	19	
Louisville	* * *	2	* * *
St. Paul	24	3	
Omaha	1		
Wichita	16		
Texas	24		
Sacramento	15	3	
Spokane	2		
<b>Total</b>	<b>*--84--*</b>	<b>58</b>	<b>0.00</b>

## 258 Clubs, Societies, Fraternal, and Religious Organizations

### A Rule

A charitable organization, including a club, society, fraternal, or religious organization, shall be considered a “person” separate and distinct from the members of the organization or any other entity.

### B Exceptions to Rule

If the land operated by the organization, or the production from the operation, may transfer to an entity that exercises control over the organization, the organization and the parent organization are combined as 1 “person.”

**Note:** If the ID number of the parent organization is used by the organization, the organization and the parent organization are combined as 1 “person.”

**\*--Important:** The fact that an organization has a separate identification number does **not** mean that it qualifies as a separate “person.” If there is any indication that 1 organization exercises control over another organization and land or proceeds transfer to this “parent” organization, these organizations shall be combined as 1 “person” and payments limited accordingly.--\*

**Example:** If land owned by a church within a diocese would transfer to the diocese upon closure of the church, then the church would be combined with the diocese.

### \*--C Example of “Person” Determinations for Charitable Organizations

**Situation:** A charitable organization forms other charitable organizations that are then represented to be separate organizations. The other organizations have separate identification numbers and each is recognized by IRS as qualifying as a charitable organization. However, there is evidence that the “parent” organization continues to exercise control over the other organizations. There is also evidence that the land, or proceeds from the land, may transfer to the “parent” organization.

**Result:** The “parent” organization and the other organizations shall be combined as 1 “person” for payment limitation purposes.--\*

259-270 (Reserved)





**Section 2 Individuals**

**271 Overview**

**A Introduction**

This section provides requirements and instructions for “person” and “actively engaged in farming” determinations for individuals.

**B In This Section**

The following paragraphs are included in this section.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
272	“Person” Determination	4-42
273	“Actively Engaged” Determinations	4-43
274	Sharecropper	4-44
275	Incapacitated Individual	4-45
276	Case Examples	4-47
277	Completing CCC-502A	4-49
278	Completing CCC-502EZ	4-59

**272 “Person” Determinations - Individuals****A Rule**

An individual producer is considered a separate “person” if the producer:

- has a separate and distinct interest in the land or crop involved
- exercises separate responsibility for this interest
- maintains funds or accounts separate from that of any other producer.

**\*--Note:** Using ledger entries to account for expenses and income is not the same as maintaining separate account.--\*

**B Programs Not Requiring Determination of “Actively Engaged”**

If a program requires a determination of “persons” but not a determination of “actively engaged in farming,” the following is also required to be eligible for payments or benefits:

- the claimed share of the profits or losses of the farming operation must be commensurate with the contributions to the farming operation
- contributions at risk.

273 “Actively Engaged” Determinations - Individuals

**A Rule**

An individual shall be considered to be “actively engaged in farming” if all of the requirements on this table are met.

Item	Requirement
1	The individual makes a significant contribution to the farming operation of both of the following: <ul style="list-style-type: none"> <li>• capital, equipment, land, or a combination thereof</li> <li>• active personal labor, active personal management, or a combination thereof.</li> </ul>
2	The individual’s share of the profits or losses from the farming operation are commensurate with the individual’s contribution to the farming operation.
3	The individual’s contributions are at risk.

**B Other Participants That Use This Rule**

This rule also applies to an individual who is:

- a partner in a general partnership
- a participant in a joint venture.

**\*--C Military Personnel**

[7 CFR 1400.213] COC may determine an individual who is called to active duty in the military during the program year “actively engaged in farming” according to this table.

<b>IF the individual is called to active duty in the military...</b>	<b>THEN COC...</b>
before the determination is made	must determine that the individual was making a conscious effort to be, and would have been determined to be “actively engaged in farming” if not for being called to active duty in the military.
after the determination is made	shall allow the determination to be in effect for the program year.

--\*

274 Sharecropper

**A Rule**

A sharecropper shall be considered “actively engaged in farming” if all of the requirements in this table are met.

Item	Requirement
1	The sharecropper makes a significant contribution of active personal labor to the farming operation for which the sharecropper receives a specified share of the crop produced on the farm.
2	The sharecropper’s share of the profits or losses from the farming operation is commensurate with the contribution to the operation.
3	The sharecropper’s contributions are at risk.

**\*--Note:** To be considered “actively engaged in farming” under this provision, the individual may:

- not receive wages for labor and be considered a sharecropper for this purpose
- be provided housing and “draw” cash advances to be deducted later from proceeds of the crop.--\*

**B Example**

**Situation:** Individual Y provides labor for Landowner Z on 500 acres of rice in exchange for a share of the crop. Individual Y only contributes active personal labor to the farming operation. Landowner Z provides Individual Y with housing. Individual Y also receives a cash advance that will be set off from the proceeds of the crop after harvest.

**Determination:** Individual Y is considered to be “actively engaged in farming” since Individual Y is a sharecropper. Landowner Z is considered to be “actively engaged in farming” since Z is a landowner.

**275 Incapacitated Individual**

**A Introduction**

This paragraph describes the requirements for an individual who dies or becomes incapacitated during the program year to be determined “actively engaged in farming.”

**B Rules**

COC may determine an individual who dies or becomes incapacitated during the program year “actively engaged in farming” according to this table.

<b>IF the individual dies or becomes incapacitated ...</b>	<b>THEN COC ...</b>
before the determination is made	must determine that the individual was making a conscious effort to be, and would have been determined to be, “actively engaged in farming,” if not for the individual’s death or incapacitation.
after the determination is made	shall allow the determination to be in effect for the program year.

**\*--Notes:** This rule is also applicable to an entity if COC determines that the individual who died or who became incapacitated would have qualified the entity as “actively engaged in farming.”

The following year, the individual, the individual’s estate, or the entity, as applicable, must meet all of the necessary requirements to be “actively engaged in farming”--\* for that year.

**275 Incapacitated Individual (Continued)**

**C Specific Rule for Estates**

If an individual's death during the current year results in an estate and the estate succeeds the individual on the current year program contract, the estate, if otherwise eligible to receive payments under the provisions of this paragraph, may be paid without designation as a "permitted entity" for the current year by any of the heirs.

**\*--276 Case Examples - Individuals--\*****A Example 1**

**Situation:** Individual Z, a producer, rents 1,500 acres of land on a share-rent basis. Individual Z owns the equipment and contributes at least 50 percent of the producer's commensurate share of active personal labor and contributes 100 percent of the farming operation's management. In this situation, Individual Z's share of the profits or losses from the farming operation are commensurate with Individual Z's contributions to the operation and the contributions are at risk.

**Determination:** Individual A is considered to be "actively engaged in farming."

**B Example 2**

**Situation:** Individual A rents land on a share-rent basis. Individual A contributes a significant amount of leased equipment and a significant amount of active personal management to the farming operation. Capital is borrowed from another producer on the farm at the prevailing interest rate. The labor needed for Individual Z's farming operation is hired. Individual A's share of the profits or losses from the farming operation are commensurate with individual A's contribution to the operation and the contributions are at risk.

**Determination:** Individual A is considered to be "actively engaged in farming" since Individual A contributes a significant amount of both equipment and active personal management. A contribution of capital, equipment, or land is used to meet the significant contribution.





**\*--277 Completing CCC-502A, Farm Operating Plan for Payment Eligibility Review for an Individual--\***

**A Who Can Complete CCC-502A**

CCC-502A can only be used by individuals for which CCC-502EZ is not applicable.

**B When to File**

File CCC-502A with COC no later than the date specified in paragraph 50.

**C Supporting Data**

COC shall require adequate supporting data to make proper “actively engaged in farming” and “person” determinations according to paragraph 52.

**\*--277 Completing CCC-502A, Farm Operating Plan for Payment Eligibility Review for an Individual (Continued)**

**D Completing CCC-502A**

Have the producer complete CCC-502A according to this table.

Item Number	Instruction
1	Enter county name.
2	Enter program year.
3	Enter State.
4	Enter name and current mailing or street address.
5	Enter Social Security, employer ID number, or both.
6 A	If: <ul style="list-style-type: none"> <li>• a U.S. citizen, check “Yes” and go to item 7</li> <li>• not a U.S. citizen, check “No” and go to item 6 B.--*</li> </ul>
6 B	If: <ul style="list-style-type: none"> <li>• a lawfully admitted alien, check “Yes” and present Alien Registration Receipt Card to a County Office employee</li> <li>• not a lawfully admitted alien, check “No.”</li> </ul> <p><b>Note:</b> Producer is required to provide a significant contribution of active personal labor, land, and capital to the farming operation, in addition to other requirements, to be eligible for certain benefits.</p>
7	If under 18 years of age as of the applicable status date of this program year, enter the requested information. Be sure to enter information for both parents or guardians. If a parent or guardian has any interest in a farming operation, enter information about his or her farming operation.
8	If you, your spouse, or any of your minor children have any other farming interests, including interests in corporations, partnerships, trusts, estates, or other similar entities that have a farming operation, check the applicable box and complete the applicable sections of this form. If neither you, your spouse, nor any of your minor children have any other farming interests, check “No” *--and go to item 12.--*
9	For each additional farming interest, enter the requested information.

**\*--277 Completing CCC-502A, Farm Operating Plan for Payment Eligibility Review for an Individual (Continued)**

**D Completing CCC-502A (Continued)**

<b>Item Number</b>	<b>Instruction--*</b>
10	For each additional farming interest your spouse has, enter the requested information. If spouse’s farming interest was brought into the marriage as a separate farming operation and has been kept totally separate from any of your farming operations, check “Yes” in the applicable box, otherwise check “No” in the applicable box. To be considered “totally separate,” all aspects of the farming operation, including financing and records, must be kept distinct from spouse’s operation.
11	For each additional farming interest any of your minor children have, enter the requested information.
12	<p>Enter the requested information for all land that is part of the farming operation.</p> <ul style="list-style-type: none"> <li>• In the case of cash-leased land, only enter the rental rate per acre if the land is being leased to or from someone who shares in the production or proceeds of the production of the farming operation.</li> <li>• If this land is cash leased from someone who does not share in the production or proceeds of the production of the farming operation, enter “Cash.”</li> <li>• If land is leased for a share of the crop, enter the percentage of the crop that the landlord receives.</li> <li>• If different rates apply on the same parcel, provide the breakdown of rates.</li> </ul> <p>If additional space is needed for this item, complete CCC-502 Continuation and attach to CCC-502A.</p>
13	Enter the percent of the total capital requirements of the farming operation which you provide. If you do not provide any capital, enter “0%” and go to *--item 14.--*
14	Enter the requested information for all equipment used in the farming operation. Check the “Owned” box only if the equipment is owned by you. For each line, enter the percentage represented by the line of the total equipment used in the farming operation. Calculate applicable percentages by rental value of the equipment. Leased equipment includes equipment provided by a custom farmer. It is only necessary to provide a copy of the equipment lease to the County Office if the equipment is being leased from an individual or entity that shares in the production or proceeds of the production.

**\*--277 Completing CCC-502A, Farm Operating Plan for Payment Eligibility Review for an Individual (Continued)**

**D Completing CCC-502A (Continued)**

<b>Item Number</b>	<b>Instruction</b>
15	If any of the contributions of capital, equipment, or land were acquired as the result of a loan, check the applicable box and provide the requested information in item 15 B.--*
16 A	Enter best estimate of the percentage and/or hours of the total amount of labor required for the farming operation that will be provided personally by you.
16 B	Enter best estimate of the percentage and/or hours of the total amount of labor required for the farming operation that will provided by hired personnel or entities.  <b>Note:</b> Hired labor includes labor provided by a custom farmer.
16 C	Enter best estimate of the percentage and/or hours of the total amount of labor required for the farming operation that will be provided from other sources, such as unpaid family and friends.
17 A	Enter best estimate of the percentage of the total amount of management required for the farming operation that will be provided personally by you. For any management that you provide personally, provide a narrative of the type of management duties you perform. COC is required to make a determination of whether or not the management you provide is critical to the profitability of this farming operation and this determination may determine whether you are eligible for program payments.
17 B	Enter best estimate of the percentage of the total amount of management required for the farming operation that will be provided by hired personnel or entities.
18	Check the applicable box if you believe, based on the information submitted, that you are “actively engaged in farming” and a “person” separate and distinct from any other individual or entity for payment limitation purposes.  Check the applicable box and provide the names of the applicable individuals or entities if you believe, based on the information submitted, that you should be combined as 1 “person” with another individual or entity for payment limitation purposes.
19	*--Sign and date the certification.--*

**\*--277 Completing CCC-502A, Farm Operating Plan for Payment Eligibility Review for an Individual (Continued)**

**E Example of CCC-502A**

The following is an example of a completed CCC-502A.

Form Approved - OMB No. 0560-0096					
<b>CCC-502A</b> U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation  <b>FARM OPERATING PLAN FOR PAYMENT ELIGIBILITY REVIEW FOR AN INDIVIDUAL</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">1. COUNTY  Smith</td> <td style="width: 50%;">2. PROGRAM YEAR  2000</td> </tr> <tr> <td>3. STATE  KS</td> <td></td> </tr> </table>	1. COUNTY  Smith	2. PROGRAM YEAR  2000	3. STATE  KS	
1. COUNTY  Smith	2. PROGRAM YEAR  2000				
3. STATE  KS					
<p><b>NOTE:</b> The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The Agriculture Act of 1949, as amended, and the Food Security Act of 1985, as amended, authorize the collection of the data on this form which will be used in applying statutory payment eligibility and limitation provisions. Furnishing this data is voluntary; however, without it we may be unable to establish your maximum eligibility for program payments. This data may be furnished to any agency responsible for enforcing these provisions.</p> <p>According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0096. The time required to complete this information collection is estimated to range from 30 minutes to 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. <b>RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.</b></p>					
<b>4. Producer's Name and Address</b> James Brown 100 Crooked Lane Anytown, KS 11111	<b>5. Identification Numbers</b> Social Security Number 123-45-6789 Employee Identification Number				
<b>6. Citizenship</b> A. Are you a U.S. citizen? <input checked="" type="checkbox"/> Yes, go to Item 7. <input type="checkbox"/> No, complete Item 6B.	B. Are you an alien lawfully admitted into the U.S.? <input type="checkbox"/> Yes, show the county office your Alien Registration Receipt Card. <input type="checkbox"/> No, go to Item 7.				
<b>FOR COUNTY OFFICE USE ONLY</b>					
Was an Alien Registration Receipt Card shown? Status Date <input type="checkbox"/> Yes <input type="checkbox"/> No					
<b>7. Producers Who Are Minors</b> Are you under 18 years of age? <input type="checkbox"/> YES (provide the following information) <input checked="" type="checkbox"/> NO (Go to Item 8)					
Enter the name, address, and social security or employer identification number of your parents or guardians. Enter Your Date of Birth					
Name of Your Parents or Guardians	Address	Social Security/Employer ID Number(s)			
(A)					
(B)					
If your parents or guardians have any interest in a farming operation, complete the following for each parent or guardian.					
Name of Farming Interest(s)	Social Security/Employer ID Number(s)	County(ies) and State(s) Where Located			
(A)					
(B)					
<b>8. Farming Interests</b> Do you, your spouse, or minor children have any interest in a farming operation which is conducted under any name other than as listed in Item 4?					
<input type="checkbox"/> Yes, I have other farming interests. (Complete Item 9) <input checked="" type="checkbox"/> Yes, my spouse has other farming interests. (Complete Item 10) <input type="checkbox"/> Yes, my minor children have other farming interests. (Complete Item 11) <input type="checkbox"/> No, we do not have any other farming interests. (Complete Item 12)					
<b>9. Your Other Farming Interests</b> Enter the following information for ALL other interests you have in a farming operation. Go to Item 12 if your spouse or minor children have no other farming interest(s).					
Name of Farming Interest	Employer ID Number of Farming Interest	County(ies) and State(s) Where Located			

--\*

**\*--277 Completing CCC-502A, Farm Operating Plan for Payment Eligibility Review for an Individual (Continued)**

**E Example of CCC-502A (Continued)**

**CCC-502A** (Page 2 of 4) (12-14-99)

**10. Other Farming Interests of Spouse**  
 Enter the following information for ALL other interests your spouse has in a farming operation. Go to Item 12 if your minor children have no other farming interest(s).  
 Name of Spouse: Jolene Brown      Spouse's Social Security Number: 198-76-5432

Name of Farming Interest	Social Security/Employer ID Number of Farming Interest	County(ies) and State(s) Where Located	Was Farm Acquired Before Marriage and Kept Totally Separate?	
			Yes	No
Shaw Farms, Inc.	23-7999821	Johnson, KS		X

**11. Other Farming Interests of Minor Children**  
 Enter the following information for ALL other interests your minor children have in a farming operation, and go to Item 12.

Name of Minor Child	Name of Farming Interest(s)	Social Security/Employer ID Number of Farming Interest(s)	County(ies) and State(s) Where Located

**12. Land**  
 Enter the following information for ALL land you own and/or lease. If ALL land in this farming operation is owned and operated by you, enter the farm number, County and State, check "Owned," and enter the cropland acres.

Farm No.	County(ies) and State(s) Where Located	Enter "✓"			Name of Person Whom Land is Leased to And/or from	Cropland Acres	Rental Rate (\$) per Acre/% Crop Share	Enter "✓" if You Had the Same Land Interest Last Year
		Owned	Leased to	Leased from				
75	Smith, KS	✓				125		✓
112	Smith, KS	✓				80		✓
900	Smith, KS			✓		80	Cash	✓

If ALL land in this farming operation is owned by you, after completing the required columns in this Item, go to Item 15.

**13. Capital**  
 If you do not provide any capital for this farming operation, enter 0% and go to Item 14.  
 What percent of the capital required for this operation do you provide? 100 %

**14. Equipment**  
 B. Owned Equipment: If you own equipment and do not lease any, check "Owned" and go to Item 15.  
 C. Leased Equipment: Enter the following information for ALL equipment you lease.

Enter "✓"			Percent of Total "Owned" & "Leased From" Equipment	Name of Person Whom Equipment is Leased To and/or From	Does the person whom equipment is leased to or from have an interest in your farming operation?	
Owned	Leased to another person	Leased from another person			Yes	No
✓			%			
			%			
			%			

--\*

**\*--277 Completing CCC-502A, Farm Operating Plan for Payment Eligibility Review for an Individual (Continued)**

**E Example of CCC-502A (Continued)**

**CCC-502A** (Page 3 of 4) (12-14-99)

**15. Capital, Equipment, or Land**

If ALL land in this farming operation is owned by you, after completing this item, complete Item 18.

A. Were your contribution(s) of capital, equipment, or land acquired as a result of a loan?  
 Yes, go to item 15B  
 No, go to Item 16

B. Was such loan acquired from or cosigned by an individual or entity who has ANY interest in this farming operation? (Such interest may be as a landowner or another tenant.)  
 Yes, enter the following information:       No, go to Item 16

Contribution	Name of Individual or Entity	Individual's or Entity's Interest in the Farming Operation

**16. Labor**

Enter the estimated percent or hours of labor required for this farming operation which is provided by you personally, hired laborers, or others.

A. What estimated percent or hours of active personal labor do you provide?  
 100 %      \_\_\_\_\_ hours

B. What estimated percent or hours of labor is hired?  
 \_\_\_\_\_ %      \_\_\_\_\_ hours

C. Type and estimated percent or hours of other labor.

Type	Percent	Hours
	%	
	%	
	%	

**17. Management**

Enter the estimated percent of the farming operation's total management responsibility and the type of managerial duties required for this farming operation which are provided by you personally or by hired management.

A. **Active personal management.** If you do not provide active personal management to the farming operation, go to Item 17B.  
 Enter the estimated percent of active personal management provided by you: 100 %  
 List the type of managerial duties performed by you.  
 Evaluate financial needs of the operation and arrange financing.  
 Decide yearly activities regarding land preparation, planting, harvesting, etc.  
 Make all business decisions.

B. **Hired management.**  
 Enter the estimated percent of hired management: 0 %

**18. Person Status for Payment Limitation Purposes**

I believe the information entered on this document and any supporting documentation supports a finding that I am a "person" actively engaged in farming:

Separate and distinct from any other individual or entity.  
 Combined with \_\_\_\_\_  
 (Name of individual(s) or entity(ies))

**REMARKS**

**19. Certification**

I certify that all the information entered on this document and any supporting documentation is true and correct. I understand furnishing incorrect information will result in forfeiture of payments and the assessment of a penalty. I will timely provide written notification to the Farm Service Agency committees for the county and State listed on this form of any changes in this farming operation.

SIGNATURE OF PRODUCER      DATE  
 /s/ James Brown      02-01-XX

--\*





**\*--278 Completing CCC-502EZ, Farm Operating Plan for Payment Eligibility Review for an Individual--\***

**A Who Can Complete CCC-502EZ**

CCC-502EZ may be used by individual producers, including landowners, who:

- are not minors
- do not have any interest in a farming operation conducted under any other name, including interests of minor children and spouse
- do not have contributions of land, capital, or equipment acquired as a result of a loan from an individual or entity that has any interest in the farming operation.

**B When to File**

File CCC-502EZ with COC no later than the date specified in paragraph 50.

**C Supporting Data**

COC shall require adequate supporting data to make proper “actively engaged in farming” and “person” determinations as provided in paragraph 52.

**\*--278 Completing CCC-502EZ, Farm Operating Plan for Payment Eligibility Review for an Individual (Continued)**

**D Completing CCC-502EZ**

Have the producer complete CCC-502EZ according to this table.

Item Number	Instruction
1	Enter county name.
2	Enter program year.
3	Enter State.
4	Enter name and current mailing or street address.
5	Enter Social Security number.
6 A	If a U.S. citizen, check "Yes" and go to item 7; otherwise check "No" and go to item 6 B.--*
6 B	If: <ul style="list-style-type: none"> <li>• <b>not</b> a lawfully admitted alien, check "No" and complete CCC-502A</li> <li>• a lawfully admitted alien, check "Yes", present Alien Registration Receipt *--Card to the County Office employee and go to item 7.--*</li> </ul>
7	If under 18 years of age as of the applicable status date of this program year, check "Yes" and complete CCC-502A; otherwise, check "No."
8	If you, your spouse, or any of your minor children have any other farming interests, check "Yes" and complete CCC-502A; otherwise, check "No."

**\*--278 Completing CCC-502EZ, Farm Operating Plan for Payment Eligibility Review for an Individual (Continued)**

**D Completing CCC-502EZ (Continued)**

<b>Item Number</b>	<b>Instruction--*</b>
9	<p>If your contribution of land is acquired as a result of a loan made by or guaranteed by an individual or entity with an interest in the farming operation, check “Yes” and complete CCC-502A; otherwise, check “No.”</p> <p>Enter the requested information for <b>all</b> land in the farming operation.</p>
10	<p>If your contribution of capital is acquired as result of a loan from an individual or an entity that has any interest in the farming operation, check “Yes” and complete CCC-502A; otherwise, check “No.”</p> <p>Enter percent of capital required for the farming operation that will be provided by you.</p>
11	<p>If your contribution of equipment is acquired as a result of a loan from an individual or an entity that has any interest in the farming operation, check “Yes” and complete CCC-502A; otherwise, check “No.”</p> <p>Enter the percent of equipment that will be provided by you.</p>
12	<p>Enter the percent of active personal labor that will be provided by you and the percent of labor that is hired.</p>
13	<p>Enter the percent of active personal management and the type of duties that will be provided by you and the percent of management that is hired.</p>
14	<p><b>*--Signature and date.--*</b></p>

**\*--278 Completing CCC-502EZ, Farm Operating Plan for Payment Eligibility Review for an Individual (Continued)**

**E Example of CCC-502EZ**

The following is an example of a completed CCC-502EZ.

Form Approved - OMB No. 0560-0096

<b>CCC-502EZ</b> (12-14-99)		U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation		1. COUNTY Montgomery	2. PROGRAM YEAR 2000				
<b>FARM OPERATING PLAN FOR PAYMENT ELIGIBILITY                  REVIEW FOR AN INDIVIDUAL</b>				3. STATE VA					
<p><b>NOTE:</b> The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The Agriculture Act of 1949, as amended, and the Food Security Act of 1985, as amended, authorize the collection of the data on this form which will be used in applying statutory payment eligibility and limitation provisions. Furnishing this data is voluntary; however, without it we may be unable to establish your maximum eligibility for program payments. This data may be furnished to any agency responsible for enforcing these provisions.</p> <p>According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0096. The time required to complete this information collection is estimated to range from 30 minutes to 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.</p>									
4. Producer's Name and Address Tim Barnes 1502 Foxtail Lane Blacksburg, VA 22061			5. Identification Numbers Social Security Number 502-22-3000 Employee Identification Number						
6. Citizenship A. Are you a U.S. citizen? <input checked="" type="checkbox"/> Yes, go to Item 7. <input type="checkbox"/> No, complete Item 6B. B. Are you an alien lawfully admitted into the U.S.? <input type="checkbox"/> Yes, show the county office your Alien Registration Receipt Card. <input type="checkbox"/> No, go to Item 7.			FOR COUNTY OFFICE USE ONLY Was an Alien Registration Receipt Card shown? <input type="checkbox"/> Yes <input type="checkbox"/> No Status Date						
7. Producers Who Are Minors Are you under 18 years of age? <input type="checkbox"/> YES. STOP. DO NOT CONTINUE. You must use form CCC-502A. <input checked="" type="checkbox"/> NO. Go to Item 8.			8. Farming Interests Do you, your spouse, or minor children have any interest in a farming operation which is conducted under any name other than as listed in Item 4? <input checked="" type="checkbox"/> NO. Go to Item 9. <input type="checkbox"/> YES. STOP. DO NOT CONTINUE. You must use form CCC-502A.						
9. Land Is your contribution of land acquired as a result of a loan from an individual or an entity that has any interest in your farming operation? <input checked="" type="checkbox"/> NO. <input type="checkbox"/> YES. STOP. DO NOT CONTINUE. You must use form CCC-502A.									
Enter the following information for ALL land you own and/or lease. Furnish a copy of the land lease unless the contract for participation in the applicable program has been signed by the landowner/landlord. If ALL land in this farming operation is owned and operated by you, enter the farm number, County and State, check "Owned," and enter the cropland acres. NOTE: The rental rate per acre is required only if the land is being leased to or from someone who shares in the production or proceeds of the production of the farming operation.									
Farm No.	County(ies) and State(s) Where Located	Enter "✓" Owned Leased to Leased from			Name of Person Whom Land Is Leased To and/or From	Cropland Acres	Rental Rate (\$/per Acre/ % Crop Share)	Enter "✓" If You Had the Same Land Interest Last Year	
10	Montgomery, VA	✓				150		✓	
10. Capital What percent of the capital required for this operation do you provide? <u>100</u> % Is your contribution of capital acquired as a result of a loan from an individual or an entity that has any interest in your farming operation? <input checked="" type="checkbox"/> NO. Go to Item 11. <input type="checkbox"/> YES. STOP. DO NOT CONTINUE. You must use form CCC-502A.						11. Equipment What percent of the equipment required for this operation do you own? <u>100</u> % Is your contribution of equipment acquired as a result of a loan from an individual or an entity that has any interest in your farming operation? <input checked="" type="checkbox"/> NO. Go to Item 12. <input type="checkbox"/> YES. STOP. DO NOT CONTINUE. You must use form CCC-502A.			
12. Labor Enter the estimated percent of hours of labor required for this farming operation which is provided by you personally, hired laborers, or others.									
A. What estimated percent or hours of active personal labor do you provide? <u>100</u> % _____ hours		B. What estimated percent or hours of labor is hired? _____ % _____ hours		C. Type and estimated percent of hours of other labor.					
				Type	Percent	Hours			
					%				
13. Management Enter the estimated percent of the farming operation's total management responsibility and the type of managerial duties required for this farming operation which are provided by you personally or by hired management.									
A. Active personal management. Enter the estimated percent of active personal management provided by you. <u>100</u> %. Type of duties <u>planting, harvesting, marketing, financing</u> .									
B. Hired management. Enter the estimated percent of hired management. <u>0</u> %									
14. Certification I certify that all the information entered on this document and any supporting documentation is true and correct. I understand furnishing incorrect information will result in forfeiture of payments and the assessment of a penalty. I will timely provide written notification to the Farm Service Agency committees for the county and State listed on this form of any changes in this farming operation.									
SIGNATURE OF PRODUCER					DATE				
/s/ Tim Barnes					03-31-XX				
<p><small>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) 726-2600 (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) 726-5964 (voice or TDD). USDA is an equal opportunity provider and employer.</small></p>									

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### Section 3 Joint Operations

#### 291 Overview

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A

##### Introduction

This section describes determinations and procedures that relate to joint operations.

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B

##### In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
292	Defining Joint Operation	4-76
293	"Person" Determination - Joint Operations	4-77
294	"Actively Engaged" Determinations - Joint Operations	4-78
295	Family Member	4-79
296	Case Examples - Joint Operations	4-85
297	Completing CCC-502B	4-87
298-310	Reserved	

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## 292 Defining Joint Operation

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A

### Definition

A joint operation is a general partnership, joint venture, or other similar business organization in which 2 or more individuals or entities pool their resources, such as land, labor, capital, management, and equipment to conduct the operation.

---

**293 “Person” Determinations - Joint Operations****A Rule**

[7 CFR 1400.3 (b)] Each member who shares in the income from a joint operation is considered a “person,” not the joint operation itself. However, members of a joint operation may request to be jointly treated as a “person” according to subparagraph C.

**Note:** The members of a joint operation will be considered as having met the requirements to be considered a separate “person,” according to paragraph 110, if the joint operation meets the requirements.

**B Programs Not Requiring Determination of “Actively Engaged”**

[7 CFR 1400.6] If a program requires a determination of “persons,” but not a determination of “actively engaged in farming,” the following is also required to be eligible for payments or benefits, unless the members agree to be jointly treated as 1 “person” according to subparagraph C:

- the claimed share of the profits or losses of the farming operation must be commensurate with the contributions to the farming operation
- contributions at risk.

**C One “Person” Joint Operation**

[7 CFR 1400.3] The members of a joint operation may all agree to be jointly treated as 1 “person” and meet the requirements to be “actively engaged in farming” through the combined contributions of the members.

**Notes:** The members shall indicate their agreement to be jointly treated as 1 “person” on \*-CCC-502B, item 21.--\*

This provision does not negate any requirements that apply under a contract or application for the producer to be eligible for payment.

294 “Actively Engaged” Determinations - Joint Operations

**A Rules**

\*--Members of a joint operation can become “actively engaged in farming” in 1 of the--\* following ways:

- by meeting the requirements for an individual according to paragraph 273
- \*--by all members agreeing to be jointly treated as 1 “person” according to subparagraph 293 C--\*
- by meeting all of the requirements in this table.

Item	Requirement
1	Contributions to the farming operation of <b>both</b> of the following are made: <ul style="list-style-type: none"> <li>• the member <b>or</b> the joint operation makes a significant contribution of capital, equipment, or land, or a combination thereof</li> <li>• the member makes a significant contribution of active personal labor or active personal management, or a combination thereof.</li> </ul>
2	The member must provide satisfactory evidence that his or her contributions of land, labor, management, equipment, or capital to the joint operation are commensurate with the member’s claimed share of the profits or losses of the joint operation.
3	The member’s contributions to the farming operation are at risk.

**B Contributions Not Commensurate**

For a member of a joint operation whose contributions of inputs are not equal to his or her claimed share:

- if the contribution is less than commensurate, that member is not considered “actively engaged in farming” and ineligible to receive any payment earned by the joint operation
- if the contribution is at least commensurate, that member may receive his or her share of the payment earned by the operation, but this share cannot be increased because of the ineligibility of another member.



## 295 Family Member

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A

### Definition

A family member is an individual to whom another member in the farming operation is related as lineal ancestor, lineal descendant, or sibling, including spouses of those family members who do not make a significant contribution to the farming operation themselves.

The term "family member" shall include:

- great grandparent
- grandparent
- parent
- child, including legally adopted children
- grandchild
- great grandchild
- sibling of the family members in the farming operation
- spouse of family members, if the family member does not make a significant contribution of active personal labor or active personal management to the farming operation as an individual.

---

B

### Making the Determination

In making the determination, COC shall consider the makeup of the operation at the time the determination is made.

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*Continued on the next page*

**295 Family Member, Continued**

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*C*

**Rule**

An individual who is an adult family member shall be considered "actively engaged in farming" for a joint operation conducted by persons, a majority of whom are individuals who are family members, if all of the requirements on this table are met.

Item	Requirement
1	The family member makes a significant contribution of active personal management or active personal labor, or combination thereof, to the farming operation.
2	The family member's share of the profits or losses from the farming operation is commensurate with the family member's contribution to the operation.
3	The family member's contributions are at risk.

---

*D*

**Example 1**

**Situation:** In 1990, Partnership AB consists of 2 unrelated individual members. In 1991, Individual C, an adult son of A, will join the partnership.

- Individuals A and B each will provide a significant contribution of active personal labor and active personal management.
  - Individual C will provide a significant contribution of active personal labor.
  - The partnership will provide all of the capital and equipment. The land is share leased by the partnership from 5 different landowners.
- 

*Continued on the next page*

**295 Family Member, Continued**

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*D***Example 1,**  
*Continued*

**Determination:** Based on the contributions of each member, Individuals A, B, and C are each considered to be "actively engaged in farming", if COC determines the contributions are at risk and claimed shares are commensurate with the contributions of each member.

In this example, Individual C is "actively engaged in farming" because of the family member provision, since the joint operation consists of 3 "persons", a majority of whom are individuals that are family members. The determination that a majority of the "persons" of the joint operation are individuals that are family members shall be made, considering the structure of the joint operation, on the status date.

---

*E***Example 2**

**Situation:** Father A has been farming owned land and rented land for approximately 15 years. Son B, an adult, is starting to farm with his father. Son B contributes a significant amount of active personal labor. Father A contributes all of the farming operation's capital, equipment, and active personal management.

**Determination:** Father A and Son B are both considered to be "actively engaged in farming" and would be considered to be 2 "persons."

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*Continued on the next page*

**295 Family Member, Continued**

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*F***Example 3**

**Situation:** In 1990, Partnership CD consisted of Individual C and Grandfather D. In 1991, however, Grandson E is brought into the farming operation.

- Individual C contributes all the capital and a significant amount of active personal management.
- Grandfather D contributes the use of a significant amount of equipment, owned land, and active personal management.
- Grandson E will provide all the active personal labor.

**Determination:** Individual C, Grandfather D, and Grandson E will each be considered to be "actively engaged in farming". COC will consider whether the claimed shares are commensurate with each partner's contribution to the farming operation.

---

*G***Example 4**

**Situation:** Father Y has a large farming operation, part of which he owns and part of which he share leases. In 1989, Son Z subleases 3 farms from Father Y and farms them as a separate farming operation.

- Father Y provides Son Z with all the needed capital and equipment.
- Son Z contributes a significant amount of both active personal labor and active personal management to the farming operation.

**Determination:** Son Z is not considered to be "actively engaged in farming". Son Z does not qualify with respect to the family member provision since he was not brought into a family farming operation. If Father Y had formed a joint operation with his son, Son Z would have been considered to be "actively engaged in farming" with respect to the family member provision. A separate "actively engaged" determination would need to be made for Father Y.

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*Continued on the next page*

**295 Family Member, Continued**

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*H***Example 5**

**Situation:** ABC Partnership is a family held partnership consisting of Father A, Son B, and Daughter C. In 1991, Father A brings Son-in-law D into the farming operation.

- Daughter C, who is married to Son-in-law D, does not provide a significant amount of active personal labor or active personal management to the farming operation.
- Son B contributes a significant amount of capital, active personal labor, and active personal management.
- Father A originally contributed his owned equipment to the partnership and contributes some capital and a significant amount of active personal management.
- Son-in-law D contributes a significant amount of both active personal labor and active personal management to the farming operation.

**Determination:** Father A, Son B, and Son-in-law D are considered to be "actively engaged in farming". Daughter C is not considered to be "actively engaged in farming". Son-in-law D was brought into the farming operation using the family member provision. If Daughter C made a significant contribution of active personal labor or active personal management, Son-in-law D would not have been considered to be "actively engaged in farming" with respect to the family member provision.

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*Continued on the next page*

**295 Family Member, Continued**

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*I***Example 6**

**Situation:** Mother A, Daughter B, and Son C are partners in a family partnership. Son D, a minor, becomes a partner in 1991.

- Mother A contributes a significant amount of both capital and active personal management.
- Daughter B contributes a significant amount of both capital and active personal management.
- Son C contributes a significant amount of equipment, active personal labor, and active personal management.
- Son D contributes a significant amount of active personal labor.

**Determination:** Mother A, Daughter B, and Son C are considered to be "actively engaged in farming". However, Son D is not considered to be "actively engaged in farming" because of the family member provision since he is not an adult family member.

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## 296 Case Examples - Joint Operations

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A

### Example 1

**Situation:** Partnership AB farms 2,000 acres of land. The partnership owns the equipment and the individual partners provide at least 50 percent of their commensurate share of active personal labor and a significant amount of active personal management. Each partner's share of the profits or losses from the farming operation are commensurate with the partner's contribution to the operation and each partner's contributions are at risk.

**Determination:** Partners A and B are considered to be separate "persons" actively engaged in farming.

---

B

### Example 2

**Situation:** Partnership CD farms 2,000 acres of land. Each of the individual partners contributes a significant amount of both capital and active personal management to the farming operation. Labor is hired. Equipment and land are rented from third parties. Each partner's share of the profits or losses from the farming operation are commensurate with the partner's contribution to the operation and each partner's contributions are at risk.

**Determination:** Partners C and D are considered to be separate "persons" actively engaged in farming.

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*Continued on the next page*

**296 Case Examples - Joint Operations, *Continued***

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\*--C

**Example 3**

**Situation:** Partnership EFG farms 2,000 acres of land. The contributions of capital, land, and equipment are acquired as a result of loans from a banking institution. The bank requires that all partners sign to guarantee the loan. The individual partners provide at least 50 percent of their commensurate share of active personal labor and a significant amount of active personal management. Each partner's share of the profits or losses from the farming operation are commensurate with the partner's contributions to the operation and each partner's contributions are at risk. None of the partners have any other farming interests.

**Determination:** Partners E, F, and G are considered to be separate "persons" actively engaged in farming. The fact that the contributions of capital, land, and equipment are guaranteed by the members does not prevent the contributions from being considered for a significant contribution. Refer to subparagraphs 151 D, 152 C, and 153 C.--\*

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**\*--297 Completing CCC-502B, Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership--\***

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**A**

**Who Can Complete CCC-502B**

CCC-502B can only be used by joint ventures or general partnerships.

---

**B**

**When to File**

File CCC-502B with COC no later than the date specified in paragraph 50.

---

**C**

**Supporting Data**

COC shall require adequate supporting data to make proper "actively engaged in farming" and "person" determinations according to paragraph 52.

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**D**

**Related Forms**

If any member of this joint operation is another joint operation or an entity of some type, such joint operation or entity will be required to provide CCC-502B, CCC-502C, or CCC-502D as applicable.

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Continued on the next page

**\*--297 Completing CCC-502B, Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership (Continued)**

**E**

**Completing CCC-502B**

Have the producer complete CCC-502B according to this table.

Item Number	Instruction
1	Enter county name.
2	Enter program year.
3	Enter State.--*
4	Enter the joint operation's name and current mailing or street address.
5	Enter the joint operation's employer ID number. If an employer ID is not available for a joint venture, leave blank.
6	Check or specify the type of joint operation.
7	Enter the date this joint operation was formed.
8	<p>For each member of this joint operation, provide the requested information.</p> <ul style="list-style-type: none"> <li>• If a member has both a Social Security number and an employer ID number, provide both numbers.</li> <li>• Enter in the "Salary/Bonus" column any payment that a member receives from the joint operation that is payment for services rendered by such member over and above the share of the joint operation's profits and losses.</li> <li>• If any member of the joint operation is related to any other member of the joint operation, explain this relationship in the "Family Member Relationship" column.</li> </ul>
9	<p>If any member of the joint operation is an alien lawfully admitted into the U.S., this member must show the County Office his or her Alien Registration Receipt Card. This member must display this card to be considered an alien lawfully admitted into the U.S. for the purposes of this program.</p> <p>Any member of this joint operation who is not an alien lawfully admitted into the U.S., or a U.S. citizen, is required to provide a significant contribution of active personal labor, land, and capital to the farming operation, in addition to other requirements to be eligible for certain program benefits.</p> <p>List any members of this joint operation who are not U.S. citizens or aliens lawfully admitted into the *--U.S. in item 9 A.</p> <p>If any members of this joint operation are entities with aliens as members, those individual members of the member entities must meet the same requirements as aliens that are members of this joint operation. Complete the requested information in items 9 B and 9 C regarding members that are entities.--*</p>

Continued on the next page

**\*--297 Completing CCC-502B, Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership (Continued)**

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**E  
Completing  
CCC-502B  
(Continued)**

Item Number	Instruction--*
10	<p>If any member of this joint operation will be under 18 years of age as of the applicable status date of this program year, enter the requested information. Be sure to enter information for both of such member's parents or guardians and if they have both types of ID numbers, enter both.</p> <p>If either of such member's parents or guardians have <b>any</b> interest in a farming operation, enter information with regard to such member's parents or guardians farming operation on line number (1) or (2) corresponding to the line number of the parents name.</p>
11	<p>If any member of this joint operation, the spouse of any member of this joint operation, or any of the minor children of any member of this joint operation, has any other farming interests, (including interests in corporations, partnerships, trusts, estates, or other similar entities that have a farming operation) check the applicable box and complete the applicable sections of this form. If no member of this joint operation, no member's spouse, nor any minor children of a member of this joint operation</p> <p>*--have any other farming interests, check "No" and go to item 15.--*</p>
12	<p>For each additional farming interest a member of this joint operation has, enter the required information.</p>
13	<p>For each additional farming interest a spouse of a member of this joint operation has, enter the requested information.</p> <p>If the farming interests of a member's spouse was brought into their marriage as a separate operation <b>and</b> has been kept totally separate from all of the member's farming operations, check "Yes" in the applicable box, otherwise check "No" in the applicable box. To be considered "totally separate," all aspects of the member's farming operation, including financing and records, must be kept distinct from the spouse's farming operation.</p>
14	<p>For each additional farming interest a minor child of a member of this joint operation has, enter the requested information.</p>

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Continued on the next page

**\*--297 Completing CCC-502B, Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership (Continued)**

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**E  
Completing  
CCC-502B  
(Continued)**

<b>Item Number</b>	<b>Instruction--*</b>
15	<p>Enter the percentage of total capital, land, equipment labor, and management that will be provided by the joint operation itself as opposed to a contribution to the farming operation by the members of the joint operation.</p> <p>If any land or equipment contributed by the joint operation is owned by the joint operation, check the applicable "Owned" block.</p> <p>Land and equipment contributed by the joint operation would include such land and equipment that is owned or leased by the joint operation for other than a share of the crop produced by the joint operation. If such land or equipment is leased by the joint operation in return for a share of the crop or a share of the net operating results of the joint operation, such contribution would be a contribution of the person leasing such land or equipment to the joint operation.</p> <p>Hired labor or management provided by the joint operation does not include any labor or management personally provided by a member of the joint operation. Hired labor includes labor provided by a custom farmer.</p>
16	<p>Enter the percentage of total capital, land, equipment, labor, and management that will be provided by each member of the joint operation as opposed to a contribution to the farming operation by the joint operation itself.</p> <p>If any land or equipment contributed by a member of the joint operation is owned by such member, check the applicable "Owned" block.</p> <p>Land and equipment contributed by a member of the joint operation would include such land and equipment that is owned or leased by such member of the joint operation for other than a share of the crop produced or a share of the operating results of the joint operation. If such land or equipment is leased by such member of the joint operation in return for a share of the crop or a share of the net operating results of the joint operation, such contribution would be a contribution of the person leasing such land or equipment to such member of the joint operation.</p> <p>Hired labor or management provided by a member of the joint operation includes any labor or management provided to the joint operation and paid for by such member. Hired labor includes labor provided by a custom farmer. Active personal labor and management is that labor and management <b>personally</b> provided by such member of the joint operation. If any member of the joint operation provides 1,000 or more hours of active personal labor to the joint operation, check the "1000 Hours" block.</p>

Continued on the next page

**\*--297 Completing CCC-502B, Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership (Continued)**

**E  
Completing  
CCC-502B  
(Continued)**

Item Number	Instruction
17 A	<p>Enter the requested information for all land that is part of this joint operation's farming operation. If <b>all</b> land that is part of this farming operation is owned by the joint operation and you checked "No" in item 11, go to item 18. You should document how any land owned by the joint operation itself will be--* divided upon dissolution of the joint operation.</p> <p>In the case of cash leased land, enter the rental rate per acre if such land is being leased to or from someone who shares in the production or proceeds of the production in the farming operation. If such land is cash leased from someone who does <b>not</b> share in the production or proceeds of the production in this farming operation, enter "Cash." If land is leased for a share of the crop, enter the percentage of the crop which the landlord receives. If different rates apply on the same parcel, provide the breakdown of rates.</p> <p>Next to the applicable number, enter the county and State where each parcel of land is located.</p> <p>If additional space is needed for this item, complete CCC-502 Continuation and attach to CCC-502B.</p>
17 B	<p>Enter the requested information for all equipment used in the farming operation. Check the "Owned" box only if the equipment is owned by the contributor. For each line, enter the percentage represented by such line of the total equipment used in the farming operation. Calculate applicable percentages by rental value of such equipment. Leased equipment includes equipment provided by a custom farmer. It will be necessary to provide a copy of the equipment lease if the equipment is being leased from an individual or entity that shares in the production or proceeds of the production in the farming operation.</p>
18	<p>If any of the contributions of capital, equipment, or land were acquired as the result of a loan, check the *--applicable box and provide the requested information in item 18 B.--*</p> <p>You will be required to provide the detail information if the loan was made by or guaranteed by an individual or entity with an interest in this farming operation. If that is the case, identify which contribution the loan relates to, the individual or entity who made the contribution, the individual or entity who guaranteed the loan, and what type of interest the individual or entity has in your farming operation.</p>
19	<p>Enter your best estimate of the percentage and/or hours of the total amount of labor required for your farming operation that will be provided by sources other than the joint operation or any member of the joint operation, such as unpaid family and friends.</p>

Continued on the next page

**\*--297 Completing CCC-502B, Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership (Continued)**

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**E  
Completing  
CCC-502B  
(Continued)**

<b>Item Number</b>	<b>Instruction--*</b>
20	For any management that is provided personally by members of the joint operation, provide a narrative of the type of management duties performed by each member. COC is required to make a determination of whether or not the management provided by each member is critical to the profitability of the joint operation's farming operation and this determination may determine whether such member of the joint operation is eligible for program payments.
21	<p>Check the applicable box if you believe, based on the information submitted, that each member of the joint operation is "actively engaged in farming" and a "person" separate and distinct from any other individual or entity for payment limitation purposes.</p> <p>Check the applicable box and provide the names of the applicable individuals or entities if you believe, based on the information submitted, that any member of the joint operation should be combined as 1 "person" with another individual or entity for payment limitation purposes.</p>
22	<b>*--Each member</b> of the joint operation must sign and date.--*

**\*--297 Completing CCC-502B, Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership (Continued)**

**F  
Example of  
CCC-502B**

The following is an example of a completed CCC-502B.

Form Approved - OMB No. 0560-0096

<b>CCC-502B</b> (12-14-99)	U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation	1. COUNTY Lee	2. PROGRAM YEAR 2000
<b>FARM OPERATING PLAN FOR PAYMENT ELIGIBILITY REVIEW FOR A JOINT VENTURE OR GENERAL PARTNERSHIP</b>		3. STATE IA	
<p><b>NOTE:</b> The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The Agriculture Act of 1949, as amended, and the Food Security Act of 1985, as amended, authorize the collection of the data on this form which will be used in applying statutory payment eligibility and limitation provisions. Furnishing this data is voluntary; however, without it we may be unable to establish your maximum eligibility for program payments. This data may be furnished to any agency responsible for enforcing these provisions.</p> <p>According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0096. The time required to complete this information collection is estimated to range from 30 minutes to 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.</p>			
4. Producer's Name and Address  DM Farms 102 South Road Franklin, IA 50005		5. Employer Identification No.  22-3334444	6. Type of Operation (Check One)  <input type="checkbox"/> Joint Venture <input checked="" type="checkbox"/> General Partnership <input type="checkbox"/> Other (Specify) _____
7. Date Operation Formed  01-15-XX		<b>FOR COUNTY OFFICE USE ONLY</b>	
		Was an Alien Registration Receipt Card shown? Yes <input type="checkbox"/> No <input type="checkbox"/>	Status Date
<b>8. Members - List all members having an interest in the joint operation.</b>			
Member's Name	Social Security/Employer ID Number(s)	% Share	Salary/Bonus
Daniel Williams	276-14-4630	50	--
Mary Williams	195-52-2763	50	--
			Spouse of Daniel
			Spouse of Daniel
<b>9. Citizenship</b>			
A. Are ALL members U.S. citizens or aliens lawfully admitted into the U.S.? <input checked="" type="checkbox"/> Yes. If an alien lawfully admitted into the U.S., show the County Office an Alien Registration Receipt Card and go to Item 10. <input type="checkbox"/> No. List ALL aliens not lawfully admitted into the U.S. and complete Item 9B.	B. Are any members an entity? <input type="checkbox"/> Yes. Complete Item 9C. <input checked="" type="checkbox"/> No. Go to Item 10	C. Are ALL members of the entity(ies) U.S. citizens or aliens lawfully admitted into the U.S.? <input type="checkbox"/> Yes. If an alien lawfully admitted into the U.S., show the County Office an Alien Registration Receipt Card and go to Item 10. <input type="checkbox"/> No. List ALL members of the entity who are aliens not lawfully admitted into the U.S. and go to Item 10.	
<b>10. Producers Who Are Minors</b>			
Are you under 18 years of age? <input type="checkbox"/> YES (provide the following information) <input checked="" type="checkbox"/> NO (Go to Item 11)			
Member's Name and Date of Birth	Parents' or Guardians' Name and Social Security/Employer ID Number(s)	Parents' or Guardians' Address	
(1)			
(2)			
If any member's parents or guardians have any interest in a farming operation, complete the following for each member's parent or guardian.			
Name of Farming Interest(s)	Social Security/Employer ID Number(s) of Farming Interest	County(ies) and State(s) Where Located	
(1)			
(2)			
<b>11. Farming Interests</b>			
Do any members, including spouses and minor children have any interest in a farming operation which is conducted under any name other than as listed in Item 4?			
<input type="checkbox"/> Yes, one or more members have other farming interests. (Complete Item 12)			
<input type="checkbox"/> Yes, one or more member's spouses have other farming interests. (Complete Item 13)			
<input type="checkbox"/> Yes, one or more member's minor children have other farming interests. (Complete Item 14)			
<input checked="" type="checkbox"/> No, no member including spouses and minor children has any other farming interests. (Complete Item 15)			
<small>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.</small>			

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Continued on the next page

**\*--297 Completing CCC-502B, Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership (Continued)**

**F  
Example of  
CCC-502B  
(Continued)**

**CCC-502B** (Page 2 of 4) (12-14-99)

**12. Other Farming Interests**  
Enter the following information for ALL interests each member has in a farming operation. Go to Item 15 if any spouse or minor children have no other farming interest(s).

Member's Name	Name of Farming Interest(s)	Social Security/Employer ID Number(s) of Farming Interest	County(ies) and State(s) Where Farming Interest(s) are Located

**13. Other Farming Interests of Member's Spouse**  
Enter the following information for ALL interests each member's spouse has in a farming operation. Go to Item 15 if any member's minor children have no other farming interest(s).

Spouse's Name	Name and Social Security/Employer ID Number of Farming Interest(s)	Was Farm Acquired Before Marriage and Kept Totally Separate?		County(ies) and State(s) Where Farming Interest(s) are Located
		Yes	No	

**14. Other Farming Interests of Member's Minor Children**  
Enter the following information for ALL interests the member's minor children have in a farming operation, and go to Item 15.

Child's Name	Name of Farming Interest(s)	Social Security/Employer ID Number(s) of Farming Interest	County(ies) and State(s) Where Farming Interest(s) are Located

**15. Contributions Made by the Joint Operation**  
Enter the following information for contributions made by the joint operation. For land or equipment owned by the joint operation, check "Owned". For contributions of land or equipment, complete Item 17.

	Capital	Land		Equipment		Hired	
			Owned		Ovn	Labor	Management
	100 %	100 %	<input checked="" type="checkbox"/>	100 %	<input checked="" type="checkbox"/>	2.0 %	%

**16. Contributions Made by the Members**  
Enter the following information for each member. For member owned land or equipment, check "Owned". For contributions of land or equipment, complete Item 17. Check "1000 Hours" if the member's contribution of active personal labor is at least 1000 hours.

Member's Name	Capital (Current Year)	Land		Equipment		Labor			Management	
			Owned		Owned	Hired	Active Personal	1000 Hours	Hired	Active Personal
Daniel Williams	%	%		%		%	40 %	<input checked="" type="checkbox"/>	%	50 %
Mary Williams	%	%		%		%	40 %	<input checked="" type="checkbox"/>	%	50 %
	%	%		%		%	%		%	%
	%	%		%		%	%		%	%
	%	%		%		%	%		%	%

**17. Land and Equipment**  
A. Land: Enter the following information for all land operated by this joint operation that is contributed by the joint operation or by a member. Go to Item 17B.

Farm No.	Land Leased or Contributed By: (Enter member's or Joint Operation's Name as Applicable)	Enter "✓"			Name of Person Whom Land is Leased to and/or From	Cropland Acres	Rental Rate \$ per Acre/ % Crop Share	Enter "✓" if the land interest is the same as last year.
		Owned	Leased To	Leased From				
(1) 39	DM Farms	<input checked="" type="checkbox"/>				695		
(2)								
(3)								
(4)								
(5)								

County(ies) and State(s) Where Farms are Located (1) Lee, IA (3)  
(2) (4) (5)

--\*

Continued on the next page



**\*--297 Completing CCC-502B, Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership (Continued)**

**F  
Example of  
CCC-502B  
(Continued)**

**CCC-502B** (Page 3 of 4) (12-14-99)

**17. Land and Equipment, Continued**

**B. Equipment:** Enter the following for ALL equipment used in this farming operation that is contributed by the joint operation or by a member. Go to Item 18.

Equipment Leased or Contributed By (Enter Member's or Joint Operation's Name as Applicable)	Enter "✓"			Percent of Total "Owned" and "Leased From" Equipment	Name of Person Whom Equipment is Leased to and/or From	Does the Person Whom Equipment is Leased to or From Have an Interest in this Farming Operation?	
	Owned	Leased To	Leased From			YES	NO
DM Farms	✓			%			
				%			

**18. Capital, Equipment, or Land**

**A** Was this joint operation's and/or any of the member's contribution(s) of capital, equipment, or land acquired as a result of a loan?  
 Yes, go to Item 18B.  
 No, go to Item 19.

**B.** Was such loan acquired from or cosigned by an individual or entity who has ANY interest in this farming operation? (Such interest may be as the joint operation, another member, a landowner or another tenant.)  
 Yes, enter the following information:  No, go to Item 19.

Contribution	Contributed by:	Name of Individual or Entity	Individual's or Entity's Interest in the Farming Operation

**19. Labor**

Enter the estimated percent or hours of any labor other than the labor listed in item 12 used in this farming operation. If no other labor is used in this farming operation, go to Item 20. Type and estimated percent or hours of other labor.

Type	Percent	Hours
Spraying and harvesting of crops	20 %	
	%	
	%	

**20. Management**

**Active Personal Management.** If the members do not provide active personal management to the farming operation, go to Item 21.

List the type of managerial duties performed by the members.

Names	Type of managerial duties performed
Daniel Williams	Land management, field work
Mary Williams	Market commodities, recordkeeping

**21. Person Status for Payment Limitation Purposes**

We believe the information entered on this document and any supporting documentation supports a finding that:

Each member of this joint operation is a "person" actively engaged in farming separate and distinct from any other individual or entity.

One or more members are combined "persons" actively engaged in farming. For each combined "person," list as one entry, the member's name and the individual or entity with whom such member should be combined.

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**22. Certification - Each member must sign.**

I certify that all the information entered on this document and any supporting documentation is true and correct. I understand furnishing incorrect information will result in forfeiture of payments and the assessment of a penalty. I will timely provide written notification to the Farm Service Agency committees for the county and State listed on this form of any changes in this farming operation.

SIGNATURE /s/ Daniel Williams	DATE 02-01-XX	SIGNATURE	DATE
SIGNATURE /s/ Mary Williams	DATE 02-01-XX	SIGNATURE	DATE
SIGNATURE	DATE	SIGNATURE	DATE

DEFINITIONS

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298-310 (Reserved)



**\*--Section 4 Corporations, Limited Partnerships, Limited Liability Companies, Associations, and Similar Entities**

**311 Overview**

**A Introduction**

This section describes determinations and procedures that relate to corporations, limited partnerships, limited liability companies, associations, and similar entities.--\*

**B In This Section**

The following paragraphs are included in this section.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
312	Withdrawn--Amend. 23	
313	“Person” Determinations - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities	4-112
314	“Actively Engaged” Determinations - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities	4-117
315	Case Examples - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities	4-119
316	Completing CCC-502C	4-123
317	Withdrawn--Amend. 4	
318-330	Reserved	

312 (Withdrawn--Amend. 23)

313 **“Person” Determinations - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities**

**A Rule**

A corporation, including a subchapter S corporation, limited partnership, limited liability company, limited liability partnership, or other similar entity in which the liability of any member is limited, is considered a “person” if it:

- has a separate and distinct interest in the land or crop involved
- exercises separate responsibility for this interest
- maintains funds or accounts separate from that of any other individual or entity for this interest.

**\*--Notes:** Using ledger entries to account for expenses and income is not the same as maintaining separate accounts.--\*

The entity is considered the “person,” not the members of the entity.

If all partners in a limited partnership are both general and limited partners, consider the partnership either a limited partnership or a general partnership, whichever results in the most restrictive rule.

313 “Person” Determinations - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities (Continued)

**B Exceptions to Rule**

This table shows exceptions to the general rule.

<b>IF the entity has...</b>	<b>THEN...</b>
1 stockholder, partner, or member owning * * * more than 50 percent of the entity  <b>Note:</b> Include stock owned by other individuals or entities that are combined with the stockholder as 1 “person.”	the stockholder, partner, or member and the entity are combined as 1 “person.”
2 or more stockholders, partners, or members that own * * * more than 50 percent of the interest in each of 2 or more corporations, limited partnerships, limited liability companies, or other similar entities with farming interests  <b>Notes:</b> Include stock owned by other individuals or entities that are combined with the stockholder as 1 “person.”  The term “farming interests” includes land owned by an entity that is cash-leased to another producer and used for the production of agricultural products.	the entities are combined as 1 “person.”

**Note:** For “person” determinations involving:

- FCB’s and related associations, see paragraph 257
- clubs, societies, fraternal, and religious organizations, see paragraph 258.

**313 “Person” Determinations - Corporations, Limited Partnerships, \*--Limited Liability Companies, and Other Similar Entities (Continued)--\***

**C Stock Held by Other Entities**

For stock held by other entities that have minor children as heirs, beneficiaries, or members, consider the share of stock attributable to the minor child as being owned by the minor’s parents.

**Note:** If the minor child is considered a separate “person” according to paragraph 254, the minor’s share of stock will not be considered owned by the minor’s parents.

**D Stock Transfers After the Status Date**

Handle voluntary stock acquisitions after the status date by determining the percentage share of outstanding stock owned by a stockholder according to this table.

Step	Action
1	Determine the amount of outstanding stock owned by the stockholder as of the status date of the crop year.
2	Determine the amount of stock voluntarily acquired after the status date but before harvest of the last program crop that is normal for the area.
3	Add the results of steps 1 and 2. If total exceeds 50 percent of the corporation’s stock, the stockholder and the corporation are combined as 1 “person.”

**Note:** Voluntary acquisition of stock after the status date does not reduce the ownership share of any other stockholder for payment limitation purposes.

**313 “Person” Determinations - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities (Continued)****E Classes of Stock**

For corporations with more than 1 class of stock, such as preferred and common, the ownership percentage of stock, or unit of ownership, shall be determined by the fair market value of outstanding stock.

**\*--Note:** The value can be determined by COC, STC, or DAFP or designee, but should be--\* determined at the earliest level before referring to the next higher level of authority.

**F Fair Market Value Factors**

To determine the fair market value of stock, or unit ownership, the following available factors shall be considered:

- current market quotations for each class of stock
- relevant factors affecting the value of each class of stock
- rights and privileges of each class of stock
- any other information that would assist in the determination.

**G Programs Not Requiring Determination of “Actively Engaged”**

If a program requires a determination of “persons” but not a determination of “actively engaged in farming,” the following is also required to be eligible for payments or benefits:

- the claimed share of the profits or losses of the farming operation must be commensurate with the contributions to the farming operation
- contributions at risk.





**314 “Actively Engaged” Determinations - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities**

**A Rules**

A corporation, limited partnership, limited liability company, association, or other similar entity shall be considered to be “actively engaged in farming” if all of the requirements in this table are met.

Item	Requirement
1	The entity * * * separately makes a significant contribution of capital, equipment, or land, or a combination thereof.
2	<p>*--Stockholders, partners, or members that make contributions of active personal labor and/or active personal management, have a combined interest of at least 50 percent, and collectively make a significant contribution to the farming operation.--*</p> <p><b>Note:</b> The contribution of labor or management may be considered a contribution whether or not the member is compensated for the contribution. However, if a member is compensated for the contribution, the compensation must be fair and reasonable, considering the:</p> <ul style="list-style-type: none"> <li>• type and amount of the service performed</li> <li>• prevailing salary paid in the area for the service.</li> </ul>
3	The entity’s share of the profits or losses from the farming operation is commensurate with the contribution to the farming operation.
4	The entity’s contributions are at risk.

**\*--314 “Actively Engaged” Determinations - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities (Continued)--\***

**B Specific Rules for Associations**

The following specific rules apply to associations.

- Clubs, societies, fraternal organizations, and religious organizations shall be considered to be associations, unless specified otherwise with supporting documentation.
- The members of an association shall be considered as having equal shares, unless specified otherwise.
- The members of associations shall be the actual members and not the board of directors.

**Examples:** The members of a church are the individual members.

The members of the Boy Scouts of America are the individual boy scouts.

**\*--315 Case Examples - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities--\***

**A Example 1**

**Situation:** Corporation XYZ rents 3,000 acres of land for one-fourth share of the crop.

- Corporation XYZ contributes a significant amount of capital to the operation.
- Stockholders, owning a total of 50 percent of Corporation XYZ, contribute a significant amount of active personal labor.
- The corporation's share of the profits or losses from the farming operation are commensurate with the corporation's contributions to the operation, and the contributions are at risk.

**Determination:** Corporation XYZ is considered to be “actively engaged in farming” and is 1 “person” for payment limitation purposes.

**\*--315 Case Examples - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities (Continued)--\*****B Example 2**

**Situation:** Corporation AB consists of Father A and Son B, each having a 50 percent share.

- Father A is a retired farmer who created the corporation for tax reasons and to aid in the transfer of the farm to Son B. The corporation contributes a significant amount of capital and equipment to the farming operation.
- Son B contributes a significant amount of both active personal labor and active personal management to the farming operation; however, most of the labor is provided by hired laborers.
- Father A lives on the farm and contributes a token amount of active personal management.

**Determination:** Since Son B has at least 50 percent of the corporation, his significant contribution of active personal labor and active personal management would be enough to qualify the corporation as being “actively engaged in farming.” Since the corporation provides at least 1 of the required contributions of capital, equipment, or land and Son B, 1 of the corporation’s stockholders who has a 50 percent ownership interest, contributes active personal labor and active personal management, Corporation AB is considered to be “actively engaged in farming” and is considered to be 1 “person” for payment limitation purposes.

**\*--315 Case Examples - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities (Continued)--\***

**C Example 3**

**Situation:** Corporation GH consists of Husband G owning 25 percent of the stock of the corporation and Wife H owning 30 percent of the stock in the corporation.

- Corporation GH provides all the capital, equipment, and land for the farming operation.
- Husband G and Wife H provide a significant amount of both active personal labor and active personal management.

**Determination:** Corporation GH is “actively engaged in farming” since Husband G and Wife H provide a significant amount of both active personal labor and active personal management. Since Husband G and Wife H collectively own more than 50 percent of the stock of the corporation, Husband G, Wife H, and Corporation GH are considered to be 1 “person” for payment limitation purposes.

**D Example 4**

**Situation:** Father J conducts an individual farming operation on owned land. Corporation JKL conducts a farming operation on owned land. Father J also owns 50 percent of the stock of Corporation JKL and Trust KL (an irrevocable trust for the benefit of Father J’s 2 minor children) owns 50 percent of the stock.

**Determination:** Father J and Corporation JKL are considered to be “actively engaged in farming” because of the landowner provision. However, Father J and Corporation JKL are considered to be 1 “person” for payment limitation purposes because Father J owns more than 50 percent of the stock of the corporation, including stock owned by an irrevocable trust for the benefit this individual’s minor children.

**\*--315 Case Examples - Corporations, Limited Partnerships, Limited Liability Companies, and Other Similar Entities (Continued)--\*****E Example 5**

**Situation:** Individuals M, N, and O own stock in 2 corporations and each has a separate and distinct farming operation on land that they individually own.

- Corporation MN has stockholders M and N, owning 60 and 40 percent of the stock, respectively.
- Corporation MO has stockholders M and O, owning 70 and 30 percent of the stock, respectively.
- Corporations MN and MO each have a separate and distinct farming operation on land owned by each individual corporation.

**Determination:** Individuals M, N, and O, and Corporations MN and MO are considered to be “actively engaged in farming” because of the landowner provision. Because Individual M owns more than 50 percent interest in both corporations, Individual M is considered to be 1 “person” with both corporations. Individuals N and O are considered to be separate “persons” on their individual farming operations and are considered to be “actively engaged in farming” because of the landowner provision.

**F Example 6**

**Situation:** Corporation X has stockholders A, B, C, and D owning 30 percent, 20 percent, 15 percent, and 35 percent, respectively. Corporation Y has stockholders A, B, C, and E owning 10 percent, 20 percent, 25 percent, and 45 percent, respectively. Each corporation farms land owned by the corporation.

**Determination:** Corporations X and Y are both considered to be “actively engaged in farming” because of the landowner provision. However, Corporation X and Corporation Y are considered to be 1 “person” for payment limitation purposes since the same 2 or more stockholders own more than 50 percent of the stock in each of the 2 corporations having farming interests.

**\*--316 Completing CCC-502C, Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities--\***

**A Who Should Complete CCC-502C**

CCC-502C should only be completed by corporations, limited partnerships, and similar entities.

**B When to File**

File CCC-502C with COC no later than the date specified in paragraph 50.

**C Supporting Data**

COC shall require adequate supporting data to make proper “actively engaged in farming” and “person” determinations according to paragraph 52.

**D Related Forms**

If any member of this entity is another entity or a joint operation, that entity or joint operation will be required to provide CCC-502B, CCC-502C, or CCC-502D depending on the type of entity that is a member.

The entity completing CCC-502C will be required to submit CCC-501A for itself and every entity that is a member of itself according to paragraph 201. Each **individual** that has direct or indirect interest in the entity filing CCC-502C and wants to receive payment through that entity shall file CCC-501B with COC.

**\*--316 Completing CCC-502C, Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities (Continued)**

**E Completing CCC-502C**

Have the producer complete CCC-502C according to this table.

Item Number	Instruction
1	Enter county name.
2	Enter program year.
3	Enter State.--*
4	Enter the entity’s name and current mailing or street address.
5	Enter the entity’s employer ID number.
6	Check the applicable box for the type of entity for which this form is being completed. If the producer’s entity is not a corporation or limited partnership, check “other” and list what type of entity it is.
7	Enter the date this entity was formed.
8	For each member of this entity, provide the requested information. If a member has both a Social Security number and an employer ID number, provide both numbers. List any position that the individual member holds in the entity in the “Position” column and any salary or bonus that the individual member receives in the “Salary/Bonus” column. If any member of the entity is related to any other member of the entity, explain the relationship in the “family member relationship” column. Indicate if the member has signature authority for the entity.
9	<p>If any member of the entity is an alien lawfully admitted into the U.S., this member must show the County Office his or her Alien Registration Receipt Card. Such member must display this card to be considered an alien lawfully admitted into the U.S. for the purposes of this program.</p> <p>Any member of this entity who is not an alien lawfully admitted into the U.S., or a U.S. citizen, is required to provide a significant contribution of active personal labor, land, and capital to the farming operation, in addition to other requirements, to be eligible for certain program benefits.</p> <p>List any members of this entity that are not U.S. citizens or aliens lawfully *--admitted into the U.S., in item 9 A.</p> <p>If any members of this entity are entities with aliens as members, those individual members of the member entities must meet the same requirements as aliens that are members of this entity. Complete the requested information in items 9 B and 9 C regarding such members that are entities.--*</p>



**\*--316 Completing CCC-502C, Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities (Continued)**

**E Completing CCC-502C (Continued)**

<b>Item Number</b>	<b>Instruction--*</b>
10	<p>If any member of this entity will be under 18 years of age as of the applicable status date of this program year, enter the requested information. Be sure to enter information for both of such member’s parents or guardians and if they have both types of ID numbers, enter both.</p> <p>If either of such member’s parents or guardians have ANY interest in a farming operation, enter information about such member’s parents or guardians farming operation on line number (1), (2), or (3) corresponding to the line number of the parents name.</p>
11	<p>If any member of this entity, the spouse of any member of this entity, or any of the minor children of any member of this entity has any other farming interests, (including interests in corporations, partnerships, trusts, estates, or other similar entities that have a farming operation) check the applicable box and complete the applicable sections of this form. If no member of this entity, no member’s spouse, nor any minor children of a member of this entity have *--any other farming interests, check “No” and go to item 15.--*</p>
12	<p>For each additional farming interest a member of this entity has, enter the requested information.</p>
13	<p>For each additional farming interest a spouse of a member of this entity has, enter the requested information.</p> <p>If the farming interests of a member’s spouse was brought into the marriage as a separate operation and has been kept totally separate from all of the member’s farming operations, check “Yes” in the applicable box, otherwise check “No” in the applicable box. To be considered “totally separate,” all aspects of the member’s farming operation, including financing and records, must be kept distinct from the spouse’s farming operation.</p>
14	<p>For each additional farming interest a minor child of a member of this entity has, enter the requested information.</p>

**\*--316 Completing CCC-502C, Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities (Continued)**

**E Completing CCC-502C (Continued)**

<b>Item Number</b>	<b>Instruction</b>
15	<p>Enter the requested information for all land which is part of the entity’s farming operation. If all land that is part of the entity’s farming operation is owned by the entity and “No” was checked in item 11, go to item 18 after completing this--* item.</p> <p>In the case of cash leased land, only enter the rental rate per acre if such land is being leased to or from someone who shares in the production or proceeds of the production in the entity’s farming operation. If this land is cash leased from someone who does not share in the production or proceeds of the production of the farming operation, enter “Cash.” If land is leased for a share of the crop, enter the percentage of the crop that the landlord receives. If different rates apply on the same parcel, provide the breakdown of rates.</p> <p>If additional space is needed for this item, complete CCC-502 Continuation and attach to CCC-502A.</p>
16	<p>Enter the percent of the total capital requirements of the entity’s farming operation that the entity provides. If the entity does not provide any capital, enter *--“0%” and go to item 17.--*</p>
17	<p>Enter the requested information for all equipment used in the farming operation. Check the “Owned” box only if the equipment is owned by the entity. For each line, enter the percentage represented by such line of the total equipment used in the farming operation. Calculate applicable percentages by rental value of such equipment. Leased equipment includes equipment provided by a custom farmer. It will be necessary to provide a copy of the equipment lease to the County Office if it being leased from an individual or entity that shares in the production or proceeds of the production.</p>
18	<p>If any of the entity’s contributions of capital, equipment, or land were acquired as the result of a loan, check the applicable box and provide the requested *--information in item 18 B.--*</p> <p>The entity will be required to provide the detail information if the loan was made or guaranteed by an individual or entity with an interest in the entity’s farming operation. If that is the case, identify which contribution the loan relates to, the individual or entity who made or guaranteed the loan, and what type of interest the individual or entity has in the entity’s farming operation.</p>
19	<p>Enter the entity’s best estimate of the percentage and/or hours of the total amount of labor required for the entity’s farming operation that will be provided personally by members of the entity, provided by hired personnel or entities, and provided by other sources such as unpaid family and friends. Hired labor includes labor provided by custom farmer. It is important that the entity provide the names of the members who are providing the active personal labor.</p>

**\*--316 Completing CCC-502C, Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities (Continued)**

**E Completing CCC-502C (Continued)**

<b>Item Number</b>	<b>Instruction--*</b>
20	<p>Enter the entity’s best estimate of the percentage of the total amount of management required for the entity’s farming operation that will be provided personally by members of the entity, and that will be provided by hired personnel or entities.</p> <p>For any management, that a member of the entity provides personally, provide a narrative of the type of management duties such member of the entity performs. COC is required to make a determination of whether or not the management the members of the entity provide is critical to the profitability of the entity’s farming operation and this determination may determine whether the entity is eligible for program payments.</p>
21	<p>Check the applicable box if the entity believes, based on the information submitted, that the entity is “actively engaged in farming” and a “person” separate and distinct from any other individual or entity for payment limitation purposes.</p> <p>Check the applicable box and provide the names of the applicable individuals or entities if the entity believes, based on the information submitted, that the entity should be combined as 1 “person” with another individual or entity for payment limitation purposes.</p>
22	*--Signature and date.--*

**\*--316 Completing CCC-502C, Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities (Continued)**

**F Example of CCC-502C**

The following is an example of a completed CCC-502C.

Form Approved - OMB No. 0560-0096

<b>CCC-502C</b> (12-14-99)		U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation		1. COUNTY Warren	2. PROGRAM YEAR 2000	
<b>FARM OPERATING PLAN FOR PAYMENT ELIGIBILITY REVIEW FOR CORPORATIONS, LIMITED PARTNERSHIPS OR OTHER SIMILAR ENTITIES</b>				3. STATE IA		
<p><b>NOTE:</b> The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The Agriculture Act of 1949, as amended, and the Food Security Act of 1985, as amended, authorize the collection of the data on this form which will be used in applying statutory payment eligibility and limitation provisions. Furnishing this data is voluntary; however, without it we may be unable to establish your maximum eligibility for program payments. This data may be furnished to any agency responsible for enforcing these provisions.</p> <p>According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0096. The time required to complete this information collection is estimated to range from 30 minutes to 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.</p>						
4. Producer's Name and Address		5. Employer Identification No.		6. Type of Entity (Check One)		
Boone Farms, Inc. 172 Frostburg Ave Indianola, IA 50125		23-1422786		<input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Other (Specify) _____		
		7. Date Entity Formed		<b>FOR COUNTY OFFICE USE ONLY</b>		
		9-30-XX		Was an Alien Registration Receipt Card Status Date shown? YES <input type="checkbox"/> NO <input type="checkbox"/>		
8. Members - List all members having an interest in the entity.						
Member's Name	Social Security/ Employer ID Number(s)	% Share	Salary/Bonus	Family Member Relationship	Position	Signature Authority for the Entity
Daniel Boone	189-44-7764	30	--	Parent of B.J.	President	Yes
R. J. Boone	189-76-9781	30	--	Son of Daniel	V. Pres.	Yes
B. J. Sampson	197-20-4799	40	--	--	Treasurer	No
9. Citizenship						
A. Are ALL members U.S. citizens or aliens lawfully admitted into the U.S.? <input checked="" type="checkbox"/> Yes. If an alien lawfully admitted into the U.S., show the County Office an Alien Registration Receipt Card and go to Item 10. <input type="checkbox"/> No. List ALL aliens not lawfully admitted into the U.S. and complete Item 9B.		B. Are any members an entity? <input type="checkbox"/> Yes. Complete Item 9C. <input checked="" type="checkbox"/> No. Go to Item 10		C. Are ALL members of the entity(ies) U.S. citizens or aliens lawfully admitted into the U.S.? <input type="checkbox"/> Yes. If an alien lawfully admitted into the U.S., show the County Office an Alien Registration Receipt Card and go to Item 10. <input type="checkbox"/> No. List ALL members of the entity who are aliens not lawfully admitted into the U.S. and go to Item 10.		
10. Producers Who Are Minors						
Are you under 18 years of age? <input type="checkbox"/> YES (provide the following information) <input checked="" type="checkbox"/> NO (Go to Item 11)						
Member's Name and Date of Birth		Parents' or Guardians' Name and Social Security/ Employer ID Number(s)		Parents' or Guardians' Address		
(1)						
(2)						
If any member's parents or guardians have any interest in a farming operation, complete the following for each member's parent or guardian.						
Name of Farming Interest(s)		Social Security/Employer ID Number(s) of Farming Interest		County(ies) and State(s) Where Located		
(1)						
(2)						
11. Farming Interests						
Do any members, including spouses and minor children have any interest in a farming operation which is conducted under any name other than as listed in Item 4?						
<input type="checkbox"/> Yes, one or more members have other farming interests. (Complete Item 12)						
<input type="checkbox"/> Yes, one or more member's spouses have other farming interests. (Complete Item 13)						
<input type="checkbox"/> Yes, one or more member's minor children have other farming interests. (Complete Item 14)						
<input checked="" type="checkbox"/> No, no member including spouses and minor children has any other farming interests. (Complete Item 15)						
<p><small>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.</small></p>						

--\*

**\*--316 Completing CCC-502C, Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities (Continued)**

**F Example of CCC-502C (Continued)**

**CCC-502C** (Page 2 of 4) (12-14-99)

**12. Other Farming Interests**  
 Enter the following information for ALL interests each member has in a farming operation. Go to Item 15 if any member's spouse or minor children have no other farming interest(s).

Member's Name	Name of Farming Interest(s)	Social Security/Employer ID Number(s) of Farming Interest	County(ies) and State(s) Where Farming Interest(s) are Located	

**13. Other Farming Interests of Member's Spouse**  
 Enter the following information for ALL interests each member's spouse has in a farming operation. Go to Item 15 if any member's minor children have no other farming interest(s).

Spouse's Name	Name and Social Security/Employer ID Number of Farming Interest(s)	Was Farm Acquired Before Marriage and Kept Totally Separate?		County(ies) and State(s) Where Farming Interest(s) are Located
		Yes	No	

**14. Other Farming Interests of Member's Minor Children**  
 Enter the following information for ALL interests each member's minor children have in a farming operation, and go to Item 15.

Child's Name	Name of Farming Interest(s)	Social Security/Employer ID Number(s) of Farming Interest	County(ies) and State(s) Where Farming Interest(s) are Located	

**15. Land**  
 Enter the following information for ALL land this entity owns and/or leases. If ALL land in this farming operation is owned and operated by the entity, enter the farm number, County and State, check "Owned," and enter the cropland acres.

Farm No.	County(ies) and State(s) Where Farm(s) is Located	Enter "✓"			Name of Person Whom Land is Leased to and/or From	Cropland Acres	Rental Rate \$ per Acre/ % Crop Share	Enter "✓" if the land interest is the same as last year.
		Owned	Leased To	Leased From				
215	Warren			✓	Lyle Williamson	630	Cash	✓
362	Warren			✓	Douglas Lawson	420	Cash	✓

**16. Capital**  
 If the entity does not provide any capital for this farming operation, enter 0% and go to Item 17.  
 What percent of the capital required for this farming operation does the entity provide? 100 %

**17. Equipment**  
 A. **Owned Equipment:** If ALL equipment used in this farming operation is owned by the entity, check "Owned" and go to Item 18.  
 B. **Leased Equipment:** Enter the following information for ALL leased equipment used in this farming operation.

Owned	Enter "✓"		Percent of Total "Owned" and "Leased From" Equipment	Name of Person Whom Equipment is Leased To and/or From	Does the Person Whom Equipment is Leased To or From Have an Interest in this Farming Operation?	
	Leased To	Leased From			YES	NO
		✓	100 %	Browns Equipment, Inc.		X
			%			
			%			

--\*

316 **Completing CCC-502C, Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities (Continued)**

**F Example of CCC-502C (Continued)**

\*--

**CCC-502C** (Page 3 of 4) (12-14-99)

**18. Capital, Equipment, or Land**

A. Was any of this entity's contribution(s) of capital, equipment, or land acquired as a result of a loan?  
 Yes, go to Item 18B.  
 No, go to Item 19.

B. Was such loan acquired from or cosigned by an individual or entity who has ANY interest in this farming operation? (Such interest may be as a landowner or another tenant)  
 Yes, enter the following information:  No, go to Item 19.

Contribution	Name of Individual or Entity	Individual's or Entity's Interest in the Farming Operation

**19. Labor**

A. **Active Personal Labor:** If no labor is provided by the members, go to Item 19B.  
 List each member who provides active personal labor.  
 Name(s):  
 Daniel Boone  
 R.J. Boone  
 B.J. Sampson

What estimated TOTAL percent or hours of active personal labor is provided by the member(s)?  
 70 % \_\_\_\_\_ hours

B. **Hired Labor:** Enter the estimated percent or percent of labor required for this farming operation which is hired and the member's name that contributes the hired labor. If no labor is hired, go to Item 20.

Name of Member	Hours or Percent
Daniel Boone	15%
R.J. Boone	15%

C. **Type and estimated percent or hours of other labor.**

Type	Percent	Hours
	%	
	%	
	%	

**20. Management**

A. **Active Personal Management.** If the member(s) do not provide active personal management to the farming operation, go to Item 20B.  
 Enter the estimated TOTAL percent of the farming operation's management responsibility which is active personal management provided by the members. 0 %  
 List each member who provides active personal management.

Name(s)	Type of managerial duties performed
Daniel Boone	Determine which crops to plant and management of land.
R.J. Boone	Managing hired labor, marketing commodities.
B.J. Sampson	Financial analysis.

B. **Hired Management.** If no management is hired, go to Item 21.  
 Enter the estimated percent of hired management. 0 %

**21. Person Status for Payment Limitation Purposes**

The information entered on this document and any supporting documentation supports a finding that:  
 This entity is a "person" actively engaged in farming separate and distinct from any other individual or entity.  
 This entity is a "person" actively engaged in farming that is combined with another individual or entity.  
 List the individual(s) or entity(ies) with whom this entity should be combined.  
 \_\_\_\_\_  
 \_\_\_\_\_

REMARKS

**22. CERTIFICATION**

I certify that all the information entered on this document and any supporting documentation is true and correct. I understand furnishing incorrect information will result in forfeiture of payments and the assessment of a penalty. I will timely provide written notification to the Farm Service Agency committees for the county and State listed on this form of any changes in this farming operation.

SIGNATURE <b>by Daniel Boone</b>	TITLE <b>President, Boone Farms, Inc.</b>	DATE (MM-DD-YYYY) <b>04-01-XXXX</b>
-------------------------------------	--	--

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317 (Withdrawn--Amend. 4)

318-330 (Reserved)

5-17-07

1-PL (Rev. 1) Amend. 48

Page 4-130  
(through 4-150)

## Section 5 Estates

**331 Overview**

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**A****Introduction**

This section describes determinations and procedures that relate to estates.

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**B****In This Section**

The following paragraphs are included in this section.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
332	"Person" Determinations	4-152
333	"Actively Engaged" Determinations	4-154
334	Case Examples	4-156
335	Completing CCC-502D	4-159

---

332 "Person" Determinations - Estates

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**A**

**Rule**

\*--[7 CFR 1400.104] An estate may be considered a separate "person" from--\* the heir or heirs, if the estate:

- has a separate and distinct interest in the land or crop involved
  - exercises separate responsibility for this interest
  - maintains funds or accounts separate from that of any other individual or entity for this interest
- \*--meets the requirements of subparagraph B.--\*
- 

**B**

**Guidelines for Determining Separate**

Use this table to determine whether an estate is a "person" separate from the heir or heirs.

*--IF the heirs of the estate would...--*	THEN the estate is considered...
* * * have been 1 "person" with the deceased individual if the individual was still living	1 "person" with such heir.
* * * not have been 1 "person" with the deceased individual if the individual was still living	a separate "person" from the heir or heirs.

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Continued on the next page



**332 “Person” Determinations - Estates (Continued)****C Minor Heirs**

If the estate has 1 or more minor heirs and the minor does not qualify as a separate “person” according to paragraph 254, the minor child’s interest is considered to be the parent’s interest.

**\*--Example: Situation:** General Partnership A consists of Individual B and Estate C, each with a 50 percent share.

Estate C consists of Individual D and Individual E, each with a 50 percent share. Individual E is the minor child of Individual B.

**Result:** Individual E’s interest in the estate would be considered to be the interest of Individual B. Accordingly, Individual B would be required to designate Individual E’s interest in the estate as a “permitted entity” in order for the interest to be paid.--\*

**D Programs Not Requiring Determination of “Actively Engaged”**

If a program requires a determination of “persons” but not a determination of “actively engaged in farming,” the following is also required to be eligible for payments or benefits:

- the claimed share of the profits or losses of the farming operation must be commensurate with the contributions to the farming operation
- contributions at risk.

**333 “Actively Engaged” Determinations - Estates**

**A General Rule**

For 2 program years after the program year in which an individual dies, the individual’s estate shall be considered to be “actively engaged in farming” if all of the requirements in this table are met.

Item	Requirement
1	The estate separately makes a significant contribution of capital, equipment, or land, or a combination thereof.
2	The personal representative (Executor, Administrator, etc.) or heirs of the estate collectively make a significant contribution of active personal labor or active personal management, or combination thereof, to the farming operation.
3	The estate’s share of the profits or losses from the farming operation is commensurate with the contribution to the farming operation.
4	The estate’s contributions are at risk.

**Notes:** See paragraph 275 for the incapacitated individual rule.

\*--See 1-CM for EIN requirements for estates.--\*

**B Rule for Estates of More Than 2 Years**

Following the period of 2 program years after the program year in which an individual dies, the deceased individual’s estate shall not be considered to be “actively engaged in farming” unless, on a case-by-case basis, COC determines that the estate is still active and is being kept active for reasons other than for obtaining program payments.

\*--**Note:** Use CCC-502 D, Item 7 to identify the estates for current year eligibility.--\*

**333 “Actively Engaged” Determinations - Estates (Continued)****\*--C Required COC Review and Determination**

On an annual basis, COC is required to:

- identify all estates requesting program benefits **and** which have been in existence for more than 2 program years after the date of death of the individual
- review all supporting documentation provided by an authorized representative on behalf of the estate
- determine if the estate is kept active for reasons other than for receiving program benefits.

Information provided by an authorized representative of the estate for this required COC review may include, but is not limited to:

- Letter of Testamentary issued by the court within the last 12 months
- prior year tax return (IRS Form 1041)
- written explanation from the executor, administrator, or legal counsel for the estate.

If an identified estate fails to meet these requirements, this estate shall be:

- determined ineligible for current and subsequent years program benefits
- provided written notice of COC’s determination of ineligibility
- given appeal rights according to 1-APP.--\*

**D DD Review of Estates of More Than 2 Years**

For estates of duration greater than 2 program years after an individual dies, DD must:

- review COC findings
- concur with the determination for the estate to be recognized
- \*--provide a report to the State Office of all estates of duration greater than 2 years that are reviewed by COC’s and have determinations made.

**E State Office Review of Estates of More Than 2 Years**

Effective for 2008 and subsequent years, State Offices Shall:

- collect reports from all DD’s
- consolidate information for future reporting purposes to DAFP/PECD.--\*

## 334 Case Examples - Estates

## A Example 1

**\*--Situation:** Estate E is formed upon the death of Individual E in February 2008.--\*  
Individual B is the sole heir of the estate and provides a significant amount of active personal management. Estate E provides equipment and rented land. All labor is hired. Individual B also has individual farming interest. All contributions are commensurate and are at risk.

**Determination:** Estate E is considered to be “actively engaged in farming” since the heir (Individual B) has provided a significant amount of active personal management and the estate has provided equipment and land.

- Although Individual B is the sole heir of the estate, Individual B and the estate are not considered to be 1 “person” because, before the death, Individuals E and B would not have been combined as 1 “person.”
- Therefore, Individual B may be considered to be a separate “person” from Estate E and will be eligible for payment if Individual B is determined to be “actively engaged in farming” with respect to the separate farming operation.

## 334 Case Examples - Estates (Continued)

**B Example 2**

**\*--Situation:** Estate C was formed in October 2004 upon the death of Individual C. The--\* heirs are Individuals E, F, and G, each having a one-third interest.

- Before the death of Individual C, Individual C owned equipment and all of the acreage farmed was cash leased. Individual E will serve as executor for the estate.
- \*--For 2008, Estate C will cash lease land. Estate C will contribute a--\* significant amount of cash rented land, owned equipment, and capital for the farming operation.
- Individual E will provide a significant amount of active personal management with the estate hiring all labor.
- All contributions are commensurate and are at risk.
- \*--COC reviewed the Letter of Testamentary and the 2007 tax return, and determined that Estate C kept active for reasons other than receiving 2008 program benefits.

**Determination:** Estate C is considered to be “actively engaged in farming for 2008.”--\* The heirs may also be considered to be separate “persons” with respect to other farming operations if all conditions are met for such operation.

## 334 Case Examples - Estates (Continued)

## C Example 3

**\*--Situation:** Estate Y is formed in August 2007 upon the death of Individual Y.

- Before death, Individual Y had been determined to be “actively engaged in farming” and had entered into a CCC-509 to participate in the 2007 DCP.--\*
- Estate Y will continue to farm the acreage that was leased to Individual Y, as a successor-in-interest for 2007 contract. Estate Y will hire any labor and management that is needed for the farming operation.

**Determination:** Estate Y is considered to be “actively engaged in farming” because Individual Y was determined to be “actively engaged in farming” and had executed a contract to participate in the program before death. However, to continue to be “actively engaged in farming” for 2008, the heirs or personal representative of the estate will have to provide a significant amount of active personal labor or active personal management, and the estate will have to provide a significant amount of capital, equipment, or land.

**\*--335 Completing CCC-502D, Farm Operating Plan for Payment Eligibility Review for an Estate or Trust--\***

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**A**

**Introduction**

The following forms are required for both estates and trusts:

- CCC-501A (see paragraph 201)
  - CCC-502D.
- 

**B**

**Who Should Complete CCC-502D**

CCC-502D should only be completed by estates and trusts.

---

**C**

**When to File**

File CCC-502D with COC no later than the date specified in paragraph 50.

---

**D**

**Supporting Data**

COC shall require adequate supporting data to make proper "actively engaged in farming" and "person" determinations according to paragraph 52.

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**E**

**Related Forms**

If any member of this entity is another entity or a joint operation, that entity or joint operation will be required to provide CCC-502B, CCC-502C, or CCC-502D depending on the type of entity that is a member.

The entity completing CCC-502D will be required to submit CCC-501A for itself and every entity that is a member of itself. Each **individual** who has direct or indirect interest in the entity filing CCC-502D and wants to receive payment through that entity shall file CCC-501B with COC.

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Continued on the next page

**\*--335 Completing CCC-502D, Farm Operating Plan for Payment Eligibility Review for an Estate or Trust (Continued)**

**F**

**Completing CCC-502D**

Have the producer complete CCC-502D according to this table.

Item Number	Instruction
1	Enter county name.
2	Enter program year.
3	Enter State.--*
4	Enter the entity's name and current mailing or street address.
5	Enter the entity's employer ID number.
6	Check the applicable box for the type of entity for which this form is being completed.
7	Enter the date this entity was formed.
8	<p>For each member of this entity, provide the requested information. If a member has both a Social Security number and an employer ID number, provide both numbers. List any position that the individual member holds in the entity in the "Position" column and any salary or bonus that the individual member receives in the "Salary/Bonus" column. If any member of the entity is related to any other member of the entity, explain the relationship in the "family member's relationship" column. Be sure to include the name of the grantor if this entity is a revocable trust and the name of the executor if the entity is an estate, even if these individuals or entities have no interest in the entity. Indicate if the member has signature authority for the entity.</p>
9	<p>If any member of the entity is an alien lawfully admitted into the U.S., this member must show the County Office his or her Alien Registration Receipt Card. Such member must display this card to be considered an alien lawfully admitted into the U.S. for the purposes of this program.</p> <p>Any member of this entity who is not an alien lawfully admitted into the U.S., or a U.S. citizen, is required to provide a significant contribution of active personal labor, land, and capital to the farming operation, in addition to other requirements, to be eligible for certain program benefits.</p> <p>List any members of this entity that are not U.S. citizens or aliens lawfully admitted into the U.S., in *--item 9 A.</p> <p>If any members of this entity are entities with aliens as members, those individual members of the member entities must meet the same requirements as aliens that are members of this entity. Complete the requested information in items 9 B and 9 C regarding such members that are entities.--*</p>

Continued on the next page



**\*--335 Completing CCC-502D, Farm Operating Plan for Payment Eligibility Review for an Estate or Trust (Continued)**

**F Completing CCC-502D (Continued)**

<b>Item Number</b>	<b>Instruction--*</b>
10	<p>If any member of this entity will be under 18 years of age as of the applicable status date of this program year, enter the requested information. Be sure to enter information for both of such member's parents or guardians and if they have both types of ID numbers, enter both.</p> <p>If either of such member's parents or guardians have ANY interest in a farming operation, enter information with regard to such member's parents or guardians farming operation on line number (1), (2), or (3) corresponding to the line number of the parents name.</p>
11	<p>If any member of this entity, the spouse of any member of this entity, or any of the minor children of any member of this entity has any other farming interests (including interests in corporations, partnerships, trusts, estates, or other similar entities that have a farming operation), check the applicable box and complete the applicable sections of this form. If no member of this entity, no member's spouse, nor any minor children of a member of this entity have any other farming *--interests, check "No" and go to item 15.--*</p>
12	<p>For each additional farming interest a member of this entity has, enter the requested information.</p>
13	<p>For each additional farming interest a spouse of a member of this entity has, enter the requested information.</p> <p>If the farming interest of a member's spouse was brought into the marriage as a separate operation <b>and</b> has been kept totally separate from all of the member's farming operations, check "Yes" in the applicable box, otherwise check "No" in the applicable box. To be considered "totally separate," all aspects of the member's farming operation, including financing and records, must be kept distinct from the spouse's farming operation.</p>
14	<p>For each additional farming interest a minor child of a member of this entity has, enter the requested information.</p>
15	<p>Enter the requested information for all land that is part of the entity's farming operation. If all land that is part of the entity's farming operation is owned by the *--entity and "No" was checked in item 11, go to item 18 after completing this--* item.</p> <p>In the case of cash leased land, only enter the rental rate per acre if such land is being leased to or from someone who shares in the production or proceeds of the production in the entity's farming operation. If this land is cash leased from someone who does not share in the production or proceeds of the production of the farming operation, enter "Cash." If land is leased for a share of the crop, enter the percentage of the crop that the landlord receives. If different rates apply on the same parcel, provide the breakdown of rates.</p> <p>If additional space is needed for this item, complete CCC-502 Continuation and attach to CCC-502D.</p>

**\*--335 Completing CCC-502D, Farm Operating Plan for Payment Eligibility Review for an Estate or Trust (Continued)**

**F  
Completing  
CCC-502D  
(Continued)**

Item Number	Instruction
16	Enter the percent of the total capital requirements of the entity's farming operation that the entity provides. If the entity does not provide any capital, enter "0%" and go to item 17.--*
17	Enter the requested information for all equipment used in the farming operation. Check the "Owned" box only if the equipment is owned by the entity. For each line, enter the percentage represented by such line of the total equipment used in the farming operation. Calculate applicable percentages by rental value of such equipment. Leased equipment includes equipment provided by a custom farmer. It will be necessary to provide a copy of the equipment lease to the County Office if it being leased from an individual or entity that shares in the production or proceeds of the production.
18	<p>If any of the entity's contributions of capital, equipment, or land were acquired as the result of a loan, *--check the applicable box and provide the requested information in item 18 B.--*</p> <p>The entity will be required to provide the detail information if the loan was made by or guaranteed by an individual or entity with an interest in the entity's farming operation. If that is the case, identify which contribution the loan relates to, the individual or entity who made or guaranteed the loan, and what type of interest the individual or entity has in the entity's farming operation.</p>
19	Enter the entity's best estimate of the percentage and/or hours of the total amount of labor required for the entity's farming operation that will be provided personally by members of the entity, provided by hired personnel or entities, and provided by other sources such as unpaid family and friends. Hired labor includes labor provided by a custom farmer. It is important that the entity provide the names of the members who are providing the active personal labor.
20	<p>Enter the entity's best estimate of the percentage of the total amount of management required for the entity's farming operation that will be provided personally by members of the entity, and that will be provided by hired personnel or entities.</p> <p>For any management that a member of the entity provides personally, provide a narrative of the type of management duties such member of the entity performs. COC is required to make a determination of whether or not the management the members of the entity provide is critical to the profitability of the entity's farming operation and this determination may determine whether the entity is eligible for program payments.</p>
21	<p>Check the applicable box if the entity believes, based on the information submitted, that the entity is "actively engaged in farming" and a "person" separate and distinct from any other individual or entity for payment limitation purposes.</p> <p>Check the applicable box and provide the names of the applicable individuals or entities if the entity believes, based on the information submitted, that the entity should be combined as 1 "person" with another individual or entity for payment limitation purposes.</p>
22	*--Signature and date.--*

Continued on the next page

**\*--335 Completing CCC-502D, Farm Operating Plan for Payment Eligibility Review for an Estate or Trust (Continued)**

**G  
Example of  
CCC-502D**

The following is an example of a completed CCC-502D.

Form Approved - OMB No. 0560-0096

<b>CCC-502D</b> (12-14-99)  <b>FARM OPERATING PLAN FOR PAYMENT ELIGIBILITY REVIEW FOR AN ESTATE OR TRUST</b>	U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation	1. COUNTY Rockingham  3. STATE VA	2. PROGRAM YEAR  2000			
<p><b>NOTE:</b> The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The Agriculture Act of 1949, as amended, and the Food Security Act of 1985, as amended, authorize the collection of the data on this form which will be used in applying statutory payment eligibility and limitation provisions. Furnishing this data is voluntary; however, without it we may be unable to establish your maximum eligibility for program payments. This data may be furnished to any agency responsible for enforcing these provisions.</p> <p>According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0096. The time required to complete this information collection is estimated to range from 30 minutes to 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.</p>						
4. Producer's Name and Address  Kathy Wolfe Trust Rte. 10 Box 28 Harrisonburg, VA 22081		5. Employer Identification No.  42-7640205	6. Type of Entity (Check One) <input checked="" type="checkbox"/> Irrevocable Trust <input type="checkbox"/> Revocable Trust <input type="checkbox"/> Estate			
		7. Date Entity Formed  01-15-XX	FOR COUNTY OFFICE USE ONLY Was an Alien Registration Receipt Card shown? YES <input type="checkbox"/> NO <input type="checkbox"/> Status Date			
8. Members - For all heirs or beneficiaries having an interest in the entity.						
Heir's or Beneficiary's Name	Social Security/ Employer ID Number(s)	% Share	Salary/Bonus	Family Member Relationship	Position	Signature Authority for the Entity
Rick Wolfe	213-73-1174	80	--	Spouse of Grantor	Beneficiary	No
Tillie Saylor	213-29-1431	20	--	Sister of Grantor	Beneficiary	No
Executor's or Grantor's Name Kathy Wolfe 213-71-3656 No						
9. Citizenship						
A. Are ALL heirs or beneficiaries U.S. citizens or aliens lawfully admitted into the U.S.? <input checked="" type="checkbox"/> Yes. If an alien lawfully admitted into the U.S., show the County Office an Alien Registration Receipt Card and go to Item 10. <input type="checkbox"/> No. List ALL aliens not lawfully admitted into the U.S. and complete Item 9B.		B. Are any heirs or beneficiaries an entity? <input type="checkbox"/> Yes. Complete Item 9C. <input checked="" type="checkbox"/> No. Go to Item 10		C. Are ALL members of the entity(ies) U.S. citizens or aliens lawfully admitted into the U.S.? <input type="checkbox"/> Yes. If an alien lawfully admitted into the U.S., show the County Office an Alien Registration Receipt Card and go to Item 10. <input type="checkbox"/> No. List ALL members of the entity who are aliens not lawfully admitted into the U.S. and go to Item 10.		
10. Heir(s) or Beneficiary(ies) Who Are Minors						
Is any heir or beneficiary under 18 years of age? <input type="checkbox"/> YES (provide the following information) <input checked="" type="checkbox"/> NO (Go to Item 11)						
Heir's or Beneficiary's Name and Date of Birth	Parents' or Guardians' Name and Social Security/Employer ID Number(s)	Parents' or Guardians' Address				
(1)						
(2)						
If any heir's or beneficiary's parents or guardians have any interest in a farming operation, complete the following for each heir's or beneficiary's parent or guardian.						
Name of Farming Interest(s)	Social Security/Employer ID Number(s) of Farming Interest	County(ies) and State(s) Where Located				
(1)						
(2)						
11. Farming Interests						
Do any heirs or beneficiaries, including spouses and minor children have any interest in a farming operation which is conducted under any name other than as listed in Item 4?						
<input checked="" type="checkbox"/> Yes, one or more heirs or beneficiaries have other farming interests. (Complete Item 12)						
<input type="checkbox"/> Yes, one or more heir's or beneficiary's spouses have other farming interests. (Complete Item 13)						
<input type="checkbox"/> Yes, one or more heir's or beneficiary's minor children have other farming interests. (Complete Item 14)						
<input type="checkbox"/> No, no heir or beneficiary including spouses and minor children has any other farming interests. (Complete Item 15)						
<small>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 320-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.</small>						

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Continued on the next page

**\*--335 Completing CCC-502D, Farm Operating Plan for Payment Eligibility Review for an Estate or Trust (Continued)**

**G  
Example of  
CCC-502D  
(Continued)**

**CCC-502D** (Page 2 of 4) (12-14-99)

**12. Other Farming Interests**  
Enter the following information for ALL interests each heir or beneficiary has in a farming operation. Go to Item 15 if any heir's or beneficiary's spouse or minor children have no other farming interest(s).

Name of Heir or Beneficiary	Name of Farming Interest(s)	Social Security/Employer ID Number(s) of Farming Interest	County(ies) and State(s) Where Farming Interest(s) are Located
Rick Wolfe	Wolfe Pack, Inc.	32-4337921	Rockingham, VA

**13. Other Farming Interests of Heir's or Beneficiary's Spouse**  
Enter the following information for ALL interests each heir's or beneficiary's spouse has in a farming operation. Go to Item 15 if any heir's or beneficiary's minor children have no other farming interest(s).

Spouse's Name	Name and Social Security/Employer ID Number of Farming Interest(s)	Was Farm Acquired Before Marriage and Kept Totally Separate?		County(ies) and State(s) Where Farming Interest(s) are Located
		Yes	No	

**14. Other Farming Interests of Member's Minor Children**  
Enter the following information for ALL interests each heir's or beneficiary's minor children have in a farming operation, and go to Item 15.

Child's Name	Name of Farming Interest(s)	Social Security/Employer ID Number(s) of Farming Interest	County(ies) and State(s) Where Farming Interest(s) are Located

**15. Land**  
Enter the following information for all land this estate or trust owns and/or leases. If ALL land in this farming operation is owned and operated by the estate or trust, enter the farm number, County and State, check "Owned," and enter the cropland acres.

Farm No.	County(ies) and State(s) Where Farm(s) is Located	Enter "✓"			Name of Person Whom Land is Leased to and/or From	Cropland Acres	Rental Rate \$ per Acre/ % Crop Share	Enter "✓" if the land interest is the same as last year.
		Owned	Leased To	Leased From				
132	Augusta, VA	✓	✓		Mark Coleman	65	Cash	✓
29	Rockingham, VA	✓				90		✓

**16. Capital**  
If the estate or trust does not provide any capital for this farming operation, enter 0% and go to Item 17.  
What percent of the capital required for this farming operation does the estate or trust provide? 100 %

**17. Equipment**  
A. Owned Equipment: If ALL equipment used in this farming operation is owned by the entity, check "Owned" and go to Item 18.  
B. Leased Equipment: Enter the following information for ALL leased equipment used in this farming operation.

Enter "✓"			Percent of Total "Owned" and "Leased From" Equipment	Name of Person Whom Equipment is Leased To and/or From	Does the Person Whom Equipment is Leased To or From Have an Interest in this Farming Operation?	
Owned	Leased To	Leased From			YES	NO
		✓	100 %	Rick Wolfe		X
			%			
			%			

--\*

Continued on the next page

335 Completing CCC-502D, Farm Operating Plan for Payment Eligibility Review for an Estate or Trust (Continued)

G Example of CCC-502D (Continued)

\*--

CCC-502D (Page 3 of 4) (12-14-99)

**18. Capital, Equipment, or Land**

A. Was any of this estate's or trust's contribution(s) of capital, equipment, or land acquired as a result of a loan?

Yes, go to Item 18B.

No, go to Item 19.

B. Was such loan acquired from or cosigned by an individual or entity who has ANY interest in this farming operation? (Such interest may be as a landowner or another tenant.)

Yes, enter the following information:  No, go to Item 19.

Contribution	Name of Individual or Entity	Individual's or Entity's Interest in the Farming Operation

**19. Labor**

A. Active Personal Labor: If no labor is provided by the heir(s), personal representative(s), or beneficiary(ies) for this farming operation, go to Item 19B.

List each heir, personal representative, or beneficiary who provides active personal labor.

Name(s):

Rick Wolfe

What estimated TOTAL percent or hours of active personal labor is provided by the heir(s), personal representative(s), or beneficiary(ies)?

100 % \_\_\_\_\_ hours

B. Hired Labor: Enter the estimated percent or percent of labor required for this farming operation which is hired and the heir's, personal representative's, or beneficiary's name that contributes the hired labor. If no labor is hired, go to Item 20.

Name of Heir, Personal Representative, or Beneficiary	Hours or Percent

C. Type and estimated percent or hours of other labor.

Type	Percent	Hours
	%	
	%	
	%	

**20. Management**

A. Active Personal Management. If the heir(s), personal representative(s), or beneficiary(ies) do not provide active personal management to the farming operation, go to Item 20B.

Enter the estimated TOTAL percent of the farming operation's management responsibility which is active personal management provided by the heir(s) or beneficiary(ies). 100 %

List each heir, personal representative, or beneficiary who provides active personal management and the type of managerial duties performed.

Name(s)	Type of managerial duties performed

B. Hired Management. If no management is hired, go to Item 21.

Enter the estimated percent of hired management. 100 %

**21. Person Status for Payment Limitation Purposes**

We believe the information entered on this document and any supporting documentation supports a finding that:

This estate or trust is a "person" actively engaged in farming separate and distinct from any other individual or entity.

This estate or trust is a "person" actively engaged in farming that is combined with another individual or entity. List the individual(s) or entity(ies) with whom this estate or trust should be combined.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**22. Certification**

I certify that all the information entered on this document and any supporting documentation is true and correct. I understand furnishing incorrect information will result in forfeiture of payments and the assessment of a penalty. I will timely provide written notification to the Farm Service Agency committees for the county and State listed on this form of any changes in this farming operation.

SIGNATURE	TITLE	DATE (MM-DD-YYYY)
by Samuel Fox	Trustee	03-04-XXXX

--\*

336-360 (Reserved)



## Section 6 Trusts

**361 Overview****A Introduction**

This section describes determinations and procedures that relate to trusts.

**B In This Section**

The following paragraphs are included in this section.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
362	Revocable and Irrevocable Trusts	4-202
363	“Person” Determinations	4-203
364	“Actively Engaged in Farming” Determinations	4-205
365	Case Examples	4-206
366	Required Forms	4-210

362 Revocable and Irrevocable Trusts

---

A

**Types of Trusts** For payment limitation purposes, there are 2 types of trusts.

Type	Characteristics
Revocable trust	<ul style="list-style-type: none"> <li>• Can be modified or terminated by the grantor or the assets revert to the grantor after a specific period of time</li> <li>• Does not meet the criteria for an irrevocable trust</li> </ul>
Irrevocable trust	<ul style="list-style-type: none"> <li>• May not be modified or terminated by the grantor</li> <li>• The grantor does not have any future, contingent, or remainder interest in the corpus of the trust</li> <li>• For trusts established after January 1, 1987, does not provide for the transfer of the corpus of the trust to the remainder beneficiary in less than 20 years from the date the trust is established, except in cases where the transfer is contingent upon the remainder beneficiary achieving at least the age of majority or upon the death of the grantor or income beneficiary.</li> </ul> <p><b>Note:</b> All other trusts not meeting these requirements shall be considered revocable trusts.</p>

B

**Scrutiny of Trusts**

All trusts that receive payments shall be carefully scrutinized to ensure that the trusts are legitimate entities and have not been created solely for the purposes of evading payment limitation provisions.

County Offices shall:

- require producer to provide a copy of the trust agreement unless the trust is a revocable trust
  - determine whether provisions are included in the trust that would require the trust to be considered a revocable trust for payment limitation purposes.
-



**363 “Person” Determinations - Trusts****A General Rule**

[7 CFR 1400.103] For payment limitation purposes, a trust is eligible to be considered a separate “person” from any other individual or entity, if the trust:

- has a separate and distinct interest in the land or crop involved
- exercises separate responsibility for this interest
- maintains funds or accounts separate from that of any other individual or entity for this interest.

**\*--B Revocable Trust Combined With Grantor and Co-Grantors**

Revocable trusts are combined with the grantor and co-grantors of the trust.

**Note:** See subparagraph D to determine whether the beneficiary should also be combined with the grantor or co-grantors and the revocable trust.--\*

**C Trusts With Minor Beneficiaries**

For trusts with 1 or more minor children as beneficiaries and the minor does not qualify as a separate “person” according to paragraph 254, the minor child’s interest is considered to be the parent’s or court-appointed person’s interest.

**Note:** If the minor child is the sole beneficiary or if all the minor children are under the same parent or court-appointed person’s care, the trust, the minor, and the parent or court-appointed person are combined as 1 “person.”

363 “Person” Determinations - Trusts (Continued)

**D Guidelines for Determining “Person”**

Use this table to determine whether a trust is a separate “person” from the beneficiary or beneficiaries.

<b>IF the trust has...</b>	<b>THEN the trust is...</b>
only 1 beneficiary	combined as 1 “person” with the beneficiary.
<ul style="list-style-type: none"> <li>• 2 or more beneficiaries that are not combined as 1 “person”</li> <li>• farming interests separate and distinct from all individuals or entities including the beneficiaries</li> </ul>	a separate “person” from the beneficiaries.  <b>Note:</b> See subparagraph C if all beneficiaries are minors.
1 or more beneficiaries and these beneficiaries have more than 50 percent interest in this trust and 1 or more other trusts  <b>Note:</b> Include interests of beneficiaries combined as 1 “person.”	combined with all other trusts that have these common beneficiaries holding more than 50 percent interest.  <b>Note:</b> Combine only similar trusts, that is, irrevocable trust with another irrevocable trust.

**E Programs Not Requiring Determination of “Actively Engaged”**

If a program requires a determination of “persons” but not a determination of “actively engaged in farming,” the following is also required to be eligible for payments or benefits:

- the claimed share of the profits or losses of the farming operation must be commensurate with the contributions to the farming operation
- contributions at risk.

**\*--F IRA’s**

An IRA may be considered an eligible program participant as a trust **only** if the Regional Attorney determines the account:

- has full function of a trust
- is owner of the land on which program benefits are requested.

**Note:** Consultation and approval of the Regional Attorney is required before any determinations of eligibility.--\*

**364 “Actively Engaged” Determinations - Trusts**

**A Rule**

[7 CFR 1400.205] An irrevocable or revocable trust shall be considered to be “actively engaged in farming” if all of the requirements in this table are met.

Item	Requirement
1	The trust separately makes a significant contribution of capital, equipment, or land, or a combination thereof.
2	Income beneficiaries that make contributions of active personal labor or active personal management, have a combined interest of at least 50 percent, and collectively make a significant contribution to the farming operation.
3	The trust’s share of the profits or losses from the farming operation is commensurate with the contribution to the farming operation.
4	The trust’s contributions are at risk.
5	The trust has provided a tax ID number of the trust unless the trust is a revocable trust and the grantor is the sole income beneficiary or all grantors and beneficiaries of the revocable trust are combined as 1 “person”.
6	The trust has provided a copy of the trust agreement to COC, unless the trust is a revocable trust.

\*--Note: See 1-CM for EIN requirements for trusts.--\*

**B Tax Identification Numbers**

A single tax identification number, such as a Social Security number, may not be used to pay both an individual and a trust in the same year.

**C Actions of a Trustee**

The personal actions of a trustee, either labor or management, cannot be considered as contributions of the trust in meeting the requirement of actively engaged in farming.

Only the income beneficiaries of a trust can provide the required, at-risk contributions of active personal labor or active personal management, or combination thereof, for the trust to be considered actively engaged in farming.

## \*--365 Case Examples - Trusts--\*

**A Irrevocable Trust Example 1**

**Situation:** EF Trust meets the requirements to be considered an irrevocable trust for payment limitation purposes. The trust, with Individuals E and F each having an interest of 50 percent, contributes a significant amount of capital to the farming operation. Each beneficiary contributes a significant amount of active personal management. All labor is hired. The land and equipment are leased. The trust's share of the profits or losses from the farming operation are commensurate with the trust's contributions to the operation and the contributions are at risk. Individual E also has another farming interest as an individual.

**Determination:** EF Trust is considered to be "actively engaged in farming" since the trust provides capital, and the beneficiaries contribute a significant amount of active personal management. The trust is considered to be 1 "person" for payment limitation purposes. Individual E may also be considered a separate "person" with respect to Individual E's individual farming operation.

**B Irrevocable Trust Example 2**

**Situation:** Individual G is a 100 percent income beneficiary of G Trust which meets the requirements to be considered an irrevocable trust for payment limitation purposes. G Trust contributes a significant amount of both equipment and capital to the farming operation. Individual G contributes at least 50 percent of the operation's active personal labor. G Trust leases all land and hires all management and 50 percent of the labor. Individual G also has farming interests as an individual.

**Determination:** G Trust is considered to be "actively engaged in farming." Individual G and G Trust are considered to be 1 "person" for payment limitation purposes because Individual G is the sole income beneficiary of the trust.

**\*--365 Case Examples - Trusts (Continued)--\***

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**C****Irrevocable  
Trust  
Example 3**

**Situation:** Testamentary Trust Z and Trust Y meet the requirements to be considered an irrevocable trust for payment limitation purposes. Trust Z has beneficiaries A, B, and C, and is the owner and operator of a farming operation. Trust Y has beneficiaries A, B, and C. The corpus of the Trust Y consists of stocks, bonds, notes receivables, urban real estate, and cropland that is share leased to a separate individual.

**Determination:** Testamentary Trust Z and Trust Y are considered to be "actively engaged in farming" under the landowner provision. However, Testamentary Trust Z and Trust Y are considered to be 1 "person" for payment limitation purposes because the same 2 or more beneficiaries have more than a 50 percent interest in 2 or more irrevocable trust.

---

**D****Irrevocable  
Trust Example 4**

**Situation:** The terms of a late husband's will made certain specific bequests of cash and nonfarm property to persons other than his widow. The balance of the estate, including farmland, is distributed to a testamentary trust. The widow has the sole right to the income of the trust during her lifetime. At the time of her death, the trust is to be terminated and the property distributed to her heirs.

**Determination:** Since the widow has the sole right to income of the trust during her lifetime, she is considered the sole beneficiary and therefore, 1 "person" with the trust for payment limitation purposes. The trust would be considered to be "actively engaged in farming" because of the landowner provision.

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Continued on the next page

**\*--365 Case Examples - Trusts (Continued)--\***

---

**E****Revocable Trusts  
Example 1**

**Situation:** ST Trust is a revocable trust with Individuals S and T as beneficiaries, each having an interest of 50 percent.

- Individual U is the grantor.
- ST Trust contributes a significant amount of both capital and equipment to the farming operation.
- The beneficiaries each contribute a significant amount of active personal management to the operation.
- All land is leased and all labor is hired.
- The trust's share of the profits or losses from the farming operation are commensurate with its contribution to the operation and the contributions are at risk.

**Determination:** ST Trust is considered to be "actively engaged in farming." ST Trust and Individual U are considered to be 1 "person" for payment limitation purposes because Individual U is the grantor of a revocable trust.

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Continued on the next page

**\*--365 Case Examples - Trusts (Continued)--\***

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**H****Revocable Trust  
Example 2**

**Situation:** BP Trust is a revocable trust with Individual B and Minor P as beneficiaries.

- Grandfather G is the grantor.
- Individual B contributes a significant amount of active personal management to the farming operation.
- The trust provides all the capital and land.
- The trust also hires a person to provide the labor required for the farming operation.
- Minor P does not provide any contribution to the farming operation.

**Determination:** BP Trust is considered to be "actively engaged in farming." One beneficiary provides the required contribution of active personal management and the trust provides the required contribution of capital and land. BP Trust and Grandfather G are considered to be 1 "person" for payment limitation purposes because Grandfather G is the grantor of the revocable trust.

---

**\*--366 Required Forms - Trusts--\***

---

**A**

**Forms Required  
for Trusts**

The following forms are required for trusts:

- CCC-501A (see paragraph 201)
  - CCC-501B (see paragraph 218)
  - CCC-502D (see paragraph 335).
- 

**367-390 (Reserved)**



Part 5 Handling Determinations

391 Overview

A Introduction

This table outlines the responsibilities of each level in the payment limitation process.

Level	Responsibility
COC	Determinations not made by the State Office  Documenting determinations  Distribution of payments  End-of-year reviews  Redelegation of authority  Appeals
County Office	Notifying producer of COC determination  Recording COC determination  Posting to Payment Limitation Register  Filing payment limitation documentation  * * *  End-of-year reviews  Reports
DD	Monitoring COC determinations  Monitoring CO actions  Corrective action  Errors and problems

391 Overview (Continued)

A Introduction (Continued)

Level	Responsibility
State Office	*--Initial determinations of “persons” and “actively engaged in farming” for joint operations receiving payment with 6 or more members--*  Documenting determinations  Providing training  Providing assistance to all levels  End-of-year reviews  Accumulating reports
STC	End-of-year reviews  Questioned determinations

B In This Part

The following sections are included in this part.

Section	Title	Page
1	COC Responsibilities	5-3
2	County Office Responsibilities	5-25
3	Reserved	
4	DD Responsibilities	5-165
5	STC Responsibilities	5-185
6	Washington Responsibilities	5-211

## Section 1 COC Responsibilities

**392 Overview****A Introduction**

This section:

- provides instructions to COC's on how to handle their portion of the determination process
- informs COC's of the time limit for making initial determinations and what to do if the applicant has not provided enough information for a favorable finding.

**B In This Section**

The following paragraphs are included in this section.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
393	COC Determinations	5-4
394	Completing CCC-503A	5-6
395	COC Requirements to Make a Timely Determination	5-7
396	Redelegating Authority	5-9
397	Meritorious Relief	5-10

393 COC Determinations

A Introduction

COC shall make the initial review and determinations of “actively engaged in farming” and “person.”

\*--B Determination Deadlines

This table provides requirement deadlines for COC to make “person” and “actively engaged in farming” determinations and producer notification.

IF CCC-502 is filed for programs...	THEN make...
not requiring “actively engaged in farming” determination	<ul style="list-style-type: none"> <li>• “person” determination and notify producer within 60 calendar days of the date the applicable CCC-502 was filed</li> <li>• “actively engaged in farming” determination within 60 calendar days of the later of the following:                             <ul style="list-style-type: none"> <li>• the date an application or contract to participate for programs subject to “actively engaged in farming” determination is filed</li> <li>• the date a new or updated CCC-502 is filed, if applicable.</li> </ul> </li> </ul> <p><b>Note:</b> If no changes or violations have occurred, a producer is not required to file a new or updated CCC-502 in the same program year.</p>
requiring “actively engaged in farming” determination	“person” and “actively engaged in farming” determinations and notify producer within 60 calendar days of the date the applicable CCC-502 is filed.

--\*

**393 COC Determinations (Continued)****C Insufficient Information**

If the file does not contain adequate information for COC to make the determinations, COC shall request additional information. This does not extend COC's 60 calendar day time limit to make the initial determinations.

**Note:** If the file does not contain sufficient information for a favorable determination, COC shall make the determination, based on the file as it exists, to avoid a "default determination."

**D Combined Individuals or Entities**

When 2 or more individuals or entities are determined to be 1 "person" for payment limitations purposes, the determination applies to all programs for which limitations are applicable.

**E Distribution of Payments**

For combined individuals and or entities, if the parties involved cannot agree on how to distribute the program payments, COC shall determine the distribution.

**F Appeal of Determination**

COC shall hear appeals by applicants of the initial COC determinations of "actively engaged in farming" and "person."

**394 Completing CCC-503A****A Introduction**

\*--COC shall use CCC-503A to document the determinations of for payment eligibility and payment limitation purposes.

**B Documenting Determinations**

Record the factors that on CCC-503 A that COC used to make the “actively engaged in farming” and “person” determinations on CCC-503A. Significant contributions must be identified and recorded. Include how the cash rent tenant and substantive change rules were met, when applicable.

**C Narrative of Determination**

A short narrative explaining the determining factors in the COC determination shall be documented on CCC-503A, item 7.

**Example:** Organic Farms, Inc., provides a significant contribution of capital and equipment. The single stockholder provides a significant contribution of active personal management. The cash rent tenant provision is met through the significant contribution of equipment and significant contribution of active personal management. All contributions are commensurate and at risk.--\*

394 Completing CCC-503A (Continued)

D Example 1

\*--

**REPRODUCE LOCALLY.** Include form number and date on all reproductions.

<p><b>CCC-503A</b> (12-14-99)</p> <p style="text-align: center;"><b>U.S. DEPARTMENT OF AGRICULTURE</b> Commodity Credit Corporation</p> <p style="text-align: center;"><b>COUNTY COMMITTEE WORKSHEET FOR "ACTIVELY ENGAGED IN FARMING" AND "PERSON" DETERMINATIONS</b></p>	<p>1. PRODUCER'S NAME DM Farms</p> <p>2. COUNTY AND STATE Lee, IA</p> <p>3. PROGRAM YEAR 2000</p>
--	---

4. Check the appropriate block.

Individual     
  General Partnership     
  Joint Venture     
  Corporation     
  Other  
 Limited Partnership     
  Estate     
  Irrevocable Trust     
  Revocable Trust

**5. "ACTIVELY ENGAGED IN FARMING" DETERMINATION**

The following are several different types of producers and what such type of producer must contribute to the farming operation in order to be considered "actively engaged in farming."

The required inputs must be a significant contribution, as defined in 1-PL, PART 2. The inputs of capital, equipment, or land may be contributed singly or in any combination. One input of capital, equipment or land must not be acquired as a result of a loan from or cosigned by a source who has an interest in the farming operation. Active personal labor and active personal management may be contributed as a single or combined input. The total contribution for an individual or entity must be commensurate with the claimed shares of the profits or losses from the farming operation and the contributions must be at risk.

A. TYPES OF PRODUCERS	B. REQUIREMENTS FOR INPUT OF CAPITAL, EQUIPMENT, AND LAND	C. REQUIREMENTS FOR INPUT OF LABOR AND MANAGEMENT
Individual:	Capital, equipment, or land or a combination thereof	Active personal labor and/or Active personal management
Landowner:	Land	N/A
Sharecropper:	N/A	Active personal labor
Joint Operation: Operation #1	Capital, equipment or land or a combination thereof <b>(Provided by Members)</b>	Active personal labor and/or Active personal management <b>(Provided by Members)</b>
Operation #2	Capital, equipment, or land or a combination thereof <b>(Provided by Joint Operation)</b>	Active personal labor and/or Active personal management <b>(Provided by Members)</b>
Corporation, Limited Partnership, Other similar entity:	Capital equipment, or land or a combination thereof <b>(Provided by Corporation)</b>	Active personal labor and/or Active personal management <b>(Provided by shareholders collectively owning at least 50% of shares)</b>
Estate:	Capital, equipment, or land or a combination thereof <b>(Provided by Estate)</b>	Active personal labor and/or Active personal management <b>(Provided by Heir(s) or Personal Representative)</b>
Irrevocable and Revocable Trusts:	Capital, equipment, or land or a combination thereof <b>(Provided by Trust)</b>	Active personal labor and/or Active personal management <b>(Provided by Beneficiary(ies))</b>
Adult Family Member:	N/A	Active personal labor and/or Active personal management
Foreign: Persons	Land and Capital	Active personal labor <b>(Provided by Foreign Individual)</b>
Corporations (If more than 10% foreign ownership)	Land and Capital	Active personal labor <b>(Provided by Foreign Individual)</b>

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--\*

394 Completing CCC-503A (Continued)

D Example 1 (Continued)

\*--

CCC-503A (Reverse) (12-14-99) PRODUCER'S NAME: DM Farms

**6. "PERSON" DETERMINATIONS**

Answer the following questions by entering "√" in the applicable column. For joint operations ONLY, in the applicable column:

1. Enter a "√" if the answer applies to all members.
2. If the answer does not apply to all members, but does apply to a majority of the members enter:
  - a. A "√" for the majority of the members.
  - b. The initials for the remaining members.

	YES	NO	N/A
A. Is this producer a U.S. citizen or an alien lawfully admitted into the U.S.?	X		
B. If this producer is a minor, have all the provisions in 1-PL, Part 4 concerning minors been met?			X
C. If this producer's spouse has an interest in a farming operation, does either spouse have more than one interest in a farming operation earning payments?		D.W.	M.W.
D. If this producer's spouse has an interest in another farming operation, was such interest acquired before marriage and kept totally separate and distinct?		D.W.	M.W.
E. If equipment or land is leased, are the rates customary for the area?			X
F. If a joint operation, are the member's shares commensurate with the contributed inputs?	X		
G. If a cash rent tenant, have the applicable cash rent tenant provisions been met according to 1-PL Part 2?			X
H. If an Indian tribal venture, has a certification from BIA or the Indian tribal council been provided?			X
I. If a corporation, does one stockholder, including shares owned by a spouse or minor children, own more than 50% in the corporation?			X
J. If a corporation, do the same 2 or more stockholders own more than 50% in 2 or more corporations?			X
K. If an estate, would an heir have been combined with the deceased individual?			X
L. If an estate, has the estate been in existence for 2 years?			X
M. If a trust, does the trust provide for modification or interest by the grantor, or if established after January 1, 1987, provide for transfer to the remainder beneficiary in less than 20 years?			X
N. If an irrevocable trust or revocable trust, is there a sole beneficiary?			X
O. If an irrevocable trust, or revocable trust, do the same 1 or more beneficiaries hold more than 50% in 2 or more irrevocable trusts or revocable trusts?			X
P. If a revocable trust, does the grantor have any other farming interest(s)?			X
Q. If a State, political subdivision, or an agency thereof, does the combined State producer have any other farming interest (such as a beneficiary of a trust)?			X
R. If there is an increase in "persons," have 1 or more changes according to 1-PL, Part 2 been met?			X

**7. "ACTIVELY ENGAGED IN FARMING" AND "PERSON" DETERMINATIONS**

A. Based on the information provided, is this producer considered to be actively engaged in farming? Yes  No

B. For joint operations ONLY, is each member considered to be actively engaged in farming? Yes  No

C. Provide a short narrative explaining the determining factors. For joint operations ONLY, indicate the determination and determining factors for each member.

D. Williams and M. Williams each provide a significant contribution of active personal labor and active personal management. DM Farms provides a significant contribution of capital and owned equipment. All contributions are commensurate with the claimed shares.

D. Based on the information provided, the following are considered 2 "person(s)" for payment limitation purposes.

D. Williams \_\_\_\_\_

M. Williams \_\_\_\_\_

---

SIGNATURE OF COMMITTEE MEMBER DATE

/s/ Peter Donnellson 04-29-XX

\*\*\*



394 Completing CCC-503A (Continued)

E Example 2

\*--

**REPRODUCE LOCALLY.** Include form number and date on all reproductions.

<p><b>CCC-503A</b> (12-14-99)</p> <p style="text-align: center;"><b>U.S. DEPARTMENT OF AGRICULTURE</b> Commodity Credit Corporation</p> <p style="text-align: center;"><b>COUNTY COMMITTEE WORKSHEET FOR "ACTIVELY ENGAGED IN FARMING" AND "PERSON" DETERMINATIONS</b></p>	<p>1. PRODUCER'S NAME Boone Farms Inc.</p> <p>2. COUNTY AND STATE Warren, IA</p> <p>3. PROGRAM YEAR 2000</p>
--	--

4. Check the appropriate block.

Individual     
  General Partnership     
  Joint Venture     
  Corporation     
  Other  
 Limited Partnership     
  Estate     
  Irrevocable Trust     
  Revocable Trust

**5. "ACTIVELY ENGAGED IN FARMING" DETERMINATION**

The following are several different types of producers and what such type of producer must contribute to the farming operation in order to be considered "actively engaged in farming."

The required inputs must be a significant contribution, as defined in 1-PL, PART 2. The inputs of capital, equipment, or land may be contributed singly or in any combination. One input of capital, equipment or land must not be acquired as a result of a loan from or cosigned by a source who has an interest in the farming operation. Active personal labor and active personal management may be contributed as a single or combined input. The total contribution for an individual or entity must be commensurate with the claimed shares of the profits or losses from the farming operation and the contributions must be at risk.

A. TYPES OF PRODUCERS	B. REQUIREMENTS FOR INPUT OF CAPITAL, EQUIPMENT, AND LAND	C. REQUIREMENTS FOR INPUT OF LABOR AND MANAGEMENT
Individual:	Capital, equipment, or land or a combination thereof	Active personal labor and/or Active personal management
Landowner:	Land	N/A
Sharecropper:	N/A	Active personal labor
Joint Operation: Operation #1	Capital, equipment or land or a combination thereof (Provided by Members)	Active personal labor and/or Active personal management (Provided by Members)
Operation #2	Capital, equipment, or land or a combination thereof (Provided by Joint Operation)	Active personal labor and/or Active personal management (Provided by Members)
Corporation, Limited Partnership, Other similar entity:	Capital equipment, or land or a combination thereof (Provided by Corporation)	Active personal labor and/or Active personal management (Provided by shareholders collectively owning at least 50% of shares)
Estate:	Capital, equipment, or land or a combination thereof (Provided by Estate)	Active personal labor and/or Active personal management (Provided by Heir(s) or Personal Representative)
Irrevocable and Revocable Trusts:	Capital, equipment, or land or a combination thereof (Provided by Trust)	Active personal labor and/or Active personal management (Provided by Beneficiary(ies))
Adult Family Member:	N/A	Active personal labor and/or Active personal management
Foreign: Persons	Land and Capital	Active personal labor (Provided by Foreign Individual)
Corporations (If more than 10% foreign ownership)	Land and Capital	Active personal labor (Provided by Foreign Individual)

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--\*

394 Completing CCC-503A (Continued)

E Example 2 (Continued)

\*--

CCC-503A (Reverse) (12-14-99)

PRODUCER'S NAME: Boone Farms Inc.

**6. "PERSON" DETERMINATIONS**

Answer the following questions by entering "√" in the applicable column. For joint operations ONLY, in the applicable column:

1. Enter a "√" if the answer applies to all members.
2. If the answer does not apply to all members, but does apply to a majority of the members enter:
  - a. A "√" for the majority of the members.
  - b. The initials for the remaining members.

	YES	NO	N/A
A. Is this producer a U.S. citizen or an alien lawfully admitted into the U.S.?	X		
B. If this producer is a minor, have all the provisions in 1-PL, Part 4 concerning minors been met?			X
C. If this producer's spouse has an interest in a farming operation, does either spouse have more than one interest in a farming operation earning payments?			X
D. If this producer's spouse has an interest in another farming operation, was such interest acquired before marriage and kept totally separate and distinct?			X
E. If equipment or land is leased, are the rates customary for the area?	X		
F. If a joint operation, are the member's shares commensurate with the contributed inputs?			X
G. If a cash rent tenant, have the applicable cash rent tenant provisions been met according to 1-PL Part 2?	X		
H. If an Indian tribal venture, has a certification from BIA or the Indian tribal council been provided?			X
I. If a corporation, does one stockholder, including shares owned by a spouse or minor children, own more than 50% in the corporation?		X	
J. If a corporation, do the same 2 or more stockholders own more than 50% in 2 or more corporations?		X	
K. If an estate, would an heir have been combined with the deceased individual?			X
L. If an estate, has the estate been in existence for 2 years?			X
M. If a trust, does the trust provide for modification or interest by the grantor, or if established after January 1, 1987, provide for transfer to the remainder beneficiary in less than 20 years?			X
N. If an irrevocable trust or revocable trust, is there a sole beneficiary?			X
O. If an irrevocable trust, or revocable trust, do the same 1 or more beneficiaries hold more than 50% in 2 or more irrevocable trusts or revocable trusts?			X
P. If a revocable trust, does the grantor have any other farming interest(s)?			X
Q. If a State, political subdivision, or an agency thereof, does the combined State producer have any other farming interest (such as a beneficiary of a trust)?			X
R. If there is an increase in "persons," have 1 or more changes according to 1-PL, Part 2 been met?			X

**7. "ACTIVELY ENGAGED IN FARMING" AND "PERSON" DETERMINATIONS**

A. Based on the information provided, is this producer considered to be actively engaged in farming? Yes  No

B. For joint operations ONLY, is each member considered to be actively engaged in farming? Yes  No

C. Provide a short narrative explaining the determining factors. For joint operations ONLY, indicate the determination and determining factors for each member.

Boone Farms, Inc. provides a significant contribution of capital, leased equipment, and land.  
Two stockholders, collectively owning 60 percent, provide a significant contribution of  
personal management. All contributions of Boone Farms, Inc. are commensurate.

D. Based on the information provided, the following are considered 1 "person(s)" for payment limitation purposes.  
Boone Farms, Inc.

---

SIGNATURE OF COMMITTEE MEMBER DATE  
/s/ Daniel Franklin 04/29/XX

--\*

**395 COC Requirements to Make a Timely Determination****A Introduction**

COC shall make the initial determinations of “actively engaged in farming” and “persons” within the deadlines established according to paragraph 393.

**Note:** See paragraph 425 for required State Office determination.

**B Definition**

A default determination assumes all individuals or entities are “actively engaged in farming” and the “person” determination is the determination sought by the applicant.

**C Rule**

If COC does not make the initial determinations within the 60 calendar day time limit, the applicant shall receive a “default determination.” COC must still make determinations of “actively engaged in farming” and “person.” If the correct determination is different:

- FSA will honor the “default determination” for the current year if the farm operation plan is followed exactly
- the proper determination will apply if the farm operation plan is not followed exactly
- the proper determination will apply the following year if the operation is exactly the same.

**Note:** See paragraph 652 for end-of-year review requirements for default determinations.

395 COC Requirements to Make a Timely Determination (Continued)

**D Number of “Persons”**

If an applicant receives a “default determination”, the number of “persons” will not exceed the number listed on this table.

<b>Type of CCC-502</b>	<b>“Person” Determination</b>
CCC-502A	The individual will be 1 “person” separate and distinct from any other individual or entity.  <b>Note:</b> If the individual is a member of a joint operation, the individual’s interest in the joint operation and the individual’s interest supported by this CCC-502A will be 1 “person”.
CCC-502B	*--Each member of the joint venture or general partnership will be--* 1 “person” separate and distinct from any other individual or entity.
CCC-502C	The entity will be 1 “person” separate and distinct from any other individual or entity.
CCC-502D	The entity will be 1 “person” separate and distinct from any other individual or entity.
CCC-502EZ	The individual will be 1 “person” same as for CCC-502A.

**E Notification to Producer**

See paragraphs 466 and 467 for notification requirements of both the default and correct determination letters to the producer.

**396 Redelegating Authority**

**A Introduction**

COC may redelegate their authority to CED to make “actively engaged in farming” and “person” determinations in certain circumstances.

**B Circumstances for Redlegation**

COC’s authority to make “actively engaged in farming” and “person” determinations may be redelegated to CED when the cases delegated are of a routine nature.

**\*--Note:** Record all COC determinations in COC minutes including those determinations made by CED for COC.--\*

**C Spot-Checking Redelegated Determinations**

Periodically, COC’s and DD’s shall review a sufficient number of redelegated cases to ensure that proper determinations are being made.

**397 Meritorious Relief**

**A Misaction or Misinformation**

\*--See 7-CP for cases involving misaction or misinformation.--\*

**398 Incorrect Determinations**

**A Corrective Action**

Use this table if a determination is found to be in error by any reviewing authority.

<b>IF a determination is found to be in error...</b>	<b>THEN...</b>
<p>within 60 calendar days of the date the producer filed CCC-502</p>	<ul style="list-style-type: none"> <li>• the producer shall be immediately notified of the corrected determination and advised of the right to appeal according to 1-APP</li> <li>• the corrected determination shall be applicable for the current year, unless COC determines and DD concurs that both of the following apply:               <ul style="list-style-type: none"> <li>• the error was not so great that the producer should have noticed it</li> <li>• the producer, relying on the erroneous written determination and acting in good faith:                   <ul style="list-style-type: none"> <li>• materially changed plans because of the erroneous determination</li> <li>• was not notified in time to comply with the correct determination without suffering a loss.</li> </ul> </li> </ul> </li> </ul>

398 Incorrect Determinations (Continued)

A Corrective Action (Continued)

IF a determination is found to be in error...	THEN...
<p>but not within 60 calendar days of the date the producer filed CCC-502</p>	<ul style="list-style-type: none"> <li>• the initial determination shall be considered a default determination according to paragraph 395 for the current year and any previous year to which CCC-502 is applicable</li> </ul> <p><b>Exception:</b> The correct determination shall apply for the current year if both of the following apply:</p> <ul style="list-style-type: none"> <li>• the incorrect determination was made in a previous year and considered to be in effect for subsequent years</li> <li>•*--the error was discovered and the producer was notified before either a payment was issued or--* the status date had passed for the current year.</li> </ul> <ul style="list-style-type: none"> <li>• the producer shall be notified of the correct determination according to paragraph 467.</li> </ul>

399-410 (Reserved)





**Section 2 County Office Responsibilities**

**411 Overview**

**A**

**Introduction**

This section provides instruction on County Office responsibilities for:

- maintaining the Payment Limitation Review Register
- printing the Payment Limitation Review Register
- notifying producers of payment eligibility and limitation determinations.

**B**

**In This Section**

The following subsections are included in this section.

<b>Subsection</b>	<b>Title</b>	<b>Page</b>
1	Multiple State and County Producers	5-26
2	State Office Determinations	5-41
3	Payment Limitation Review Register	5-55
4	Reports	5-75
5	Notifying Producers of Determinations	5-91
6	Filing	5-121

**Subsection 1 Multiple State and County Producers**

**412 Overview**

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**A**

**Introduction**

When a producer has interest in 2 or more States or 2 or more counties within a State, a control county must be selected.

This subsection covers the responsibilities and interactions of States and counties involved with multiple State and county producers.

---

**B**

**In This Subsection**

The following paragraphs are included in this subsection.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
413	Responsibilities of County Office Receiving CCC-502	5-27
414	Control County Responsibilities	5-28
415	Interaction Between Counties	5-29
416	Producers With Multiple State Interests	5-31
417-421	Withdrawn--Amend. 25	
422, 423	Reserved	

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**413 Responsibilities of County Office Receiving CCC-502**

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**A**

**Overview**

This paragraph explains the basic responsibilities of a County Office that receives CCC-502 from a multiple county producer.

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**B**

**Responsibilities**

Counties receiving CCC-502 for a multiple county producer shall follow this table.

Step	Action
1	Immediately photocopy all forms and supporting documentation submitted.
2	Prepare a letter advising other County Offices involved of: <ul style="list-style-type: none"> <li>• the filing date</li> <li>• which county is the control county.</li> </ul>
3	Mail the letter with a set of the photocopied documents to each County Office where the producer has a farming interest.

---

**C**

**Determination  
Deadline**

COC must make \* \* \* determinations and notify the producer within 60 calendar days after the producer files CCC-502. The 60 calendar day period begins on the date CCC-502 is filed, regardless of whether or not the office receiving the filing is the control county.

---

414 Control County Responsibilities

A

**Responsibilities** This table contains a list of responsibilities of control counties in different situations.

<b>IF the multiple county producer is involved in...</b>	<b>THEN the control County Office shall...</b>
only 1 farming operation	<ul style="list-style-type: none"> <li>• make "person" determinations</li> <li>• monitor "permitted entity" designations</li> <li>• make "actively engaged in farming" determinations.</li> </ul>
multiple farming operations and all operations are in the control county	<ul style="list-style-type: none"> <li>• make all "person" determinations</li> <li>• monitor "permitted entity" designations</li> <li>• make all "actively engaged in farming" determinations.</li> </ul>
multiple farming operations and all farming operations are not in the control county	<ul style="list-style-type: none"> <li>• make all "person" determinations</li> <li>• monitor all "permitted entity" designations</li> <li>• make "actively engaged" in farming determinations for the farming operations located in the control county.</li> </ul> <p><b>Note:</b> The control county is not responsible for making the "actively engaged" determination for a farming operation located entirely in another county.</p>

414 Control County Responsibilities (Continued)

**B**

**Designated  
Control County  
Offices**

The following table provides the designated control County Offices for the listed multiple State producers.

Entity	ID Number	Control County
<ul style="list-style-type: none"> <li>• Alcoa</li> <li>• NW Alloys</li> </ul>	<ul style="list-style-type: none"> <li>• 25-0317820</li> <li>• 25-1233642</li> </ul>	*--Warwick County FSA Office 1122 So. 8th St. Boonville, IN 47601 812-897-2840--*
Church of Jesus Christ of Latter Day Saints	<ul style="list-style-type: none"> <li>• 87-0384757</li> <li>• 87-0274433</li> <li>• 88-0158527</li> </ul>	Benton County FSA Office 620 8th St. Prosser, WA 99350 509-786-2313
<ul style="list-style-type: none"> <li>• Connecticut General</li> <li>• Connecticut General Life Insurance Co.</li> <li>• Conn Gen Life Insurance</li> <li>• Conn General Life Insurance, Inc.</li> <li>• Ct Gen Life Insurance</li> <li>• Conn Gen Life Insurance, Company</li> <li>• Connecticut Genrl Life, Insurance</li> <li>• Connecticut General Life, Inc.</li> <li>• Conn General</li> <li>• C Gen Life</li> <li>• Conn Gen. Life</li> </ul>	06-0303370	Boone County FSA Office 1206 Business Loop 70 West Suite B Columbia, MO 65205 314-443-8701

Continued on the next page

414 Control County Responsibilities (Continued)

**B**  
**Designated**  
**Control County**  
**Offices**  
**(Continued)**

Entity	ID Number	Control County
<ul style="list-style-type: none"> <li>• C Gen c/o D FM MGR Tippett Land &amp; Mort Co.</li> <li>• CIGNA</li> <li>• CIGNA Life Insurance, Co.</li> <li>• CIGNA Farms c/o Larry Bishop</li> <li>• CIGNA Capital Advisors, Inc.</li> <li>• CIGNA c/o Duff Farm Management</li> <li>• CIGNA Invst, Inc.</li> <li>• CIGNA Investments, Inc.</li> <li>• AETNA Life Insurance</li> </ul>	<p>06-0303370</p>	<p>Boone County FSA Office            1206 Business Loop 70 West            Suite B            Columbia, MO 65205            314-443-8701</p>
<p>1st Interstate Bank Owned by First Interstate Bancorp</p>	<p>ID Number Varies</p>	<p>Morrow County FSA Office            430 Heppner-Lexington Hwy.            P.O. Box 786            Heppner, OR 97836-0786            503-676-9011</p>
<ul style="list-style-type: none"> <li>• John Hancock Mutual Life Insurance Company</li> <li>• John Hancock Insurance Company</li> <li>• Hancock Mutual Life Insurance</li> </ul>	<ul style="list-style-type: none"> <li>• 04-1414660</li> <li>• 04-2482364</li> </ul>	<p>Lee County FSA Office            P.O. Box 157            Amboy, IL 61310-0157            815-857-3621</p>

Continued on the next page

414 Control County Responsibilities (Continued)

**B**  
**Designated**  
**Control County**  
**Offices**  
**(Continued)**

Entity	ID Number	Control County
<ul style="list-style-type: none"> <li>• Metropolitan Life Insurance Company</li> <li>• Farmer’s National Company</li> </ul>	<ul style="list-style-type: none"> <li>• 13-5581829</li> <li>• 47-0157270</li> </ul>	Sarpy County FSA Office P.O. Box 280850 Papillion, NE 68128-0850 402-339-8644
Norwest Bank	ID number varies	*--Wright County FSA Office 306 A Brighton Ave. Buffalo, MN 55313-2303 612-682-1982--*
<ul style="list-style-type: none"> <li>• The Equitable Life Assurance Society of America</li> <li>• Equitable Agri-Business, Inc.</li> </ul>	<ul style="list-style-type: none"> <li>• 13-5570651</li> <li>• 58-1571529</li> </ul>	St. Louis County FSA Office Suite 212 1215 Fern Ridge Parkway St. Louis, MO 63141-4401 314-453-9555
<ul style="list-style-type: none"> <li>• Travelers Insurance</li> <li>• Circle T Farms</li> <li>• Prospect Co.</li> </ul>	<ul style="list-style-type: none"> <li>• 06-0807418</li> <li>• 06-0566090</li> <li>• 51-0099394</li> </ul>	Adams County FSA Office 114 East Main Ritzville, WA 99169-1481 509-659-1761





**415 Interaction Between Counties**

**A Overview**

Counties with multiple county producers shall remain in close contact. This paragraph provides the interaction that must take place between counties.

**B Control County Responsibilities**

The control county shall:

- notify the producer of the determination within 60 calendar days of the producer filing date

**Note:** The control county shall not delay notification to the producer to obtain the concurrence of other COC’s.

- notify COC’s involved with the multiple county producer of the determinations

- \*--upon receipt of concurrence from other COC’s, update eligibility flags according to 3-PL.--\*

**C Other County Responsibilities, Initial Determination**

COC’s in noncontrol counties receiving notification of an initial determination by the control county COC for a multiple county producer shall respond according to this table.

<b>IF COC’s in noncontrol counties...</b>	<b>THEN the noncontrol county shall...</b>
agree with the determination	notify the control county of the concurrence in writing. * * *
do not agree with the determination made by the control county	<ul style="list-style-type: none"> <li>• immediately contact the control county to resolve the differences</li> <li>• involve DD’s and State Offices if needed to resolve the differences</li> <li>• notify the control county of concurrence in writing * * * when the differences have been resolved.</li> </ul>

**Note:** If the original determination is changed for any reason, the control county shall immediately repeat the procedures in this paragraph.

415 Interaction Between Counties (Continued)

**D Other County Responsibilities, Updated Determination**

COC's in noncontrol counties receiving notification of an updated determination by the control county COC for a multiple county producer shall take the following action.

<b>IF COC's in noncontrol counties...</b>	<b>THEN that county...</b>
agree with the determination that is being updated	is not required to respond when the letter sent by the control county indicates that an agreeing response is not needed. * * *
do not agree with the updated determination	shall follow the instructions in subparagraph C when a noncontrol county does not agree.

**416 Producers With Multiple State Interests**

**A COC Determinations for Multiple State Producers**

Procedure applicable to multicounty producers shall also be followed for multiple State  
\*--producers. Counties should communicate directly and provide copies of such notifications  
and determinations to the State Offices for concurrence.--\*

**417-421 (Withdrawn--Amend. 25)**

**422, 423 (Reserved)**



**Subsection 2 State Office Determinations**

**424 Overview**

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**A**

**Introduction**

This subsection provides instructions to County Offices for determinations that are required to be made by State Office representatives.

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\* \* \*

## 425 Required State Office Determinations

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### A

#### Rule on Required State Office Determinations

\*--[7 CFR 1400.2] State Office review and determination are:--\*

- required for initial "person" and "actively engaged in farming" determinations for joint operations with 6 or more members
- not required when both of the following apply:
  - the State Office made "person" and "actively engaged in farming" determinations for the joint operation in a previous year
  - \*--the producer certifies minor changes in the farming operation and COC determines that the changes will not affect the “person” or “actively--\* engaged in farming” determinations previously made by the State.

**Notes:** State Offices are not required to make initial determinations for Indians receiving payment through affiliation with BIA or on lands owned by or held in trust for an Indian tribal venture.

Complex cases must be reviewed by STC.

COC's shall not make or recommend a determination.

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Continued on the next page

**425 Required State Office Determinations (Continued)**

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**B****Related Farming Operations**

If State Office is required to make "person" and "actively engaged in farming" determinations for a producer and the producer is also involved in another farming operation as an individual or member of a joint operation or entity:

- CCC-502's for the other farming operations are not required to be sent to the State Office for determination

**Exception:** If there is reason to believe the additional CCC-502's would change the determination, the State Office may require CCC-502's for the other farming operations.

- the applicable control COC for the other farming operations shall:
  - make the "actively engaged in farming" and "person" determinations for that farming operation according to paragraph 414
  - notify the producer.

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Continued on the next page

**425 Required State Office Determinations (Continued)**

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**C****Sending File to State Office**

If a State Office determination is required according to this paragraph, County Offices shall send, by fastest means possible, new or updated CCC-502's with supporting documentation to State Office no later than 3 workdays following the day the forms were received in the County Office.

Supporting documentation shall include:

- \*--a copy of the production flexibility contract or summary of shares--\*

claimed by the producer

- a copy of CCC-502's or summary of the producer's shares for other farming operations in which the producer has an interest as an individual or member of a joint operation or entity as required by the State Office.

Supporting documentation may also include:

- copy of cash or share leases
- legal documentation concerning:
  - land ownership
  - corporations
  - trusts
  - partnerships
- additional documentation as required by the State Office.

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Continued on the next page



425 Required State Office Determinations (Continued)

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**D**  
**Notifying**  
**Producers of**  
**This**  
**Requirement**

County Offices shall notify applicable producers by letter:

- that CCC-502 and supporting documentation, if applicable, has been sent to the State Office according to the requirement that State Offices make initial \*--determinations of "persons" and "actively engaged in farming" for joint operations with 6 or more members--\*
- that notification of determinations of "persons" and "actively engaged in farming" will be sent from the State Office.

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Continued on the next page

425 Required State Office Determinations (Continued)

**E**

**Determination Deadlines** This table provides deadlines for the State Office to make "person" and "actively engaged in farming" determinations and producer notification.

IF CCC-502 is filed for programs...	THEN make...
not requiring an "actively engaged in farming" determination	a "person" determination, and notify the producer within 60 calendar days of the date the applicable CCC-502 was filed.  <b>Note:</b> An "actively engaged in farming" determination is not required until benefits are requested for a program requiring an "actively engaged in farming" determination.
not requiring an "actively engaged in farming" determination, but benefits are later requested for a program requiring an "actively engaged in farming" determination	<ul style="list-style-type: none"> <li>• a "person" determination, and notify the producer within 60 calendar days of the date the applicable CCC-502 was filed</li> <li>• an "actively engaged in farming" determination within 60 calendar days of the later of the following:                             <ul style="list-style-type: none"> <li>• the date the application or contract to participate for the program subject to an "actively engaged in farming" determination is filed</li> <li>• the date a new or updated CCC-502 is filed, if applicable.</li> </ul> </li> </ul> <b>Note:</b> If no changes have occurred, the producer is not required to file a new or updated CCC-502 * * *.
requiring an "actively engaged in farming" determination	"person" and "actively engaged in farming" determinations, and notify the producer within 60 calendar days of the date the applicable CCC-502 is filed.

**F**

**Default Determinations** If the State Office does not make the initial determinations within the 60 calendar day time limit, the applicant shall receive a default determination according to paragraph 395.

426, 427 (Withdrawn--Amend. 40)

428-432 (Reserved)

**Subsection 3 Payment Limitation Review Register**

**433 Overview**

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**A**

**Introduction**

This subsection covers the use of the Payment Limitation Review Register.

---

**B**

**In This Subsection**

The following paragraphs are included in this subsection.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
434	Annual File Edit of Payment Limitation Review Register	5-56
435	Accessing Automated Payment Limitation Review Register	5-57
436	Payment Limitation Review Register Field Codes	5-58.6
437	Recording First Time Determinations	5-61
438	Revising Payment Limitation Review Register for a New CCC-502 That Replaces Previous CCC-502	5-63
439	Withdrawn--Amend. 33	

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**434 Annual File Edit of Payment Limitation Review Register**

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**A****Introduction**

\*--The Payment Limitation Review Register:

- is subject to an annual file edit

**Note:** If a producer filed CCC-502 in a previous year, the annual file edit will create a new current year register for the producer. All fields in the register will be blank except the "Date Last Year 502" field, which will receive information from the previous year "Date Current 502" field.

- shall be maintained for the current and prior year.
- 

**B****Start-of-Day  
Additions and  
Deletions**

To add a producer to the Payment Limitation Review Register, the user must wait for the next start-of-day operation after the producer becomes an active producer in the name and address file.

If a producer is not considered an active producer in the name and address file, the user will not be able to access the Payment Limitation Review Register for that producer. A producer made inactive in the applicable year's name and address file will be deleted from the Payment Limitation Review Register during the next start-of-day operation.--\*

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Continued on the next page

434 Annual File Edit of Payment Limitation Review Register (Continued)

**C**

**If File Becomes Unlinked**      Subsidiary rollover will not unlink the A.MA.R?M file. If the A.MA.R?M file becomes unlinked for any reason, complete the steps in this table to link the file to the definition **before** accessing the Payment Limitation Review Register.

Step	Action
1	On Menu FAX250, ENTER "1", "Office Automation Functions".
2	*--On Menu OAA010, ENTER "7", "Query/36".--*
3	On the Use Query/36 Screen, ENTER "5", "Create, Link, Unlink or type data into a file".
4	<p>On the Work With Disk Files Screen, ENTER:</p> <ul style="list-style-type: none"> <li>• "8" to link</li> <li>• "A.MA.R?M" as the file name. Replace the question mark with the last digit of the applicable year to process.</li> </ul> <p>*--<b>Example:</b> ENTER "A.MA.R2M" if the 2002 Payment Limitation Review Register--* data is needed.</p>
5	<p>On the Link a Disk File and a Definition Screen, ENTER:</p> <ul style="list-style-type: none"> <li>• "IDDEF01" for data dictionary name</li> <li>• "AMAR?M" for file definition name. Replace the question mark with the last digit of the applicable year to process.</li> </ul>

**D**

**Action Required Before File Edit**      Before installation of software that performs the annual file edit, print the Payment Limitation Review Register according to paragraph 450.

**Note:** Manually update entries on the Payment Limitation Review Register, as required, for the applicable program year.



435 Accessing Automated Payment Limitation Review Register

A

**Introduction**

This paragraph explains how to access the year-specific Payment Limitation Review Register.

B

**Accessing Payment Limitation Review Register**

Access the applicable year's Payment Limitation Review Register according to this table.

Step	Action
1	On Menu FAX250, ENTER "4", "Application Processing".
2	On Screen FAX09002, enter applicable county.
3	On Menu FAX07001, ENTER "9", "Common Provisions".
4	On Menu MA0000, ENTER "4", "Subsidiary File".
5	On Menu MAD000, ENTER "7", "Entity File and Payment Limitation Register".
6	On Menu MAB440B, ENTER "3", "Payment Limitation Review Register".
7	On Menu MAB44N, ENTER "1", "Update Pay Limit Review Register".
8	On Menu MAB12101, enter, as applicable: <ul style="list-style-type: none"> <li>• *--"1" for current year</li> <li>• "2" for prior year.--*</li> </ul> * * *
9	On Menu MAB12701, enter, as applicable: <ul style="list-style-type: none"> <li>• the full ID number to select the producer to update</li> <li>• if the full ID number is unknown, the last 4 digits of ID or last name.</li> </ul> <p><b>Note:</b> This will display the Payment Limit Review Register Screen. See paragraphs 437 and 438 for instructions for updating the Payment Limitation Review Register.</p>

Continued on the next page

435 Accessing Automated Payment Limitation Review Register (Continued)

C  
Payment Limit  
Review Register  
Selection Screen

This is an example of Screen MAB12701.

```

*--
*****
* Common Provisions      089-SHASTA COUNTY FSA      SELECTION      MAB12701      *
* Payment Limit Review Register Screen      Version: AB75  04/01/97 08:33 Term AE*
* -----*
*           Please enter the full ID to select the producer
*           to update.
*
*           If the full ID is unknown, enter the last four digits of
*           the ID or last name (partial last name accepted).
*
*
*
*
*           Last Four of ID ____
*
*           ID Number _____ Type _
*           Last Name _____
*
*
*
*
* Cmd7=End
*
*           Enter-Continue
*
*****

```

--\*

Continued on the next page



435 Accessing Automated Payment Limitation Review Register (Continued)

---

**D**  
**Payment Limit**  
**Review Register**  
**Update Screen**

\*--This is an example of Screen MAB12703.

\*\*\*\*\*

Common Provisions 089-SHASTA COUNTY FSA UPDATE MAB12703  
Payment Limit Review Register Screen Version: AB75 03/26/1997 08:33 Term AE

---

ID Number 999999999 Type S Name JAMES COUP  
Entity Type 01

MM / DD / CCYY

Date 502 Received 00 / 00 / 0000  
Date COC Action 00 / 00 / 0000  
Date DD Review 00 / 00 / 0000  
Date Submit STC 00 / 00 / 0000  
Date Notified 00 / 00 / 0000

Code Letter

Cmd2-Return to Selection Screen Cmd7-End Enter-Continue  
\*\*\*\*\*

---

**E**  
**Validation**  
**Procedure**

A producer must be considered an "active producer" to be placed on the payment limitation review register. See 2-PL, Exhibit 2 for a definition of "active producer".--\*

---

436 Payment Limitation Review Register Field Codes

---

**A**

**Introduction**

There are fields that must be completed on the Payment Limitation Review Register. This paragraph defines the codes that are used for the fields.

---

**B**

**Codes Defined**

This table lists the field codes and their definitions.

**Note:** Codes are listed in the order in which they are displayed on the screen.

Code	Definition
Id Number	This is the 9-digit ID number with <b>no</b> spaces.
Type	This is the ID type used in the name and address file. The types are: <ul style="list-style-type: none"> <li>• "S" for Social Security number</li> <li>• "E" for employer ID number</li> <li>• "I" for IRS number.</li> </ul>
Name	This is the producer's name.
Entity Type	This is the entity type according to this handbook.
Date 502 Received	This is the date the County Office receives a signed, *--completed CCC-502 for the current year.
Date COC Action	This is the date COC makes the applicable determination.--*

Continued on the next page

436 Payment Limitation Review Register Field Codes (Continued)

**B**  
Codes Defined  
(Continued)

Code	Definition
Date DD Review	This is the date DD reviews a determination.
Date Submit STC	This is the date a file was submitted to STC.
Date Notified	This is the date the producer is notified of COC's determination.
Code Letter	<p>This is intended for the notification letter code assigned to a shell document that is used to notify the producer of COC's determination. County Offices are responsible for developing their own shell document and assigning code number. Code numbers are <b>not</b> required to be year specific.</p> <p><b>Examples:</b> The code "00" could <b>not</b> generate a letter to be sent to an individual or entity.</p> <ul style="list-style-type: none"> <li>• "01" could send a letter to an individual.</li> <li>• "02" could send a letter to an entity.</li> </ul>

**C**  
General Policies  
for Completing  
Fields

When entering data in the fields of the Payment Limitation Review Register, enter all dates in month, day, and year order.

**\*--Example:** March 19, 2003, is entered as "031903".--\*



437 Recording First Time Determinations

---

A

**Introduction**

This paragraph describes the process to follow when a producer is added to the payment limitation register for the first time.

---

B

**Recording  
First Time  
Determinations**

Take the following action when a producer submits CCC-502 for the first time.

Step	Action
1	Access Payment Limit Review Register Screen MAB12701 according to subparagraph 435 B.
2	Follow instructions on Screen MAB12701 for selecting the producer to add or update.
3	<p>If ID selected is an active producer in the name and address file, Screen MAB12702 will be displayed. Screen MAB12702 will show a record containing either of the following.</p> <ul style="list-style-type: none"> <li>• Dates greater than zero. This producer has filed CCC-502 previously. PRESS "Cmd7" to end process or see paragraph 438 to revise the record.</li> <li>• Dates equal to zero. The Payment Limitation Review Register has not been done for this producer. Go to step 4.</li> </ul> <p><b>Note:</b> If ID selected is not found to be an active producer in the name and address file, the user must wait until the next start-of-day after the producer has been added to the name and address file to use the Payment Limitation Review Register for that producer.</p>
***	***

---

Continued on the next page

437 Recording First Time Determinations (Continued)

**B**  
**Recording**  
**First Time**  
**Determinations**  
**(Continued)**

\*--

Step	Action
4	<p>In the "Date 502 Received" field, enter the date the producer files the new CCC-502 for the current year.</p> <p><b>Note:</b> If COC has:</p> <ul style="list-style-type: none"> <li>• made determinations, go to step 5</li> <li>• not made actively engaged and person determinations, go to step 9.</li> </ul>
5	<p>In the "Date COC Action" field, enter the date COC made its determination on CCC-502, and go to step 6.</p>
6	<p>Leave the "Date DD Review" and "Date Submit STC" fields <b>blank</b>.</p> <p><b>Note:</b> If a review of this application is made at a later date by DD or STC, the date of the review should be entered at that time.</p>
7	<p>In the "Date Notified" field, enter the date the County Office mailed the letter notifying the producer of COC's determination.</p>
8	<p>In the "Code Letter" field, enter the type of letter the producer is to receive.</p> <p><b>Examples:</b></p> <ul style="list-style-type: none"> <li>• "01" for an individual.</li> <li>• "02" for an entity.</li> </ul> <p><b>Note:</b> The County Office must have a shell document or query in place to use the "Code Letter" field.</p>
9	<p>If user wants to:</p> <ul style="list-style-type: none"> <li>• record the new record, PRESS "Enter"</li> <li>• enter the next entity, PRESS "Cmd2" to return to the selection screen</li> <li>• end the process, PRESS "Cmd7".</li> </ul>

--\*

**438 Revising Payment Limitation Review Register for a New CCC-502 That Replaces Previous CCC-502**

---

**A**

**Introduction**

Apply the procedure in this paragraph if the producer replaces previous CCC-502 with a new CCC-502.

---

**B**

**Payment  
Limitation  
Review Register  
for Replaced  
CCC-502**

Take the following action for completing the Payment Limitation Review Register if a producer submitted CCC-502 in the previous year, but because of major changes in his or her farming operation or other reasons, he or she was required to submit a new CCC-502 for the current crop year.

Step	Action
1	Access Payment Limit Review Register Screen MAB12701 according to subparagraph 435 B.
2	Follow instructions on Screen MAB12701 for selecting the producer to add or update.
3	<p>If ID number selected is found to be an active producer in the name and address file, Screen MAB12702 will be displayed. Screen MAB12702 will show a record containing either of the *--following in the "Date 502 Received" field.--*</p> <ul style="list-style-type: none"> <li>• Date greater than zero. This producer filed a CCC-502 previously. Go to step 4.</li> <li>• Date equal to zero. The producer was not an active producer in this county in the prior year. PRESS "Cmd7" to end process. See subparagraph 437 B to add the producer to the Payment Limitation Review Register.</li> </ul>

Continued on the next page

438 Revising Payment Limitation Review Register for a New CCC-502 That Replaces Previous CCC-502 (Continued)

---

**B  
Payment  
Limitation  
Review Register  
for Replaced  
CCC-502  
(Continued)**

Step	Action
4	<p>*--In the "Date 502 Received" field, enter the date the producer--* signs the new CCC-502 for the current year.</p> <p>Decide whether determinations have been made:</p> <ul style="list-style-type: none"> <li>• if yes, go to step 5</li> <li>• if no, go to step 9.</li> </ul>
5	<p>In the "Date COC Action" field, enter the date COC made its determination for this application.</p>
6	<p>Delete any entries in the following fields:</p> <ul style="list-style-type: none"> <li>• "Date DD Review"</li> <li>• "Date Submit STC".</li> </ul> <p><b>Note:</b> If a review is made at a later date by DD or STC, the date of the review should be entered at that time.</p>

---

Continued on the next page



438 Revising Payment Limitation Review Register for a New CCC-502 That Replaces Previous CCC-502 (Continued)

---

**B**  
**Payment**  
**Limitation**  
**Review Register**  
**for Replaced**  
**CCC-502**  
**(Continued)**

Step	Action
7	In the "Date Notified" field, enter the date the County Office mailed the letter notifying producer of COC's decision.
8	In the "Code Letter" field, enter the type of letter producer is to receive.  <b>Examples:</b> <ul style="list-style-type: none"> <li>• "01" for an individual.</li> <li>• "02" for an entity.</li> </ul>
***	***
9	If user wants to: <ul style="list-style-type: none"> <li>• record the new record, PRESS "Enter"</li> <li>• enter the next entity, PRESS "Cmd2" to return to the selection screen</li> <li>• end the process, PRESS "Cmd7".</li> </ul>

---

439 (Withdrawn--Amend. 33)

440-447 (Reserved)



Subsection 4 Reports

448 Overview

---

A

Introduction

\*--This subsection provides instructions for printing 2 reports that use information obtained from the Payment Limitation Review Register.--\*

---

B

In This Subsection

The following paragraphs are included in this subsection.

Paragraph	Title	Page
449	Pending COC Payment Limitation Review Report	5-76
450	Printing Payment Limitation Review Register	5-78

---

**449 Pending COC Payment Limitation Review Report**

---

**A**

**Introduction**

A pending COC Payment Limitation Review Report can be printed, as needed, before COC meetings. The report should be used to ensure that determinations are made in a timely manner, thereby avoiding default determinations.

---

**B**

**Printing Instructions**

Print the COC Payment Limitation Review Report according to this table.

Step	Action
1	Access Menu MAB44N according to subparagraph 435 B.
2	ENTER "2", "Print COC Review Report".
3	On Screen MAB12101, ENTER:  •*--"1" for current year • "2" for prior year.--*  * * *
4	On Screen MAB44N02, enter the printer ID.
5	The report will print on 8 1/2- by 11-inch paper.

Continued on the next page

449 Pending COC Payment Limitation Review Report (Continued)

---

C

**Report Contents** \*--The report will print a list of producers who have an entry in the "Date 502 Received" field and no entry in the "Date COC Action" field.--\*

\* \* \*

---

D

**Example** \*--This is an example of the Pending COC Payment Limitation Review Report.

04/13/97 PENDING COC PAYMENT LIMITATION REVIEW REPORT		
NAME	DATE 502 RECEIVED	DATE COC ACTION
TED ABRAMS	03/08/1997	
BONNIE GOEDEL	03/12/1997	03/27/1997

--\*

\* \* \*

---

450 Printing Payment Limitation Review Register

---

**A**

**Introduction**

The Payment Limitation Review Register can be printed as needed. A list of all producers with an entry in the "Date 502 Received" field for the current year will be printed.

---

**B**

**Printing Instructions**

Print the Payment Limitation Review Register according to this table.

Step	Action
1	Access Menu MAB44N according to subparagraph 435 B.
2	ENTER "3", "Print Pay Limit Review Register".
3	On Screen MAB12101, ENTER: <ul style="list-style-type: none"> <li>•*--"1" for current year</li> <li>• "2" for prior year.--*</li> </ul> * * *
4	On Screen MAB44N03, enter the printer ID.
5	The report will print on 8 1/2- by 11-inch paper.

Continued on the next page

450 **Printing Payment Limitation Review Register (Continued)**

---

C

**Example**

This is an example of a printout of the Payment Limitation Review Register.

\*--

04/13/97	PAYMENT LIMITATION REVIEW REGISTER			
NAME	DATE 502 RECEIVED	DATE COC ACTION	DATE DD REVIEW	DATE TO STC
TED ABRAMS	03/08/1997			
BONNIE GOEDEL	03/12/1997	3/27/1997		04/02/1997

--\*

**Note:** Producers with no entry in the "Date Last Year 502" column have filed new CCC-502's for the current year.

---

451-461 (Reserved)





## Subsection 5      Notifying Producers of Determinations

### 462    Overview

#### A    Introduction

This subsection provides instructions for notifying producers of payment eligibility and limitation determinations.

#### B    In This Subsection

The following paragraphs are included in this subsection.

Paragraph	Title	Page
463	Notifying Producers of Determinations	5-92
464	“Persons” and “Actively Engaged in Farming” Determinations	5-93
465	Reduced Payments Determinations	5-94
466	Default Determinations	5-95
467	Proper Determinations	5-96
468	Notification Letters	5-98

**463 Notifying Producers of Determinations****A Introduction**

County Offices shall notify producers of COC's payment limitation determinations as soon as possible after the determinations are made.

**B Rule**

County Offices shall notify producers of COC's determinations not later than 60 calendar days after the date the applicable CCC-502 was filed.

**Note:** A producer notification letter is only needed for updates to an existing CCC-502, if the previous determinations have changed.

**C Types of Notifications**

County Offices shall mail the following types of letters to producers:

- notification of reduced payments
- notification of default determinations
- notification of proper determination after default determination
- \*--notification of COC determination for payment eligibility and payment limitation purposes--\*
- notification to foreign persons determined ineligible for benefits
- notification of COC approval of payment to an entity with more than 10 percent foreign ownership.

**\*--464 Payment Eligibility and Payment Limitation Determinations--\***

**A Notification Requirements**

Notification letters informing participants of COC's determination shall include the following:

- the “actively engaged in farming” determination
- the “person” determination
- \*--if applicable, determinations for cash rent tenant and AGI compliance--\*
- the statement, “This determination is based on the facts as submitted. You are responsible for promptly notifying the County Office of any change that would affect these determinations. Any unrevealed circumstances could require the application of a more restrictive rule.”
- notification to commodity program and CRP contract participants that determinations will remain in effect for the current and later years unless a change occurs that would affect the determinations
- a statement that the determinations may be appealed within 30 calendar days of notification, if the determination is adverse.

**465 Reduced Payment Determinations**

**A Reduced Payment Notifications**

County Offices shall notify each entity for which the payment will be reduced because of the “permitted entity rule” within 75 calendar days after the final signup date. This notification will be to each entity and individual with a direct or indirect interest in the entity receiving a payment.

**Note:** Members of the entity are allowed to adjust among themselves the proceeds designated by the entity or entities.

**B Notification Example**

See paragraph 219 \* \* \*.

466 Default Determination

A

Rule

Every participant shall receive a determination not later than 60 calendar days after submitting CCC-502. If COC cannot make an initial determination within the required 60 calendar day period, the producer will receive and be notified of a "default determination".

B

Notification

This is an example of a letter notifying the producer of a default determination.

Example

\*--

[Letterhead]	Riverside County FSA Office Box 123 Anytown, CA 92201
	Date
Ms. Becky Montana, President Montana Farms, Inc. P.O. Box 3 Anytown, CA 92201	
Dear Ms. Montana:	
The Orange County FSA Committee did not complete its review within 60 calendar days of the date CCC-502 was filed in the county office. Therefore, you will receive the determination that you sought for 200__ provided the information given accurately reflects your farming operation. <u>Montana Farms, Inc.</u> , will be considered ( <i>insert the correct determination response</i> ). For example - a "person" for payment limitation purposes, separate and distinct from any other individual or entity.	
If it is subsequently determined that the farming operation was not conducted as indicated on the CCC-502, the determination sought by you will no longer automatically apply, and a more restrictive determination may be applied.	
[Give appeal rights according to 1-APP.]	
	Sincerely,
	Tom Jones County Executive Director

--\*

**467 Proper Determination**

---

**A  
Rule**

A "default determination" does not relieve COC from making a proper determination. If the proper determination is different from the "default determination," notify the producer:

- of the proper determination
- \*--that FSA will honor the "default determination" for the current year if the operating plan is followed exactly.

**Note:** The proper determination will apply:

- for the current year, if it is determined that the farm operating plan is not followed exactly as presented--\*
- for the following year, if the operation is exactly the same in the following year.

---

Continued on the next page

467 Proper Determinations (Continued)

B Notification Example

This is an example of a letter notifying producers of proper determination after default determination.

\*--

[Letterhead]	Orange County FSA Office Box 123 Anytown, CA 92680
	Date
Ms. Sandra Fields PO Box 3 Anytown, CA 92680	
Dear Ms. Fields:	
By letter dated _____, we notified you that _____ is (are) considered to be a "person" for (year), separate and distinct from any other individual or entity.	
The Orange County FSA Committee has completed a more thorough review of the farm operation plan for (year) and found the original determination to be incorrect. If there are no changes in your operation for (year) and subsequent years, this revised determination will be effective for those years.	
Based on the information submitted, the Committee determined that _____.	
Based on these understandings, the Committee determined that _____.	
As stated above, this revised determination does not affect the determination given you earlier for this year. However, the determination will be effective for (year) if no changes are made for that year.	
This determination is based on the facts as submitted. Any unrevealed circumstances could require the application of a more restrictive rule.	
[Give appeal rights according to 1-APP.]	
	Sincerely,  F. Amos County Executive Director

--\*

468 Notification Letters

**A Introduction**

Use the notification letters in this subparagraph as a guide when notifying producers about \*-payment eligibility and payment limitation determinations.--\*

**B Letter for an Individual**

This is an example of a letter notifying the producer of COC determination.

<p>[Letterhead]</p>	<p>Grant County FSA Office Canyon Blvd. John Day, OR 97845</p> <p>Date</p>
<p>Mr. Red Ott 455 Ott Rd John Day, OR 97845</p>	
<p>Dear Mr. Ott:</p>	
<p>The Grant County FSA Committee has completed its review of your farm operating plan for (<u>year</u>). Based on the information submitted, the Committee determined the following:</p>	
<ul style="list-style-type: none"> <li>• you are “actively engaged in farming” as an individual</li> <li>• you are 1 “person” for payment limitation purposes, separate and distinct from any entity or any other individual</li> <li>• these determinations will remain in effect for the current and subsequent years and you will not be required to file a farm operating plan unless a change occurs that would affect the determination.</li> </ul>	
<p><b>Note:</b> A husband and wife are considered 1 “person” for payment limitation purposes, unless they <b>specifically</b> request and are determined to be separate “persons” from each other.</p>	
<p>This determination is based on the facts as submitted. You are responsible for promptly notifying County FSA Office of any change that would affect these determinations. Any unrevealed circumstances could require the application of a more restrictive rule.</p>	
<p>[Give appeal rights according to 1-APP.]</p>	
<p>Sincerely,</p> <p>Joe B. Kool County Executive Director</p>	



468 Notification Letters (Continued)

C Letter for an Entity

This is an example of a letter notifying the producer of COC determination for an entity.

\*--

[Letterhead]	Grant County FSA Office Canyon Blvd. John Day, OR 97845	
	Date	
Mr. Red Ott Juniper Valley Farms, Inc. John Day, OR 97845		
Dear Mr. Ott:		
The Grant County FSA Committee has completed its review of your farm operating plan for (year) for Juniper Valley Farms, Inc. Based upon the information submitted, the committee understands that Juniper Valley Farms, Inc., is a properly chartered corporation having 2 stockholders owning no more than 50 percent of the stock. Corporate interests are as follows:		
Individual/Entity	ID Number	Percent Interest
Red Ott	544 45 7854	50
Susan Farr	544 45 7855	50
Based on these understandings and the information submitted on CCC-502, Farm Operating Plan for Payment Eligibility Review and CCC-501B, Designation of "Permitted Entities", the committee has determined the following:		
<ul style="list-style-type: none"> <li>• the corporation is "actively engaged in farming"</li> <li>• the corporation is considered a "person" for payment limitation purposes, separate and distinct from any other individual or entity</li> <li>• both stockholders designated the corporation as a permitted entity; therefore, 100 percent of any payment earned, within the applicable payment limitation, will be paid</li> <li>• these determinations will remain in effect for the current and subsequent years and you will not be required to file a farm operating plan unless a change occurs that would affect the determination.</li> </ul>		
This determination is based on the facts as submitted. You are responsible for promptly notifying County FSA Office of any change that would affect these determinations. Any unrevealed circumstances could require the application of a more restrictive rule.		
[Give appeal rights according to 1-APP.]		
	Sincerely,	
	Jean Juniper County Executive Director	

--\*

468 Notification Letters (Continued)

D

**Letter for a Combined Entity** This is an example of a letter notifying the producer of COC determination for a combined entity.

\*--

<p>[Letterhead]</p>  <p><b>Ms. Samantha Johnson, President</b>  <b>Johnson Farms, Inc.</b>                  Box 3                  Anytown, NE 68841</p> <p>Dear Ms. Johnson:</p> <p>The Booker County FSA Committee has completed its review of the farm operating plan for <u>(year)</u> for <u>Johnson Farms, Inc.</u></p> <p>From the information submitted, the committee understands that <u>Johnson Farms, Inc. is a properly chartered corporation having three stockholders. The stockholders and their share of outstanding stock are as follows:</u></p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;">Individual/Entity</th> <th style="text-align: left;">ID Number</th> <th style="text-align: left;">Percent Interest</th> </tr> </thead> <tbody> <tr> <td><u>Samantha Johnson</u></td> <td><u>462 53 4890</u></td> <td><u>33</u></td> </tr> <tr> <td><u>Herb Johnson</u></td> <td><u>483 34 5674</u></td> <td><u>33</u></td> </tr> <tr> <td><u>Jim Smith</u></td> <td><u>386 45 9923</u></td> <td><u>34</u></td> </tr> </tbody> </table> <p><u>Herb and Samantha Johnson are husband and wife and together own more than 50 percent of the outstanding stock. Therefore, Mr. and Ms. Johnson are considered as one "person", together, with the corporation. All earnings of Samantha Johnson, as an individual; Herb Johnson, as an individual; and all earnings of the corporation, must be charged against one limitation.</u></p> <p><u>Jim Smith is considered as a separate "person" for earnings he has as an individual.</u></p>	Individual/Entity	ID Number	Percent Interest	<u>Samantha Johnson</u>	<u>462 53 4890</u>	<u>33</u>	<u>Herb Johnson</u>	<u>483 34 5674</u>	<u>33</u>	<u>Jim Smith</u>	<u>386 45 9923</u>	<u>34</u>	<p><b>Booker County FSA Office</b>  <b>Box 123</b>  <b>Anytown, NE 68841</b></p> <p><b>Date</b></p>
Individual/Entity	ID Number	Percent Interest											
<u>Samantha Johnson</u>	<u>462 53 4890</u>	<u>33</u>											
<u>Herb Johnson</u>	<u>483 34 5674</u>	<u>33</u>											
<u>Jim Smith</u>	<u>386 45 9923</u>	<u>34</u>											

--\*

Continued on the next page

468 Notification Letters (Continued)

---

**D**  
**Letter for a**  
**Combined Entity**  
**(Continued)**

\*--

Based on these understandings, the Committee has determined that Johnson Farms, Inc., is actively engaged in a farming operation and there are 2 "persons" for payment limitation purposes. They are:

- 1 Samantha Johnson, as an individual  
Herb Johnson, as an individual  
Johnson Farms, Inc., a corporation.
  
- 2 Jim Smith, as an individual.

This determination is based on the facts as submitted. You are responsible for promptly notifying County FSA Office of any change that would affect these determinations. Any unrevealed circumstances could require the application of a more restrictive rule.

[Give appeal rights according to 1-APP.]

Sincerely,

John Smith  
County Executive Director

--\*

---

469 Shell Documents for Notification Letters

---

**A**

**Introduction**

Use shell documents to mail a large number of letters with the same information to different producers. When establishing these letters, do the following:

- update the Payment Limitation Review Register after COC’s determination, if applicable
  - create a query containing producer information from the Payment Limitation Review Register
  - prepare shell documents for specific purposes.
- 

**B**

**Updating the Register**

Update the Payment Limitation Review Register after COC’s determination and before mailing the notification letters, if applicable. Follow this table to update the register.

<b>IF the producer...</b>	<b>THEN follow paragraph...</b>	<b>* * *</b>
was entered on the register for the first time in the current year	437.	* * *
filed CCC-502 in a prior year and filed a new CCC-502 because of changes to farming operation	438.	* * *

---

Continued on the next page

469 Shell Documents for Notification Letters (Continued)

C

Rule

Enter the date the letter is to be mailed in the "Date Notified" field before printing the shell documents.

"Code Letter" is the notification letter code that will be assigned to a specific letter.

D

Creating Query

Create a query that contains the producer's information as recorded on the Payment Limitation Review Register. Follow this table when creating the query.

Step	Action
1	Access the Query Screen.
2	<p>ENTER "A.MA.R?M" for the file name. Enter the last digit of the applicable year to process where the question mark is placed.</p> <p><b>*--Example:</b> ENTER "A.MA.R2M" if the 2002 Payment Limitation Review Register--* data is needed.</p> <p><b>Note:</b> Change "A" to "B", etc., for each additional county on system, if applicable.</p>
3	ENTER "QRPRADJ1" for the library name.
4	<p>On the Select and Sequence Fields Screen, include the field names that will be used in the shell document.</p> <p><b>Notes:</b> At a minimum, ENTER "FORMAT" as a field name.</p> <p>Other field names may be used in the body of the letter, such as "COCDTE".</p>
5	<p>On the Select Records Screen, enter the following:</p> <ul style="list-style-type: none"> <li>•*--COC Notice Date      EQ      020304</li> <li>• Type of Letter            EQ      06.</li> </ul> <p><b>Note:</b> Replace the "020304" and "06" with the numbers that were entered on the--* Payment Limitation Review Register.</p>

Continued on the next page

**469 Shell Documents for Notification Letters (Continued)**

---

**E****Shell Document**

Shell documents are letters that can be used with queries. Shell documents allow County Offices to mail the same letter to many producers with different addresses. When using shell documents, do the following:

- prepare shell documents for the specific needs of the County Office using the sample letters in paragraph 468 as a guide
- --include the "Code Letter" number assigned for different shell documents in the shell document name

**Note:** See the definition of "Code Letter" in paragraph 436.

**Example:** If the "Code Letter" number for a letter to be mailed to an individual is "01", the document name might be "NOTIF01".

- change the "Code Letter" number in the query each time a notification letter with a different format is used
- change the "Date COC Action" in the query each time the date of the notification changes

**Note:** See the definition of "Date COC Action" in --\* paragraph 436.

- see DW/36 Online Information Tutorial, Sections 11.4.1.4.1 and 11.4.1.4.2, for help in merging the query with the shell document.

---

**470-480 (Reserved)**

**Subsection 6 Filing**

**481 Overview**

---

**A**

**Introduction**

This subsection provides instructions for the filing and maintenance of payment eligibility and payment limitation documents.

---

**B**

**In This Subsection**

The following paragraph is included in this subsection.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
482	Filing Payment Limitation Documentation	5-122

---

**482 Filing Payment Limitation Documentation**

---

**A**

**Introduction**

County Offices shall file applicable payment limitation documentation received from the producer and other County Offices.

---

**B**

**How to File**

County Offices shall file this documentation:

- in separate folders
  - alphabetically by producer.
- 

**483-493 (Reserved)**



**Section 3 (Reserved)**

**494-513 (Reserved)**



Section 4 DD Responsibilities

514 Overview

---

A

**Introduction**

DD's are responsible for monitoring all COC determinations for correctness and timeliness. DD's shall also monitor County Office actions resulting from the COC determinations.

---

B

**Responsibilities**

DD's shall:

- verify that needed determinations are being made
  - review a sufficient number of COC payment limitation determinations to ensure that the determinations are correct
  - ensure that determinations are made within the 60 calendar day period by reviewing with the County Office the proper procedure to record the filing of CCC-502's on either the manual or automated CCC-503B.
- 

C

**Reviewing Procedure**

DD's shall ensure that COC's and County Offices are correctly implementing procedure for "actively engaged in farming" and "person" determinations.

DD's shall review the following procedure with COC's and County Offices each year.

Procedure	Reference
"Actively engaged" determinations	Part 2, Section 7
"Person" determinations	Part 2, Section 6
Processing determinations	Part 5, Sections 1 and 2

---

Continued on the next page

514 Overview (Continued)

---

**D**

**In This Section**

The following paragraphs are included in this section.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
515	Monitoring COC Determinations	5-167
516	Corrective Action	5-168
517	DD Disagreement With COC Determination	5-170

---

515 Monitoring COC Determinations

---

**A**

**Introduction**

\*--DD shall monitor COC initial, end-of-year, scheme or device, and default determinations to ensure that proper and timely--\* determinations are made.

---

**B**

**Initial  
Determinations**

DD shall review initial COC determinations to ensure that COC has timely:

- made determinations that properly considered:
  - significant contributions
  - commensurate contributions
  - "person" determinations
- and properly notified producers of determinations
- and adequately monitored determinations for multiple county producers.

---

Continued on the next page

515 Monitoring COC Determinations (Continued)

---

**C**  
**End-of-Year**  
**Determinations**

DD shall review a number of cases selected for end-of-year review to ensure:

- reviews are made in a timely manner
- cases for review were properly selected
- documentation was sufficient to support the determination
- correct determinations were made based on documentation provided.

**Note:** DD's are encouraged to review documentation before COC determination. In all cases, DD should review before producer is notified of the outcome of the review.

---

**\*--D**  
**Scheme or**  
**Device**  
**Determinations**

DD shall:

- provide assistance to COC, as appropriate
  - concur with COC's determination of scheme or device before the producer is notified of the determination
  - initial COC determination in COC minutes.--\*
-

516 Corrective Action

---

**A**

**Introduction**

If DD review of COC determinations or County Office handling of the determinations reveals errors or other problems, DD shall take immediate and appropriate action.

---

**B**

**Guidelines**

DD shall determine the magnitude of the situation when errors or problems are discovered. Based on the magnitude, DD shall determine how to provide assistance to correct the situation.

DD shall use this table to decide the best way to handle the situation.

<b>IF the error or problem is...</b>	<b>THEN...</b>
isolated to a small number of cases	review with COC or County Office the correct procedure and corrective action, if applicable.
widespread	<ul style="list-style-type: none"> <li>• review with COC or County Office the correct procedure and corrective action</li> <li>• contact State Office specialist to determine whether additional action, such as training, is necessary.</li> </ul>
recurring after DD's guidance to correct	contact State Office specialist for assistance in correcting the situation.

---

Continued on the next page

516 Corrective Action (Continued)

---

**C**

**Subsequent  
Review**

After subsequent visits to the County Office, DD shall review to determine whether:

- errors or problems have been resolved
  - COC or County Office is following procedure.
- 

**D**

**Report to State  
Office**

DD shall be prepared to report to STC or State Office any errors or problems encountered in the district.

---

\* \* \*



**517 DD Disagreement With COC Determination**

---

**A**

**Introduction** DD's do not have authority to overrule COC determinations.

---

**B**

**Disagreement on Determination** If a disagreement on the determination cannot be resolved at the local level, DD shall:

- submit the case with all documentation to STC for a determination
  - transmit the file with a memorandum containing a short narrative explaining:
    - why COC determination is believed to be incorrect
    - DD's recommended determination.
- 

**518-528 (Reserved)**



**Section 5 STC Responsibilities**

**529 Overview**

---

**A**

**Introduction**

STC and State Office specialist are responsible for providing guidance and training for County Offices, COC's, and DD's to properly implement the procedures contained in this handbook.

---

**B**

**In This Section**

The following paragraphs are included in this section.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
530	STC Responsibilities	5-186
531	State Office Specialist Responsibilities	5-189

---

530 STC Responsibilities

---

**A**

**Introduction**

STC has authority over COC's, County Offices, DD's, and State Office specialist to implement the payment limitation program.

---

**B**

**Responsibilities**

STC shall:

- assign a State program specialist the program responsibility
  - resolve questioned COC determinations
  - establish a date by which end-of-year reviews must be completed
  - establish a date for submitting end-of-year review report
  - determine whether COC's followed procedure to determine that an interest of less than 10 percent will be considered substantial beneficial interest
  - be responsible for reviewing \* \* \* cases involving initial determinations of "persons" and "actively engaged in farming" for \* \* \* joint operations consisting of 6 or more members.
- 

Continued on the next page

530 STC Responsibilities (Continued)

---

**C**

**STC Authority**

STC may take any action authorized or required to be taken by COC which is not taken by that committee. STC may also:

- correct, or require COC to correct, any action taken by that committee which is not according to the provisions of the program
  - require COC to withhold taking any action which is not according to this handbook.
- 

**D**

**Assigning  
Program  
Specialist**

STC shall assign a State program specialist the overall responsibility for the day-to-day administration of payment limitation determinations.

---

**E**

**Questioned COC  
Determinations**

STC shall resolve determinations that are questioned by DD. STC shall complete this responsibility by reviewing material submitted by DD according to paragraph 517.

---

Continued on the next page

**530 STC Responsibilities (Continued)**

---

**F****End-of-Year  
Reviews**

STC shall specify a date by which all end-of-year reviews must be completed within the State. STC shall take into consideration the following:

- different dates may be established for specific areas within the State
- an action, such as marketing of a crop, may not be completed at the time of the review

**Note:** Do not consider the determination incorrect simply because the action is not completed by the established date.

- some factors to be considered may require verification beyond the STC-established completion date

**Note:** The end-of-year review should be completed to the extent that followup actions are known and scheduled.

- the date final payments will be made.

**Note:** This paragraph shall be supplemented by each State Office to specify dates by which end-of-year reviews shall be completed.

---

\* \* \*

**531 State Office Specialist Responsibilities**

---

**A**

**Introduction**

The State Office specialist is assigned the overall responsibility for the day-to-day operation of the payment limitation program within the State. The State Office specialist shall:

- provide training
  - provide technical assistance
  - accumulate reports.
- 

**B**

**Training**

The State Office specialist shall train COC, DD, and County Offices in the procedures of the payment limitation program. Each year, the State Office specialist shall assess training needs within the State and provide training as necessary.

---

**\*--C**

**Technical Assistance**

The State Office specialist shall provide technical assistance to all--\* levels within the State by:

- assisting with reviews of any determination questioned by DD
  - obtaining assistance of OIG, if appropriate, for scheme or device determination
  - following up on DD reports of improper or insufficient COC determinations
- 

Continued on the next page

531 State Office Specialist Responsibilities (Continued)

---

C

Technical Assistance (Continued)

- preparing cases, as necessary, for STC determinations
- selecting a sufficient number of CED's and program assistants to serve as members of district teams to conduct end-of-year reviews.

**Notes:** Review team members shall **not** participate in the review of producers who operate in the same county that employs the review team member.

The State Office specialist shall oversee progress and adequacy of findings by requiring reports, as appropriate.

---

D

Accumulating Reports

The State Office specialist shall:

- monitor the number of "default determinations" made by each County Office
  - be prepared to provide a cumulative report of the total number of "default determinations" in the State to DAFP, if requested
  - require a report of end-of-year reviews from each County Office on CCC-502EYR, according to paragraph 706.
- 

Continued on the next page



531 State Office Specialist Responsibilities (Continued)

---

**E  
Required  
Determinations**

State Offices shall:

- make initial determinations of "persons" and "actively engaged in farming" for  
\* \* \* joint operations receiving payment with 6 or more members  
  
\* \* \*
- **not** make "person" determinations for all other farming operations in which the producer is involved as an individual or member of a joint operation or entity.

**Notes:** The State Office shall only determine whether the producer is a combined or separate "person" from any other individual or entity.

The control County Office shall make all other "person" and "actively engaged in farming" determinations according to paragraph 414.

**Example:** Producer is 1 of 6 members of a general partnership. The producer also is a stockholder of a corporation.

The State Office shall only determine whether the producer is a combined or separate "person" from the corporation or any other individual or entity.

The designated control County Offices shall make all other "person" and "actively engaged in farming" determinations for the corporation.

---

Continued on the next page

531 State Office Specialist Responsibilities (Continued)

---

**F**

**Priority of Determinations**

Determinations shall be sorted to prioritize determinations involving newly filed CCC-502's and operations with payments exceeding \$40,000.

If the volume of determinations prevents timely determinations in all cases, producers shall receive a default determination according to paragraph 466.

---

**G**

**Required Action for Determinations**

State Offices shall:

- notify applicable producers of determinations made according to this handbook
  - notify designated control county for the producer of determinations
  - maintain CCC-503B for determinations made by State Office
  - conduct end-of-year reviews for determinations required to be made by State Office.
- 

532-547 (Reserved)

**Section 6 Washington Responsibilities**

**548 Overview**

---

**A**

**Introduction**

Washington has the overall responsibility for program administration.

---

**B**

**In This Section**

The following paragraph is included in this section.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
549	General Responsibilities	5-212

---

549 General Responsibilities

---

A

**General  
Supervision**

\*--[7 CFR 1400.2] The provisions of this handbook shall be administered--\* under the general supervision and direction of the Executive Vice President, CCC and the Administrator, FSA.

---

B

**DAFP Authority**

\*--[7 CFR 1400.2 (d)] DAFP may take any action authorized or required--\* to be taken by either COC or STC which is not taken by that committee. DAFP may also:

- correct or require COC or STC to correct any action taken by that committee which is not according to the provisions of the program
  - require COC or STC to withhold taking any action which is not in keeping with provisions of this handbook.
- 

550-561 (Reserved)

**Part 6 (Withdrawn--Amend. 31)**

**Section 1 (Withdrawn--Amend. 31)**

**562-568 (Withdrawn--Amend. 31)**

**569 (Withdrawn--Amend. 27)**

**570-580 (Reserved)**

**Section 2 (Withdrawn--Amend. 31)**

**581-593 (Withdrawn--Amend. 31)**

**594-604 (Reserved)**

**Section 3 (Withdrawn--Amend. 31)**

**605-610 (Withdrawn--Amend. 31)**

**611-622 (Reserved)**

**Section 4 (Withdrawn--Amend. 31)**

**623-625 (Withdrawn--Amend. 31)**



**\*--Part 6.5 AGI**

**626 Overview**

**A Introduction**

This part provides instructions and uniform methods for State and County Offices to determine:

- the adjusted and average AGI for program participants
- acceptable certifications from program participants
- compliance with AGI requirements for payment eligibility
- commensurate reductions of payments if AGI requirements are not met
- program payments and benefits subject to AGI requirements
- data-sharing compliance information with other agencies.--\*

627 Average AGI Limitation

A Rule

\*--[7 CFR 1400.600] An individual or entity shall not be eligible to receive--\*  
certain program benefits during a crop, program, or FY if **both** of the following apply:

- the average AGI of the individual or entity exceeds 2.5 million
- less than 75 percent of the average AGI is derived from farming, ranching, or forestry operations.



**\*--628 Applicability of Average AGI Limitation****A Applicability to Programs and Benefits**

[7 CFR 1400.600 (c)] Effective for FY's 2003 through 2007, program benefits--\* subject to this provision include the following:

- direct and counter-cyclical payments
- marketing loan gains
- LDP's
- conservation and environmental quality incentive programs as specified under the following:
  - Farm Security and Rural Investment Act of 2002, Title II
  - Food Security Act of 1985, Title XII.

\*--**Note:** This includes all benefits, cost-share payments, easements, and rental payments under programs such as:

- Conservation Corridor Demonstration Program
  - Conservation Reserve Program
  - Conservation on Private Grazing Land
  - Conservation Security Program
  - Desert Terminal Lakes
  - Environmental Quality Incentives Program
  - Farm and Ranchland Protection Program
  - Grasslands Reserve Program
  - Great Lakes Basin Program for Soil Erosion and Sediment Control
  - Wetlands Reserve Program
  - Wildlife Reserve Program
- any other program that this provision is made applicable by statute and regulation.--\*

**\*--628 Applicability of Average AGI Limitation (Continued)--\***

**A Applicability to Programs and Benefits (Continued)**

**Exceptions:** The following are not subject to this provision:

- benefits earned by States, counties, and other municipalities, and Indian Tribes
- CRP contracts and other multi-year agreements approved and effective before October 1, 2002
- payments to vendors for technical services or assistance provided in conjunction with programs under the following:
  - Farm Security and Rural Investment Act of 2002, Title II
  - Food Security Act of 1985, Title XII.

## 629 AGI Definitions and Determinations

## A Definitions

[7 CFR 1400.601] AGI is for an:

- individual, the amount reported to IRS on the appropriate tax filing documents as AGI
- entity, the comparable measure as provided in this handbook.

Average AGI for the individual or entity is the average of AGI, or comparable measure, of the individual or entity over the 3 tax years immediately preceding the year for which benefits are requested.

**\*--Note:** Exclude any year(s) that the individual or entity did not have income or was not in business.--\*

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

**Note:** Include income from:

- sale of land (including easement rights and development rights) used for farming, ranching, and forestry operations
- sale of farm water rights
- rental of land used for farming, ranching, and forestry operations
- commercial hunting fees on land used for farming, ranching, and forestry
- sale of farm equipment subject to depreciation expense as reported to the IRS
- Federal agriculture and conservation program payments.

Exclude income from the following:

- processing, packaging, or packing
- transporting
- commission from marketing for others
- investment income even if invested funds came from farming, ranching, or forestry.

**629 AGI Definitions and Determinations (Continued)****\*--A Definitions (Continued)**

Income from fishing includes amounts received from catching, taking, harvesting, cultivating, or farming aquatic resources such as fish, shellfish, crustacea, and other aquatic forms of animal or vegetable life. (IRS Publication 595, Tax Highlights for Commercial Fisherman.)

**B Sources of Income Data**

Income from farming, ranching, and forestry operations is:

- recorded on the IRS Schedule F, Form 4835 or comparable form, as allowed by applicable tax code
- reflected in and attached to Form 1040 or other appropriate income tax return filed by the individual or entity with the IRS for tax purposes.

Income from fishing is:

- is recorded on the IRS Schedule C, or Schedule C-EZ, as allowed by applicable tax code
- reflected in and attached to Form 1040 or other appropriate income tax return filed by the individual or entity with the IRS for tax purposes.

**C Determinations**

Income reported by the individual or entity to the IRS on the Schedule C, Schedule C-EZ, Schedule F, Form 4835, or a comparable form, will be acceptable to FSA as income derived from farming, ranching, forestry, and fishing operations for AGAI compliance purposes.

The reviewing authority shall defer to these information sources for AGI compliance determinations for questionable cases.--\*

**630 Certification of Average AGI****\*--A Certification of Compliance**

For compliance with the AGI requirement for the applicable crop year, program, or FY, an individual or entity shall provide **1** of the following:

- statement from a certified public accountant or an attorney that the average AGI does not exceed the limitation
- CCC-526 applicable to the year that program benefits are requested
- the appropriate document or form when the AGI certification is part of the application for a specific program benefit. (See Exhibit 6 for examples).

**B Required AGI Certifications for Payment Eligibility**

AGI compliance certifications are required for payment eligibility for **all**:

- individuals
- entities
- interest holders in an entity, including embedded entities to the fifth level of ownership interest, and regardless of the level of interest held
- members of a general partnership or joint venture
- Indians and Native Americans represented by the BIA.

**Note:** Substantial beneficial interest rules do not apply.

**C Deadline for AGI Certifications**

AGI certification must be submitted:

- according to the deadlines established by the applicable programs
- before approving and issuing any program benefit subject to these provisions.

**D Using FSA-211**

FSA-211 may be used to complete AGI certifications. See 1-CM.

**E Multi-County Producers**

An individual or entity with multi-county farming interests will submit the required AGI certification(s) only once in the control county.

The control county shall make any AGI compliance determinations, if necessary, and share the information with other counties according to paragraphs 415 and 416.--\*

630 Certification of Average AGI (Continued)

\*-F Example of CCC-526 for 2003 Through 2007--\*

This form is available electronically.

<b>CCC-526</b> (10-15-03)	U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation	1A. County FSA Office or Service Center Address (Include Zip Code)
<b>PAYMENT ELIGIBILITY AVERAGE ADJUSTED GROSS INCOME CERTIFICATION</b>		1B. Telephone Number (Include Area Code):
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.		
<p><b>NOTE:</b> 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. <b>PLEASE RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OR SERVICE CENTER OFFICE.</b></p>		
2A. Individual or Entity's Name and Address (Include Zip Code)	3. Program Year	
2B. Telephone Number (Include Area Code):	4. Identification Number (SSN or Tax ID No.)	
<p><b>CERTIFICATION OF AVERAGE ADJUSTED GROSS INCOME:</b> Each individual or entity that requests program benefits must complete a certification of average adjusted gross income.</p>		
By signing this form, I acknowledge that:		
<ul style="list-style-type: none"> <li>• all definitions, requirements, and examples on Page 3 of this form were reviewed;</li> <li>• 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;</li> <li>• 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;</li> <li>• evidence such as tax records, certified public accountant's certification, or other documentation may be required to validate this certification.</li> </ul>		
5. Type of Operation (Check One)		
<input type="checkbox"/> Individual (Complete Item 6) <input type="checkbox"/> Limited Partnership, Limited Liability Company, Limited Liability Partnership or Similar Entity (Complete Item 9)		
<input type="checkbox"/> Trust or Estate (Complete Item 7) <input type="checkbox"/> Tax-Exempt or Non-Profit Organization (Complete Item 10)		
<input type="checkbox"/> Corporation (Complete Item 8)		
6. <b>Individual</b> 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 <input type="checkbox"/> NO <input type="checkbox"/>		
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 <input type="checkbox"/> NO <input type="checkbox"/>		
C. Signature		Date (MM-DD-YYYY)
<p><small>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.</small></p>		

630 Certification of Average AGI (Continued)

\*--F Example of CCC-526 for 2003 Through 2007 (Continued)--\*

CCC-526 (Page 2 of 3) (10-15-03)	
CERTIFICATION OF AVERAGE ADJUSTED GROSS INCOME (Continuation)	
<p><b>7. 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. YES <input type="checkbox"/> NO <input type="checkbox"/></p> <p>If "NO", proceed to Item 7B.</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 7A above. YES <input type="checkbox"/> NO <input type="checkbox"/></p>	
C. Signature	Date (MM-DD-YYYY)
<p><b>8. 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. YES <input type="checkbox"/> NO <input type="checkbox"/></p> <p>If "NO", proceed to Item 8B.</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. YES <input type="checkbox"/> NO <input type="checkbox"/></p>	
C. Signature	Date (MM-DD-YYYY)
<p><b>9. 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. YES <input type="checkbox"/> NO <input type="checkbox"/></p> <p>If "NO", proceed to Item 9B.</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. YES <input type="checkbox"/> NO <input type="checkbox"/></p>	
C. Signature	Date (MM-DD-YYYY)
<p><b>10. Tax-exempt or Non-profit Organization</b> 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.</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. YES <input type="checkbox"/> NO <input type="checkbox"/></p> <p>If "NO", proceed to Item 10B.</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 10A above. YES <input type="checkbox"/> NO <input type="checkbox"/></p>	
C. Signature	Date (MM-DD-YYYY)

## 630 Certification of Average AGI (Continued)

## \*--F Example of CCC-526 for 2003 Through 2007 (Continued)--\*

CCC-526 (Page 3 of 3) (10-15-03)

**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.



630 Certification of Average AGI (Continued)

\*--G Example of CCC-526 for 2008

This form is available electronically.

<b>CCC-526</b> (06-12-08)	U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation	1. County FSA Office or Service Center Address (Include Zip Code)						
<b>2008 PAYMENT ELIGIBILITY AVERAGE ADJUSTED GROSS INCOME CERTIFICATION</b>								
The authority to collect the following information is Food, Conservation, and Energy Act of 2008. This authority allows for the collection of information without prior OMB approval mandated by the Paperwork Reduction Act of 1995.								
<p><b>NOTE:</b> The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a), as amended. The Food, Conservation and Energy Act of 2008 and the regulations at 7 CFR Part 1400, as it applied to 2007 crops, 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. <b>PLEASE RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OR SERVICE CENTER OFFICE.</b></p>								
2. Individual or Entity's Name and Address (Include Zip Code)	3. Program Year  <b>2008</b>	4. Identification Number (SSN or Tax ID No. last 4 digits)						
<b>CERTIFICATION OF AVERAGE ADJUSTED GROSS INCOME:</b> 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:								
<ul style="list-style-type: none"> <li>• all definitions, requirements, and examples on Page 3 of this form were reviewed;</li> <li>• the average adjusted gross income is the average of the three years immediately preceding the year specified in Item 3 above;</li> <li>• this certification of average adjusted gross income is true and correct unless changes or revisions are submitted;</li> <li>• 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;</li> <li>• evidence such as tax records, certified public accountant's certification, or other documentation may be required to validate this certification.</li> </ul>								
5. Type of Operation (Check One)								
<table style="width:100%; border: none;"> <tr> <td style="width:50%; border: none;"><input type="checkbox"/> Individual (Complete Item 6)</td> <td style="width:50%; border: none;"><input type="checkbox"/> Limited Partnership, Limited Liability Company, Limited Liability Partnership or Similar Entity (Complete Item 9)</td> </tr> <tr> <td style="border: none;"><input type="checkbox"/> Trust or Estate (Complete Item 7)</td> <td style="border: none;"><input type="checkbox"/> Tax-Exempt Organization (Complete Item 10)</td> </tr> <tr> <td style="border: none;"><input type="checkbox"/> Corporation (Complete Item 8)</td> <td style="border: none;"></td> </tr> </table>			<input type="checkbox"/> Individual (Complete Item 6)	<input type="checkbox"/> Limited Partnership, Limited Liability Company, Limited Liability Partnership or Similar Entity (Complete Item 9)	<input type="checkbox"/> Trust or Estate (Complete Item 7)	<input type="checkbox"/> Tax-Exempt Organization (Complete Item 10)	<input type="checkbox"/> Corporation (Complete Item 8)	
<input type="checkbox"/> Individual (Complete Item 6)	<input type="checkbox"/> Limited Partnership, Limited Liability Company, Limited Liability Partnership or Similar Entity (Complete Item 9)							
<input type="checkbox"/> Trust or Estate (Complete Item 7)	<input type="checkbox"/> Tax-Exempt Organization (Complete Item 10)							
<input type="checkbox"/> Corporation (Complete Item 8)								
6. <b>Individual</b> 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 <input type="checkbox"/> NO <input type="checkbox"/>								
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 <input type="checkbox"/> NO <input type="checkbox"/>								
C. Signature		Date (MM-DD-YYYY)						
<p><i>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.</i></p>								

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630 Certification of Average AGI (Continued)

\*--G Example of CCC-526 for 2008 (Continued)

CCC-526 (Page 2 of 3) (06-12-08)	
<b>CERTIFICATION OF AVERAGE ADJUSTED GROSS INCOME (Continuation)</b>	
<b>7. 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.	
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 <input type="checkbox"/> NO <input type="checkbox"/>
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 <input type="checkbox"/> NO <input type="checkbox"/>
C. Signature	Date (MM-DD-YYYY)
<b>8. 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.	
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 <input type="checkbox"/> NO <input type="checkbox"/>
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 <input type="checkbox"/> NO <input type="checkbox"/>
C. Signature	Date (MM-DD-YYYY)
<b>9. 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.	
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 <input type="checkbox"/> NO <input type="checkbox"/>
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 <input type="checkbox"/> NO <input type="checkbox"/>
C. Signature	Date (MM-DD-YYYY)
<b>10. 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.	
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 <input type="checkbox"/> NO <input type="checkbox"/>
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 <input type="checkbox"/> NO <input type="checkbox"/>
C. Signature	Date (MM-DD-YYYY)

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## 630 Certification of Average AGI (Continued)

## \*--G Example of CCC-526 for 2008 (Continued)

CCC-526 (Page 3 of 3) (06-12-08)

**AVERAGE ADJUSTED GROSS INCOME**

The Food, Conservation, and Energy Act of 2008 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 2008 program benefits are requested, the tax years for average adjusted gross income determination would be 2007, 2006 and 2005.

**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 2008. Mr. Smith's average adjusted gross income for the three previous tax years 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 2008 Direct and Counter-Cyclical Payment Program on a contract with her tenant. Ms. Jones' average adjusted gross income for the years 2007, 2006, and 2005 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 2008 Direct and Counter-Cyclical Payment Program on a contract with his tenant. Mr. Davis' average adjusted gross income for the years 2007, 2006, 2005 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 2008 Direct and Counter-Cyclical Payment Program. The average adjusted gross income for the years 2007, 2006, and 2005 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 averaged 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 mark failed to comply with AGI limitation. Therefore, Johnson Farms is eligible for the benefits requested, but reduced by the 25 percent, which represents the interest held by Mark.

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**631 Rules for Special Cases****A Acceptable Documentation**

\*--For an individual or entity, including a foreign individual or entity, that does not have tax--\* records or is not required to file tax returns, acceptable forms of documentation of AGI may include, but are not limited to the following:

- financial statements
- annual public financial disclosures
- annual budgets and statement of operations
- other documentation as deemed acceptable by the reviewing authority.

**B Churches, Clubs, Fraternal Organizations, Societies, and Similar Associations**

Individuals who attend a church or belong to a club, fraternal organization, association, or similar type of entity that is requesting payments or benefits:

- do not hold an ownership interest in the entity
- are not required to submit an AGI certification for the entity to meet AGI provision.

**C Multi-year Contracts and Agreements**

For program contracts and agreements that extend more than 1 crop, program, or fiscal year, the average AGI determination will:

- be based on the 3 tax years preceding the year for which the contract or agreement is approved
- apply for the entire term of the contract or agreement.

**631 Rules for Special Cases (Continued)****\*--D Succession-in-Interest**

The average AGI limitation does not apply to multi-year contracts, such as a CRP contract, that were effective before October 1, 2002. The average AGI provision was not part of the original contract or agreement when executed.

If succession occurs to a multi-year contract or agreement that was effective:

- **before** FY 2003, the successor(s) **will not** be subject to AGI provisions on this contract or agreement
- for FY 2003 or subsequent years, the successor(s) **will** be subject to AGI provisions on this contract or agreement.--\*

632 Determination of AGI and Average AGI

A Determining AGI

Determine AGI according to the following table.

IF certification is by...	THEN AGI is the...
an individual filing a separate tax return	amount reported as AGI on the final Federal tax return for the individual for the applicable year.
an individual filing a joint tax return	full amount reported as AGI on the final Federal tax return for the applicable year.  <b>Exception:</b> A certification is provided by a certified public accountant or an attorney that specifies what the amounts would have been if separate tax returns would have been filed for the applicable year.
a LLC, LLP, LP, or similar type of organization	income from trade or business activities plus the amount of guaranteed payments to the members as reported on the final Federal tax returns for the applicable year.
an estate or trust	adjusted total income plus charitable deductions as reported on the final Federal tax return for the applicable year.
a corporation, including subchapter S corporation	total taxable income plus the amount of charitable contributions as reported on the final Federal tax return for the applicable year.
a tax-exempt or non-profit organization	unrelated business taxable income as reported to IRS less any income that CCC determines to be from noncommercial sources.

**Note:** See Exhibit 10 for examples of IRS tax return forms.

## 632 Determination of AGI and Average AGI (Continued)

**\*--B Using IRS Data for AGI Determination**

The following table provides guidance on AGI determination using data reported to IRS.

<b>IF determining AGI for...</b>	<b>THEN see IRS Form...</b>	<b>AND use the amount entered on...</b>
individuals	1040	<ul style="list-style-type: none"> <li>• line 37 (AGI) for <b>2005</b></li> <li>• line 36 (AGI) for <b>2004</b></li> <li>• line 34 (AGI) for <b>2003</b></li> <li>• line 35 (AGI) for <b>2002</b></li> <li>• line 33 (AGI) for <b>2001</b></li> <li>• line 33 (AGI) for <b>2000</b>.</li> </ul>
LLC's, LLP's, LP's, or other similar type organization	1065	line 22 (total income from trade or business) <b>plus</b> line 10 (guaranteed payments to partners)  (For the years 2000 through 2005.)
estates or trusts	1041	line 17 (AGI) <b>plus</b> line 13 (charitable deductions)  (For the years 2000 through 2005.)
corporations	1120	line 30 (total taxable income) <b>plus</b> line 19 (charitable contributions)  (For the years 2000 through 2005.)
tax-exempt or charitable organizations	990-T	line 34 (unrelated business taxable income) <b>minus</b> income that CCC determined to be from non-commercial activity.  (For the years 2000 through 2005.)

**Note:** Variations of the referenced tax forms or comparable forms may apply in which the line items for the appropriate income amounts will be different.--\*



## 632 Determination of AGI and Average AGI (Continued)

## C Determining Average AGI (Continued)

Determine the average AGI according to the following table.

IF determination is for an:	THEN average AGI is the average:
<ul style="list-style-type: none"> <li>• individual</li> <li>• entity in business in existence for all of the applicable 3-year period</li> </ul>	of AGI, including losses for the 3 tax years immediately preceding the applicable crop, program, or FY.  <b>Note:</b> This includes entities <b>not</b> required to file a Federal tax return, or an entity that did <b>not</b> have taxable income in 1 or more years of the applicable 3-year period.
entity not in business for all of the applicable 3-year period	AGI, including losses for only those years in the base period that the new entity was in business.

## \*--D Average AGI Exceeds \$2.5 Limitation

When the average AGI is greater than \$2.5 million, a comparison **must** be made to determine if less than 75 percent of the average AGI was derived from farming, ranching, or forestry operations.

**Individuals** - see IRS Form 1040; compare the 3-year average of line 18 (farm income or loss) with the average AGI, as determined for the same time period.

**LLC's, LLP's, or LP's and other similar organizations** - see IRS Form 1065; compare the 3-year average of line 5 (farm income or loss) with average AGI, as determined for the same time period.

**Estates and Trusts** - see IRS Form 1041; compare the 3-year average of line 6 (farm income or loss) with the average AGI, as determined for the same time period.

**Corporations** - see IRS Form 1120; compare the 3-year average of line 10 (other income per Schedule F) with the average AGI, as determined as for the same time period.

**Tax-Exempt or Charitable Organizations** - see IRS Form 990-T; compare the 3-year average of line 8 (interest, annuities, royalties, and rents per Schedule F) with the average AGI, as determined for the same time period.

**Note:** Exceptions may be applicable to the 3-year base period.

## E AGI Compliance Worksheet

For AGI compliance determinations, use Worksheet 10 in paragraph 688.--\*

**632 Determination of AGI and Average AGI (Continued)****F Rule for “New” Entity**

A new entity shall not be considered “new” to the extent that it takes over an existing operation and has any elements of common ownership or interests with the preceding entity, or individuals and entities, with an interest in the “old” entity.

**The income of the “old” entity will be averaged with the income of the “new” entity for the base period if any of the elements of commonality are present.**

**Example for 2003:** Twin Farms Corporation (TFC) is comprised of John Smith (50 percent) and John Smith (50 percent).

The average AGI from the years 2000, 2001, and 2002 for TFC was \$3 million and less than 75 percent was derived from farming, ranching, or forestry operations.

TFC was determined ineligible for 2003 program benefits as a result of exceeding the average AGI limitation. TFC had \$3 million in AGI for 2003.

**Example for 2004:** Smith LLC is comprised of John Smith (5 percent), Joe Smith (5 percent), and TFC (90 percent).

Smith LLC takes over the farming operation previously represented as that of the TFC.

The average AGI for Smith LLC for 2004 payment eligibility purposes will be \$3 million, the average of AGI of Smith LLC and TFC for the years 2001, 2002, and 2003. Smith LLC is ineligible for 2004 program benefits subject to the average AGI limitation.

**633 Selecting Cases for Review****A Selecting Cases**

Reviews for compliance with AGI requirement may:

- be initiated by COC or STC representative
- be selected on a nation-wide basis by DAFP.

**B Verifying Compliance**

Information necessary to verify compliance includes but is not limited to the following:

- Federal and State income tax returns
- financial statements
- balance sheets
- reports prepared for other government agencies
- information prepared for a private lender
- other credible information of income for the qualification period.

**Note:** Federal and State income tax information may be requested by the reviewing authority if that is the only means to establish compliance with AGI provisions.

The reviewing authority shall make every effort to safeguard the confidentiality of the information provided.

**Note:** Information provided by program participants to verify compliance with the provisions of this part shall not be subject to any requests submitted under FOIA.

**C Notification of Selection**

Program participants selected for review shall be notified in writing of:

- the nature and reason for the review
- suggested sources and types of information most helpful
- the established deadline to submit the information
- consequences of failing to timely provide the requested information.

**633 Selection of Cases for Review (Continued)**

**D Failure to Provide Information**

Failure to timely provide correct and accurate information to establish compliance with AGI requirement will result in any of the following:

- ineligibility for all program payments subject to this requirement for the applicable year
- required refund of all such program benefits affected
- possible civil suit or criminal prosecution.

If requested information is not timely provided:

- notify the program participant of the ineligibility for payments from the affected programs
- include appeal rights according to 1-APP.

**634 Commensurate Reduction****A Commensurate Reduction of Payments**

[7 CFR 1400.603] Any payment and benefit earned by an entity or joint operation shall be reduced by an amount that is commensurate with the direct and indirect interest of any member or shareholder who either:

- is determined to have an average AGI in excess of the limitation
- fails to timely submit a certification statement.

Ownership interest in an entity shall be reviewed to the fifth level, if applicable, to determine applicable commensurate share reductions.

**Note:** If at the fifth level the ownership interest is not held by an individual, then that share represented by such interest is not be eligible for payment or benefits.

The reduction in payment and benefits applies to:

- the crop, program, or FY
- all program payments and benefits to which AGI applies.

**635 Average AGI and NRCS Program****A Data-sharing with NRCS**

NRCS:

- administers some programs for which payments and benefits subject to the average AGI limitation are issued
- has the responsibility of program coordination and delivery.

FSA has the responsibility for the data collection and determination of AGI compliance for those program participants.

Upon request from NRCS, FSA will supply AGI compliance data for the participants specified in that request.

If the participant is on FSA records as a program participant in FSA administered programs, FSA will provide the following:

- AGI certification statement submitted by that producer
- a cover letter that states whether this individual or entity was considered in compliance with AGI, based on the information provided
- screen print of the eligibility file that shows the 'value' set for the corresponding AGI compliance determination for the producer.

This certification will be continuous for subsequent years unless the participant revises such certification, or FSA determines otherwise.

If a statement is not on file:

- FSA will request such certification from the such program participant
- FSA will make the corresponding AGI compliance determination
- provide same notice as specified above.

**636-649 (Reserved)**

**Part 7 End-of-Year Reviews****650 Overview****A Introduction**

The determinations required by this handbook are made by the reviewing authority based on the producer's certification of the farming operation as represented on CCC-502  
\*--and CCC 526 supporting documents.--\*

To maintain the integrity of payment limitation and payment eligibility provisions, end-of-year reviews are conducted to ascertain that farming operations were carried out as represented when initial determinations were made.

**B In This Part**

The following sections are included in this part.

<b>Section</b>	<b>Title</b>	<b>Page</b>
1	Selection and Notification	7-2
2	Documentation	7-31
3	Conducting Reviews	7-56
4	Reports	7-181

**\*--Section 1 Selection and Notification**

**651 Overview**

**A Introduction**

This section provides instructions for selecting and notifying producers of the end-of-year review.

**B In This Section**

The following paragraphs are included in this section.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
651	Overview	7-2
652	Selection Process	7-3
653	Producer Notification	7-5
654-660	Reserved	

--\*



**652 Selection Process**

---

**A****Introduction**

Producers selected for an end-of-year review may be chosen for the following reasons:

- a judgmental selection by DAFP
  - a required spot check
  - an additional case selected for review by the reviewing authority.
- 

**B****Judgmental Selection**

A judgmental selection is performed on a nationwide basis to select producers for review using criteria including, but not limited to:

- the restructure of a farming operation in the past year by the addition of a new partner, deletion of a partner, change in stockholders, etc.
  - the formation of a new farming operation in the past year
  - a comparison of farming operations to determine whether an individual is involved in more than 1 operation
  - farming operations earning more than a specified dollar amount.
- 

**C****Required Spot Checks**

A default determination made according to paragraph 466 must be selected as an end-of-year review if the proper determination made according to paragraph 467 differed from the default determination.

**\*--Note:** Determinations involving FSA employees are required to be selected--\* for review only if selected according to this paragraph.

---

Continued on the next page

## 652 Selection Process (Continued)

**D**

**Additional Cases** In addition to those cases which are judgmentally selected, or otherwise required to be selected, the following cases will also be selected for end-of-year review:

- any case which the reviewing authority has reason to believe the farm operating plan was not followed as represented
- any cases considered necessary by a State Office representative to maintain program integrity.

**E**

**Timing  
End-of-Year  
Reviews**

Complete end-of-year reviews by the date established by STC, according to paragraph 530.

**F**

**Waiver  
Authority for  
State Offices**

State Offices may waive judgmentally selected end-of-year reviews under the following circumstances:

- farming operations involving **only** a husband and wife
- **\*--farming operation was previously reviewed in the last 3 years, did not--\*** receive an adverse determination, and the reviewing authority has no reason to believe there has been changes which affect the original determination
- farming operation is an entity with no embedded entities and members do not have other farming interests receiving program payments
- farming operations with **all** land meeting the landowner exemption
- farming operation did not participate in any program in the year selected.

**Notes:** State Offices shall include the number of any waived judgmentally selected reviews in the remarks sections of the final CCC-502EYR.

Any waiver request not within State Offices' approval authority may be sent to DAFP, along with adequate justification to support the request.

653 **Producer Notification**

---

**A**

**Introduction**

After being notified, the producer is responsible for providing requested documents in a timely manner. This paragraph contains information to be included in the producer notification letter and explains what the producer must do after receiving the notification letter.

---

**B**

**Producer Notification**

Producers who are required to submit documents shall be notified about their selection for an end-of-year review no later than 90 calendar days before the end-of-year review completion date established by STC according to paragraph 530.

The notification letter shall contain the following:

- purpose of the end-of-year review
- documents required to be submitted
- the requirement to submit documents to the County Office within 30 calendar days
- actions that will be taken if documents are not submitted
- notification that the producer will receive results of the end-of-year \*--review when the review is complete.--\*

---

Continued on the next page

**\*--653 Producer Notification (Continued)**

---

**C**

**Producer  
Responsibility**

It is the responsibility of the producer to submit requested documents within 30 calendar days from the date requested.

**Note:** It is recognized that some requested documents, such as crop sales documents, may not be available when the producer submits other documentation. The producer must submit all documents that are available at the time. The reviewing authority shall schedule followup action to obtain additional information if necessary.--\*

---

Continued on the next page

## 653 Producer Notification (Continued)

**D Sample Notification Letter**

This is an example of a letter notifying a producer of being selected for an **end-of-year review**.

\*--

[Letterhead]	Any County FSA Office 502 Spotcheck Ave. Some City, US 55555
<p><b>Date</b> Wandering Brook, Inc. Fred Friendly, President 777 Lucky Day Road Some City, State 55555</p>	
Dear Mr. Friendly:	
Your farming operation has been selected for a 200X payment limitation and payment eligibility end-of-year review.	
<p>End of year reviews are conducted annually on a number of farming operations and producers that are participants in various FSA administered programs. Initial payment eligibility and payment limitation determinations are made based on the producer's certification of how the farming operation will be conducted for the year. Producers certified that their average adjusted Gross Income (AGI) for the applicable year was either below \$2.5 million or that at least 75 percent of the average AGI was derived from farming, ranching or forestry operations.</p>	
<p>To ensure overall program integrity, it is necessary that the producer's farming operation be reviewed and documented. The producer's adjusted gross income for the three previous years must also be reviewed and verified. Accordingly, your farming operation will be reviewed to determine whether the operation was conducted in 200X as represented on CCC-502, Farm Operating Plan for Payment Eligibility Review, on which the initial payment eligibility and payment limitation determinations based. In addition, your adjusted gross income will be reviewed for the previous three years to determine whether your average AGI was less than \$2.5 million, or at least 75 percent of your average AGI was derived from farming, ranching or forestry, as certified on CCC-526, or other statements prepared by an attorney or certified public accountant.</p>	
<p><i>[Delete the following paragraphs that are not applicable to the producer.]</i></p>	
To verify capital contributions, documents and information are required as follows:	
<ul style="list-style-type: none"> <li>• operating loan documents</li> <li>• income and expense ledgers</li> <li>• canceled checks for expenditures, such as: <ul style="list-style-type: none"> <li>• fertilizer</li> <li>• seed</li> <li>• fuel</li> <li>• equipment leases and purchases</li> <li>• land leases and purchases</li> <li>• hired labor and management</li> <li>• any other farming operation expenditures.</li> </ul> </li> </ul>	

--\*

**\*--653 Producer Notification (Continued)****D Sample Notification Letter (Continued)**

To verify land contributions, documents and information are required as follows:

- lease agreements
- sales contracts
- property tax statements
- canceled checks associated with land.

To verify equipment contributions, documents and information are required as follows:

- equipment listings
- lease agreements
- purchase contracts
- canceled checks associated with equipment.

To verify labor contributions, documents and information are required as follows:

- documentation of who provided actual labor contributions and type of labor
- employee time sheets or books, if applicable
- canceled checks for hired labor, if applicable.

To verify management contributions, documents and information are required as follows:

- documentation of who provided actual management contributions and specific duties
- canceled checks for hired management
- documents showing signature of individual involved in management, such as:
  - canceled checks for significant purchases
  - loan documents
  - lease and purchase agreements
  - sales documents.

Other documents and information necessary to make a complete review includes, but is not limited to, the following:

- crop sales documents
- warehouse ledgers
- gin ledgers
- corporation papers, including documentation of share ownership

--\*

## 653 Producer Notification (Continued)

## D Sample Notification Letter (Continued)

\*--

- partnership agreements or articles of partnership
- trust agreements
- legal documents and contracts
- accounting records
- court records
- crop insurance documents
- complete copies of Federal income tax returns filed with IRS for the years specified 200X, 200X, 200X.

**Note:** Applies for all members of producers that are entities and/or joint operations.

Please provide the requested information to this office within 30 calendar days of the date of this letter. We will photocopy and return the documents and written information you submit. Copies of the documents and information will be forwarded to the individual(s) who will be conducting the actual review and documenting their findings. The (*Any County FSA Committee or State FSA Office, as applicable*) will then make determinations based on findings-of-fact supported by the documents and information you provide. Therefore, it is important that you provide complete and accurate documentation.

You may also be contacted for an interview to obtain additional information and clarification concerning contributions to the farming operation and transactions about the farming operation. During the interview, you may be requested to provide access to additional records.

Upon completion of the review, you will be notified of the results of the review and any further action required.

If, within 30 calendar days of the date of this letter, you have **not** provided adequate documentation for the reviewing authority to make its findings and determinations, you will be:

- determined ineligible for the 200X crop, program or fiscal year benefits
- notified of the revised determination, and given appeal rights
- required to refund payments earned as a result of the previous payment eligibility and payment limitation determination.

Thank you for your cooperation. If you have any questions, please contact this office.

Sincerely,

James E. Cricket  
County Executive Director

--\*

654-660 (Reserved)





**\*--Section 2 Documentation**

**661 Overview**

---

**A**

**Introduction**

Producers selected for the end-of-year review must provide adequate documents for the reviewing authority to determine that the farming operation was carried out as represented when initial determinations were made.

---

**B**

**In This Section**

The following paragraphs are included in this section.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
661	Overview	7-31
662	Required Documentation	7-33
663	Failure to Provide Documentation	7-37
664-670	Reserved	

--\*

---



## 662 Required Documentation

### A Introduction

This paragraph contains instructions for obtaining documents to verify the entries made on \*--CCC-502 and CCC-526.--\*

### B What to Verify

The reviewing authority must obtain adequate documents to verify that:

- inputs used to determine significant contributions to the farming operation were significant
- contributions were commensurate with claimed shares of the farming operation
- contributions were at risk
- the “person” determination is correct
- “permitted entity” designation was proper based upon ownership shares of an entity

**Note:** This applies only to entities where individuals were required to designate “permitted entities.”

- land ownership has been accurately reported when the landowner rules were used in the original determination
- \*--average AGI of the individual or entity was in compliance with certification and the \$2.5 million AGI limitation--\*
- any other pertinent factors used in making the original determination are substantiated.

### C Filing Evidence

County Office personnel shall photocopy documents obtained during the end-of-year review \*--process. File the photocopies with other payment limitation documents. A sufficient number of documents used to make the determination must be filed to support the determination made by the reviewing authority.--\*

662 Required Documentation (Continued)

**D Examples of Required Documents**

Adequate documentation is required to verify whether contributions are commensurate and significant. This table lists examples of documents used to verify these contributions.

<b>Contribution</b>	<b>Examples of Documents</b>
Capital	<ul style="list-style-type: none"> <li>• Operating loan documents</li> <li>• Income and expense ledgers</li> <li>• Canceled checks for expenditures, such as:                             <ul style="list-style-type: none"> <li>• fertilizer</li> <li>• seed</li> <li>• chemicals</li> <li>• fuel</li> <li>• equipment leases and purchases</li> <li>• land leases and purchases</li> <li>* * *</li> <li>• hired labor or management</li> <li>• other farming operation expenditures</li> </ul> </li> </ul>
Land	<ul style="list-style-type: none"> <li>• Lease agreements</li> <li>• Sales contracts</li> <li>• Property tax statements</li> <li>• Canceled checks associated with land</li> </ul>
Equipment	<ul style="list-style-type: none"> <li>• Lease agreements</li> <li>• Purchase contracts</li> <li>• Equipment listings</li> <li>• Canceled checks associated with equipment</li> </ul>

662 Required Documentation (Continued)

D Examples of Required Documents (Continued)

Contribution	Examples of Documents
Labor	<ul style="list-style-type: none"> <li>• Employee time sheets or books</li> <li>• Canceled checks for hired labor</li> </ul>
Management	<ul style="list-style-type: none"> <li>• Canceled checks for hired management</li> <li>• Documents showing signature of person involved in management.</li> </ul> <p><b>Examples:</b> Canceled checks for significant purchases                      Loan documents                      Lease and purchase agreements                      Sales documents</p>

E Examples of Other Documents Needed

Other documents that may be needed to make a complete review could include, but are not limited to, the following:

- crop sales documents
- warehouse ledgers
- gin ledgers
- corporation papers, including documentation of share ownership
- partnership agreements or articles of partnership
- trust agreements
- legal documents and contracts
- accounting records
- court records
- crop insurance documents
- \*--complete copies of federal income tax returns filed with IRS for the applicable years.--\*

\* \* \*



**663 Failure to Provide Documentation**

**A Introduction**

Producers selected for an end-of-year review must provide the reviewing authority with requested documents. This paragraph explains the adverse actions that will be taken if a producer does not comply with this requirement.

**B Documentation Not Provided**

A producer’s failure to submit end-of-year review documentation shall result in the following actions.

<b>IF the producer...</b>	<b>THEN the producer shall be...</b>
<ul style="list-style-type: none"> <li>• refuses to provide the requested information</li> <li>• does not provide information within 30 calendar days</li> </ul>	<ul style="list-style-type: none"> <li>• determined not “actively engaged in farming” *--for the year of the review and all later years until eligibility can be re-established--*</li> <li>• notified of the revised determination, and given appeal rights</li> <li>• required to refund payments earned as a result of the previous “actively engaged in farming” determination, according to the applicable program handbook.</li> </ul> <p><b>Note:</b> Follow 58-FI for issuing the initial notification letter.</p> <p><b>Note:</b> This determination does not require COC action.</p>

**Note:** The reviewing authority may extend the deadline to provide information if merited by unusual circumstances.

**663 Failure to Provide Documentation (Continued)**

**C County Office Action**

After a producer is determined not “actively engaged in farming” or ineligible for payment because of non-compliance with AGI provisions, County Offices shall update the eligibility records through the eligibility or entity file.

\* \* \*

**664-670 (Reserved)**



## Section 3 Conducting Reviews

## 671 Overview

## A Introduction

This section provides the required action and worksheets to be used to conduct end-of-year reviews.

## B In This Section

The following paragraphs are included in this section.

Paragraph	Title	Page
671	Overview	7-55
672	Responsibilities	7-57
673-676	Reserved	
677	Checklist of Documents Received	7-69
678	End-of-Year Review Checklist	7-73
679	Worksheet 1, Capital Contribution	7-81
680	Worksheet 2, Equipment Contribution	7-87
681	Worksheet 3, Land Contribution	7-93
682	Worksheet 4, Combination of Capital, Equipment, and Land Contributions	7-103
683	Worksheet 5, Active Personal Labor Contribution	7-107
684	Worksheet 6, Active Personal Management Contribution	7-113
685	Worksheet 7, Combination of Active Personal Labor and Active Personal Management Contributions	7-119
686	Worksheet 8, Substantive Change	7-123
687	Worksheet 9, "Persons" and Other Determinations	7-129
*--688	Worksheet 10, Adjusted Gross Income (AGI) Compliance	7-131--*
689-697	Reserved	
698	Worksheet 20, Summary of Findings	7-161
699-704	Reserved	



672 Responsibilities

---

## A

**Introduction**

This paragraph provides guidelines for required action for conducting end-of-year reviews.

---

## B

**Review Teams**

Members of the review team, established according to paragraph 531, shall:

- complete the review of all cases according to paragraph 652
  - \*--obtain additional documentation directly from producers whenever it is needed to determine that actual farming operations are or are not in compliance with approved farm operating plans
  - document end-of-year review conclusions and make recommendations for action by the initial review authority.--\*
- 

## C

**Determinations  
by Initial  
Reviewing  
Authority**

The reviewing authority that made the initial determination for the \*--producer selected for end-of-year review shall:

- thoroughly review conclusions and recommendations submitted by the review team
- collect any additional information needed to make an informed determination.--\*

**Note:** If the State Office made the initial determination for the producer, the State Office shall make the end-of-year review determination.

---

Continued on the next page

672 Responsibilities (Continued)

D

**Required Action and Responsibility** Follow this table to determine required action and responsibility.

Step	Action	Responsibility
1	Producer selection	<ul style="list-style-type: none"> <li>•*--Judgmental selection: DAFP--*</li> <li>• All other cases: initial reviewing authority</li> </ul>
2	Producer notification	Initial reviewing authority
3	Accumulation of requested information  <b>Note:</b> Documents shall be copied and returned to the producer.	Producer's designated control County Office
4	Assigning and coordinating reviews	State Office specialist
5	Reviewing documents and fact findings	Review team member or members under the supervision of the State Office specialist
6	Determination and producer notification	Initial reviewing authority
7	End-of-year reports	<ul style="list-style-type: none"> <li>• Designated control County Office</li> <li>• State Office</li> </ul>

Continued on the next page

672 Responsibilities (Continued)

E

**Discrepancies** Follow this table if discrepancies with the farm operating plan are discovered.

IF a discrepancy is discovered that...	THEN notify the producer of...
does not affect the original determination * * *	the discrepancy and confirm the original determination.
affects the original determination	<ul style="list-style-type: none"> <li>• the not "actively engaged in farming" determination or other revised determination</li> <li>• the amount of payments to refund, if applicable</li> </ul> <p><b>Note:</b> See 58-FI.</p> <ul style="list-style-type: none"> <li>• the producer's appeal rights.</li> </ul>

673-676 (Reserved)



**\*--677 Checklist of Documents Received**

**A**

**Checklist**

Use this checklist to indicate the documents submitted by the producer and initial and date.

If a contribution or determination is not applicable, ENTER "√" beside N/A.

Name of Case \_\_\_\_\_ ID No. \_\_\_\_\_

<b>Contribution or Determination</b>	<b>Documentation Required</b>	<b>Initials and Date</b>
Capital	<ul style="list-style-type: none"> <li>• <input type="checkbox"/> Operating loan documents</li> <li>• <input type="checkbox"/> Income and expense ledgers</li> <li>• Canceled checks for expenditures, such as:                             <ul style="list-style-type: none"> <li>• <input type="checkbox"/> fertilizer</li> <li>• <input type="checkbox"/> seed</li> <li>• <input type="checkbox"/> chemicals</li> <li>• <input type="checkbox"/> fuel</li> <li>• <input type="checkbox"/> equipment leases and purchases</li> <li>• <input type="checkbox"/> land leases and purchases</li> <li>• <input type="checkbox"/> livestock and livestock related purchases</li> <li>• <input type="checkbox"/> hired labor or management</li> <li>• <input type="checkbox"/> other farming operation expenditures specify: _____</li> </ul> </li> </ul>	__ N/A
Land	<ul style="list-style-type: none"> <li>• <input type="checkbox"/> Lease agreements</li> <li>• <input type="checkbox"/> Sales contracts</li> <li>• <input type="checkbox"/> Property tax statements</li> <li>• <input type="checkbox"/> Canceled checks associated with land</li> <li>• <input type="checkbox"/> Other specify: _____</li> </ul>	__ N/A

--\*

Continued on the next page

**\*--677 Checklist of Documents Received (Continued)**

**A  
Checklist  
(Continued)**

<b>Contribution or Determination</b>	<b>Documentation Required</b>	<b>Initials and Date</b>
Equipment	<ul style="list-style-type: none"> <li>• <input type="checkbox"/> Lease agreements</li> <li>• <input type="checkbox"/> Purchase contracts</li> <li>• <input type="checkbox"/> Equipment listings</li> <li>• <input type="checkbox"/> Canceled checks associated with equipment</li> <li>• <input type="checkbox"/> Other specify: _____</li> </ul>	__ N/A
Labor	<ul style="list-style-type: none"> <li>• <input type="checkbox"/> Employee time sheets or books</li> <li>• <input type="checkbox"/> Canceled checks for hired labor</li> <li>• <input type="checkbox"/> Other specify: _____</li> </ul>	__ N/A

--\*

Continued on the next page



677 Checklist of Documents Received (Continued)

A  
Checklist  
(Continued)

Contribution or Determination	Documentation Required	Initials and Date
Management	<ul style="list-style-type: none"> <li>• <input type="checkbox"/> Canceled checks for hired management</li> <li>• <input type="checkbox"/> Loan documents</li> <li>• <input type="checkbox"/> Lease and purchase agreements</li> <li>• <input type="checkbox"/> Sales documents</li> <li>• <input type="checkbox"/> Other specify: _____</li> </ul>	<p><input type="checkbox"/> N/A</p>
Commensurate	<ul style="list-style-type: none"> <li>• <input type="checkbox"/> Program documents specify: _____</li> <li>• <input type="checkbox"/> Crop sales documents</li> <li>• <input type="checkbox"/> Warehouse ledgers</li> <li>• <input type="checkbox"/> Gin ledgers</li> <li>• <input type="checkbox"/> Corporation papers, including ownership share</li> <li>• <input type="checkbox"/> Partnership agreements</li> <li>• <input type="checkbox"/> Trust agreements</li> <li>• <input type="checkbox"/> Legal documents and contracts</li> <li>• <input type="checkbox"/> Accounting records</li> <li>• <input type="checkbox"/> Court records</li> <li>• <input type="checkbox"/> Crop insurance documents--*</li> <li>• <input type="checkbox"/> Other specify: _____</li> </ul>	



678 End-of-Year Review Checklist

A

**Checklist**

Follow the steps in this table to conduct end-of-year reviews. Attach documents and additional information as appropriate.

Name of Case \_\_\_\_\_ ID No. \_\_\_\_\_

Step	Process	Action	Initials and Date
1	Producer selection	Indicate how the case was selected:  •*--_ judgmental selection by DAFP--* • _ required spot check • _ other case required by the reviewing authority.	
2	Producer notification	Date of letter notifying producer of selection: _____  <b>Note:</b> The requested documents and information were provided by the producer on _____	

Continued on the next page

678 End-of-Year Review Checklist (Continued)

A  
Checklist  
(Continued)

Step	Process	Action	Initials and Date
3	Initial review of information	<p>Review documents and information initially provided by the producer to determine whether an interview with the producer is required.</p> <p><b>*--Note:</b> Producers shall be interviewed before making end-of-year determinations unless the reason for not interviewing the producer is obvious and adequately justified in writing.--*</p> <p>Is interview with producer required? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <ul style="list-style-type: none"> <li>• If yes:               <ul style="list-style-type: none"> <li>• date the producer was notified _____</li> <li>• go to step 4.</li> </ul> </li> <li>• If no:               <ul style="list-style-type: none"> <li>• give justification for not interviewing the producer</li> <li>• go to step 5.</li> </ul> </li> </ul> <hr/> <hr/> <hr/>	

Continued on the next page

**\*--678 End-of-Year Review Checklist (Continued)**

**A  
Checklist  
(Continued)**

Step	Process	Action	Initials and Date
4	Producer contact	<p>Interview the producer(s) or representative of the selected case and obtain details of the farming operation and the method of operation for the crop year.</p> <p><b>Note:</b> Consider interviewing separately (without farm manager or principal spokesperson) those producers that are suspected of knowing nothing about the farming operation.</p> <p>Date of producer interview _____</p> <p>General interview information</p> <ul style="list-style-type: none"> <li>In discussing the farming operation, does the producer's(s') description of the operation differ with other available information? <input type="checkbox"/> Yes <input type="checkbox"/> No</li> </ul> <p><b>Note:</b> If yes, explain.</p> <p>_____</p> <p>_____</p> <p>_____</p> <ul style="list-style-type: none"> <li>If applicable, advise the producer(s) that accounting records will need to be reviewed and the lending agency of the producer(s) may need to be contacted to verify financing information.</li> </ul>	

--\*

Continued on the next page

**\*--678 End-of-Year Review Checklist (Continued)**

**A  
Checklist  
(Continued)**

Step	Process	Action	Initials and Date
5	Determine value of farming operation	Was the total value of farming operation determined? __ Yes __ No  • If yes, how was the value computed? _____ _____  • If no, how were significant contributions determined? _____ _____	
6	Determine significant contributions	Determine whether all producers of the selected case made the significant "left-hand" and/or "right-hand" contribution as determined by the reviewing authority when making the initial determination.  <b>Notes:</b> Complete worksheets 1 through 7 as applicable. See 1-PL, paragraphs 679 through 688.  If the producer does not meet the requirements for the factors listed by COC, determine whether other factors would qualify the producer.	

--\*

Continued on the next page

678 End-of-Year Review Checklist (Continued)

A Checklist (Continued)

Step	Process	Action	Initials and Date
7	Determine commensurate and at risk contributions	<p>*--Review documentation provided by the producer to support contributions. Determine whether the--* producer’s contributions are commensurate with the claimed share of profits or losses from the farming operation and at risk. See paragraphs 156 through 159.</p> <p><b>Note:</b> If provided, review the producer’s tax return to determine whether income or loss was distributed according to the claimed interest in the farming operation.</p> <p>Are the producer’s contributions commensurate with the claimed share of the profits or losses from the farming operation? __Yes __No</p> <ul style="list-style-type: none"> <li>• If yes, explain and justify.</li> <li>• If no, explain and justify.</li> </ul> <hr/> <hr/> <hr/> <hr/> <hr/>	
8	Determine “persons”	<p>Based on the information reviewed, determine whether the “person” determinations were correct.</p> <p>Complete worksheets 8 and 9, as applicable. See paragraphs 686 and 687.</p>	

678 End-of-Year Review Checklist (Continued)

A Checklist (Continued)

Step	Process	Action	Initials and Date								
9	Determine applicability of other rules	Determine whether cash-rent tenant, foreign person, scheme or device, or other rules apply. <table border="1" data-bbox="634 470 1352 621"> <thead> <tr> <th data-bbox="634 470 951 506">IF rules needed for...</th> <th data-bbox="951 470 1352 506">THEN see...</th> </tr> </thead> <tbody> <tr> <td data-bbox="634 506 951 548">cash-rent tenants</td> <td data-bbox="951 506 1352 548">paragraphs 171 through 173.</td> </tr> <tr> <td data-bbox="634 548 951 590">foreign person</td> <td data-bbox="951 548 1352 590">paragraphs 233 through 237.</td> </tr> <tr> <td data-bbox="634 590 951 621">scheme or device</td> <td data-bbox="951 590 1352 621">paragraph 71.</td> </tr> </tbody> </table>	IF rules needed for...	THEN see...	cash-rent tenants	paragraphs 171 through 173.	foreign person	paragraphs 233 through 237.	scheme or device	paragraph 71.	
IF rules needed for...	THEN see...										
cash-rent tenants	paragraphs 171 through 173.										
foreign person	paragraphs 233 through 237.										
scheme or device	paragraph 71.										
*--10	Average AGI limitation	See paragraphs 626 through 635.--*									
11	Summary of findings	Summarize findings on worksheet 20, and forward documents and findings to initial reviewing authority.  <b>Note:</b> See paragraph 698.									



**\*--679 Worksheet 1, Capital Contribution**

**A**

**Worksheet 1**

Use this worksheet to determine whether capital qualified as a significant contribution.

Name of Case \_\_\_\_\_ ID No. \_\_\_\_\_

Was capital used as a significant contribution?  Yes  No

- If yes, complete this worksheet.
- If no, go to worksheet 2.

Step	Action	
1	Determine how the capital used as a significant contribution was acquired.  <b>Note:</b> Check the appropriate block or blocks, and go to the corresponding step of this worksheet.	
	<input type="checkbox"/> Direct out-of-pocket input by individual, entity, joint operation, or members of joint operation.  Go to step 2.	<input type="checkbox"/> Capital borrowed by individual, entity, joint operation, or member of joint operation.  Go to step 3.

--\*

Continued on the next page

**\*--679 Worksheet 1, Capital Contribution (Continued)**

**A  
Worksheet 1  
(Continued)**

Step	Action
2	<p><b>Determinations if direct out-of-pocket capital input</b></p> <ul style="list-style-type: none"> <li>• If the capital was funded by an individual, entity, or member of the joint operation, were these contributions made directly to the farming operation?  <input type="checkbox"/> Yes <input type="checkbox"/> No</li> </ul> <p><b>Note:</b> If no, explain.</p> <hr/> <hr/> <ul style="list-style-type: none"> <li>• If a joint operation in which the capital is contributed by a member or members of the joint operation rather than the joint operation itself, review member accounting records, checks, and loan documents to determine amounts invested.</li> <li>• Was each member's contribution of capital commensurate with their share of the operation? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</li> </ul> <p><b>Note:</b> If no, other contributions may justify the claimed share of the operation</p> <hr/> <hr/> <ul style="list-style-type: none"> <li>• Interview the individual, entity representative, or member of the joint operation to ensure that capital contributions were out of pocket if not adequately established by documentation. Determine whether they borrowed the capital to provide their contribution.</li> </ul> <p>Was capital borrowed? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <ul style="list-style-type: none"> <li>• If yes, go to step 3.</li> <li>• If no, go to step 4.</li> </ul>

--\*

Continued on the next page

**\*--679 Worksheet 1, Capital Contribution (Continued)**

**A  
Worksheet 1  
(Continued)**

Step	Action
3	<p><b>Determination if capital was borrowed</b></p> <p>If the capital contribution was borrowed:</p> <ul style="list-style-type: none"> <li>• interview the producer to determine from whom the capital was borrowed, and annotate the lender's name</li> </ul> <hr/> <hr/> <ul style="list-style-type: none"> <li>• indicate the percentage of capital contribution that was borrowed</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• review accounting records to determine whether the capital was contributed directly to the farming operation</li> <li>• arrange with the producer to contact the lender and review the loan file</li> <li>• was the loan acquired as a result of a loan being made to, guaranteed by, or secured by an individual, entity, member of a joint operation or any other joint operation with an interest in the farming operation? <input type="checkbox"/> Yes <input type="checkbox"/> No</li> </ul> <p><b>Note:</b> If yes, the capital contribution may not qualify as a significant contribution.</p> <hr/> <hr/>

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Continued on the next page

679 Worksheet 1, Capital Contribution (Continued)

A  
Worksheet 1  
(Continued)

Step	Action
***	***
4	<p><b>Determination of significant contribution</b></p> <p>Did the producer provide the initial reviewing authority an estimated expense report for the year? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <ul style="list-style-type: none"> <li>• If yes, verify that the contribution equals at least 50 percent of the estimated expenses.</li> <li>• If no, how did the reviewing authority determine that the individual's or entity's contribution was equal to 50 percent of the total capital necessary to conduct the farming operation?</li> </ul> <hr/> <hr/> <p>Based on the review of the capital represented by the farming operation as qualifying, did the farming operation or individuals meet the requirements for a significant contribution of capital? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <ul style="list-style-type: none"> <li>• If yes, the farming operation has met its significant "left-hand" contribution.</li> <li>• If no:             <ul style="list-style-type: none"> <li>• the farming operation has <b>not</b> met the requirements for significant "left-hand" contributions without additional "left-hand" contributions</li> <li>• go to step 5.</li> </ul> </li> </ul>
5	<p>Summarize the facts involved in this determination, develop findings as appropriate, and go to worksheet 2.</p> <hr/> <hr/> <hr/> <hr/>

**\*--680 Worksheet 2, Equipment Contribution**

**A**

**Worksheet 2** Use this worksheet to determine whether equipment qualified as a significant contribution.

**Name of Case** \_\_\_\_\_ **ID No.** \_\_\_\_\_

Was equipment used as a significant contribution?  Yes  No

- If yes, complete this worksheet.
- If no, go to worksheet 3.

Step	Action	
1	Determine how the equipment used as a significant contribution was acquired.  <b>Note:</b> Check the appropriate block or blocks, and go to the corresponding step of this worksheet.	
	<input type="checkbox"/> Owned by an operation or its members.  Go to step 2.	<input type="checkbox"/> Leased by an operation or its members.  Go to step 3.

--\*

Continued on the next page

\*--680 Worksheet 2, Equipment Contribution (Continued)

**A**  
**Worksheet 2**  
**(Continued)**

Step	Action
2	<p><b>Equipment owned and contributed by individual, entity, or joint operation</b></p> <ul style="list-style-type: none"> <li>Did the farming operation or its members own <b>all</b> of the equipment used in the farming operation? <input type="checkbox"/> Yes <input type="checkbox"/> No</li> </ul> <p><b>Note:</b> Review accounting or tax depreciating records, if provided, and other information to confirm ownership of the equipment by the individual, entity, or joint operation.</p> <p>If no, did the producer own a sufficient amount of equipment to conduct the farming operation and to meet the significant contribution requirement?  <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <ul style="list-style-type: none"> <li>If the farming operation is conducted by an individual, entity, or joint operation, was the equipment contributed directly to the farming operation by the individual, entity, or joint operation? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</li> </ul> <p>If no, use of the equipment to qualify as a significant contribution is questionable. Explain fully how the individual, entity, joint operation, or member of the joint operation contributed the equipment.</p> <hr/> <hr/> <hr/> <hr/>

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Continued on the next page

\*--680 Worksheet 2, Equipment Contribution (Continued)

A  
Worksheet 2  
(Continued)

Step	Action
2	<p><b>Equipment owned and contributed by individual, entity, or joint operation (Continued)</b></p> <ul style="list-style-type: none"> <li>• For equipment contributed to the farming operation, determine whether this equipment was acquired as a result of a loan. If the equipment was acquired as a result of a loan, was the loan made to, guaranteed by, or secured by any individual, joint operation, entity, or member of a joint operation that has an interest in the farming operation? ___ Yes ___ No</li> <li>• If no, equipment may be used as a significant contribution.</li> <li>• If yes, obtain and copy information about the loan, and discuss with both the producer and County Office to determine whether significant contribution requirements were violated.</li> </ul>
3	<p><b>Equipment leased and contributed by individual, entity, or joint operation</b></p> <p>Determine what equipment was leased and from whom the equipment was leased. Obtain copies of relevant lease documents and equipment listings.</p> <p>Was the equipment leased from someone with an interest in the farming operation? ___ Yes ___ No</p> <ul style="list-style-type: none"> <li>• If no, leased equipment may qualify as a significant contribution to the farming operation.</li> </ul>

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Continued on the next page

680 Worksheet 2, Equipment Contribution (Continued)

**A**  
**Worksheet 2**  
**(Continued)**

Step	Action
3	<ul style="list-style-type: none"> <li>• If yes:                             <ul style="list-style-type: none"> <li>• is the leased equipment necessary for a significant contribution of equipment?                                      ___ Yes ___ No</li> </ul> <p><b>Note:</b> If no, explain fully and go to step 4.</p> <hr/> <hr/> </li> <li>• explain fully the interest of the lessor in the farming operation</li> <hr/> <hr/> </ul> <ul style="list-style-type: none"> <li>• determine and explain how payments were made for the equipment.</li> <hr/> <hr/> </ul> <p><b>Note:</b> If the equipment was leased by the hour, day, or acre, payment basis must be                      *--made in a timely manner. Review accounting records, checks, and billing--*                      invoices.</p>

Continued on the next page



\*--680 Worksheet 2, Equipment Contribution (Continued)

**A**  
**Worksheet 2**  
**(Continued)**

Step	Action
3	<p><b>Equipment leased and contributed by individual, entity, or joint operation (Continued)</b></p> <ul style="list-style-type: none"> <li>• were equipment lease payments properly paid? <input type="checkbox"/> Yes <input type="checkbox"/> No</li> <li>• If no, go to step 4.</li> <li>• If yes, was capital borrowed by the individual, entity, or joint operation from any other individual, entity, or joint operation with an interest in the farming operation? <input type="checkbox"/> Yes <input type="checkbox"/> No</li> </ul> <p><b>Note:</b> If yes, explain how the farming operation paid for the cash-leased equipment. Obtain and copy necessary documents to support the finding.</p> <hr/> <hr/> <hr/> <p style="text-align: center;">If no, interview the producer and determine why lease agreements were not paid in a timely manner.</p> <hr/> <hr/> <hr/> <hr/>

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Continued on the next page

680 Worksheet 2, Equipment Contribution (Continued)

**A**  
**Worksheet 2**  
**(Continued)**

Step	Action
4	<p><b>Determination of significant contribution</b></p> <p>*--How did the initial reviewing authority determine the total rental value of the--*</p> <p>equipment?</p> <hr/> <hr/> <p>Based on the review of the equipment used in the farming operation, did the equipment qualify as a significant contribution? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <ul style="list-style-type: none"> <li>• If yes, the individual, entity, or joint operation has met the "left-hand" contribution requirement.</li> <li>• If no, go to step 5.</li> </ul>
5	<p>Summarize the facts involved in this determination, develop findings as appropriate, and go to worksheet 3.</p> <hr/> <hr/> <hr/> <hr/>

681 Worksheet 3, Land Contribution

**A**

**Worksheet 3** Use this worksheet to determine whether the land qualified as a significant contribution.

Name of Case \_\_\_\_\_ ID No. \_\_\_\_\_

Was land used as a significant contribution?  Yes  No

- If yes, complete this worksheet.
- If no, go to worksheet 4.

Step	Action		
1	Determine how the land used as a significant contribution was acquired.  <b>Note:</b> Check the appropriate block or blocks, and go to the corresponding step of this worksheet.		
	<input type="checkbox"/> Landowner: individual, entity, or joint operation  Go to step 2.	<input type="checkbox"/> Landowner: owned and contributed by members of joint operation  Go to step 3.	<input type="checkbox"/> Crop-share lease: individual, entity, or joint operation  Go to step 4.
	<input type="checkbox"/> Cash-leased: individual, entity, or joint operation  *--Go to step 5 and complete worksheet 9.5.--*	<input type="checkbox"/> Land contributed by combination of methods  Go to applicable steps.	

Continued on the next page

681 Worksheet 3, Land Contribution (Continued)

A  
Worksheet 3  
(Continued)

Step	Action
2	<p><b>Determinations if land is owned by individual, entity, or joint operation</b></p> <p>*--Obtain and review documents supporting ownership of land, such as deeds or other title documents.--*</p> <p><b>Note:</b> If not available from the County Office, this information should be filed with the appropriate county court.</p> <ul style="list-style-type: none"> <li>• Was ownership of the land established by the status date?    <input type="checkbox"/> Yes    <input type="checkbox"/> No</li> </ul> <p><b>Note:</b> If no, the individual, entity, or joint operation cannot qualify under the landowner provisions as "actively engaged in farming."</p> <ul style="list-style-type: none"> <li>• During the review of the deed and/or title documents, determine whether the land was acquired by "Contract of Deed," "Deed of Trust," "Land Contract," or other similar arrangement.</li> </ul> <p><b>Note:</b> This is considered to be acquired as a result of a loan.</p>

Continued on the next page

\*--681 Worksheet 3, Land Contribution (Continued)

**A**  
**Worksheet 3**  
**(Continued)**

Step	Action
2	<p><b>Determinations if land is owned by individual, entity, or joint operation (Continued)</b></p> <ul style="list-style-type: none"> <li>Was this land acquisition guaranteed by, or secured by an individual, entity, or other joint operation, including members, that have an interest in the farming operation? <input type="checkbox"/> Yes <input type="checkbox"/> No</li> </ul> <p><b>Note:</b> If yes, the land cannot qualify as a significant contribution to the farming operation. Document and copy appropriate information.</p> <hr/> <hr/> <hr/> <hr/> <ul style="list-style-type: none"> <li>If the landowner provision is used by a joint operation holding title to the land, review the joint operation agreement for dissolution of the operation.</li> </ul> <p>Does this agreement provide that, upon dissolution, the title to the land owned or proceeds from the sale of the land will revert to the individual members according to their respective shares? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>Note:</b> If no, the landowner provisions cannot be used unless the regional attorney advises that state law provides that, upon dissolution of the joint operation, the land will be sold and the proceeds divided according to each member's share in the joint operation and there is no documentation otherwise.</p>

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Continued on the next page

**\*--681 Worksheet 3, Land Contribution (Continued)**

**A  
Worksheet 3  
(Continued)**

Step	Action
3	<p><b>Determinations if land is owned and contributed by member or members of joint operation</b></p> <ul style="list-style-type: none"> <li>• Obtain and review the deed or other title documents for the land.</li> </ul> <p><b>Note:</b> If not available from the County Office, this information should be filed with the appropriate county court.</p> <p>Was ownership of the land established before the status date?  <input type="checkbox"/> Yes   <input type="checkbox"/> No</p> <p><b>Note:</b> If no, the individual, entity, or joint operation cannot qualify under the landowner provisions as "actively engaged in farming."</p> <hr/> <ul style="list-style-type: none"> <li>• During the review of the deed and/or title documents, determine whether the land was acquired by "Contract of Deed," "Deed of Trust," "Land Contract," or other similar arrangement.</li> </ul> <p><b>Note:</b> This is considered to be acquired as a result of a loan.</p> <ul style="list-style-type: none"> <li>• Was this land acquisition guaranteed by, or secured by an individual, entity, or other joint operation, including members, that have an interest in the farming operation?   <input type="checkbox"/> Yes   <input type="checkbox"/> No</li> <li>• If no, go to step 4.</li> <li>• If yes, the land cannot qualify as a contribution to the farming operation. Document and copy appropriate information.</li> </ul> <hr/> <hr/> <hr/>

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Continued on the next page

681 Worksheet 3, Land Contribution (Continued)

A  
Worksheet 3  
(Continued)

Step	Action
4	<p><b>Determinations if land is crop-share leased</b></p> <ul style="list-style-type: none"> <li>• Obtain and review the lease agreements between the farming operation and the landowner.</li> </ul> <p>Does the lease agreement require a minimum cash payment? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>Note:</b> If yes, * * * determine if it is a cash or share lease.</p> <hr/> <hr/> <ul style="list-style-type: none"> <li>• Review the accounting records, crop settlement sheets, or other records and compare the *--percentage division of proceeds to the percentage of division on applicable contracts and applications.--*</li> <li>• Was the landowner's share of the production the same as reported to FSA? <input type="checkbox"/> Yes <input type="checkbox"/> No</li> </ul> <p><b>Note:</b> If no, discuss this with the producer to determine why the landowner's share was different than that reported.</p> <hr/> <hr/> <ul style="list-style-type: none"> <li>• Was the land leased from someone with an interest in the farming operation other than as a landlord? <input type="checkbox"/> Yes <input type="checkbox"/> No</li> </ul> <p><b>Note:</b> If yes, explain.</p> <hr/> <hr/> <hr/>

Continued on the next page

681 Worksheet 3, Land Contribution (Continued)

A  
Worksheet 3  
(Continued)

Step	Action
5	<p><b>*--Determinations if land is considered cash-leased by individual, entity, or joint--* operation</b></p> <ul style="list-style-type: none"> <li>Review CCC-502 and cash-lease agreements. Determine who the land was leased from and if they had an interest in the farming operation.</li> </ul> <p>Was the land leased from someone with an interest in any crop or crop proceeds in the farming operation?    <input type="checkbox"/> Yes    <input type="checkbox"/> No</p> <p>* * *</p> <ul style="list-style-type: none"> <li>If the cash-leased land is owned and contributed by someone with an interest in the farming operation, determine by interviewing the member or their representative and by reviewing documents, if the land is mortgaged and if the loan to acquire the land was made by, guaranteed by, or secured by, anyone having an interest in the farming operation.</li> </ul> <p><b>Note:</b> A "Contract of Deed," "Deed of Trust," "Land Contract," or other similar arrangement is considered to be acquired as the result of a loan.</p> <hr/> <hr/> <hr/>

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**\*--681 Worksheet 3, Land Contribution (Continued)**

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**A  
Worksheet 3  
(Continued)**

<b>Step</b>	<b>Action</b>
6	<p><b>Determination of significant contribution</b></p> <p>How did the reviewing authority determine total rental value of the land?</p> <p><b>Note:</b> Rental value will not be listed on CCC-502 unless the land is leased from someone with an interest in the operation.</p> <hr/> <hr/> <hr/>

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Continued on the next page

681 Worksheet 3, Land Contribution (Continued)

A  
Worksheet 3  
(Continued)

Step	Action
6	<p><b>Determination of significant contribution (Continued)</b></p> <ul style="list-style-type: none"> <li>Compare the land owned and leased by the farming operation and used to determine the producer "actively engaged in farming" with all land operated by the farming operation. Use the producer's CCC-502 and obtain other County Office records, such as the producer farm index and producer payment record, to identify all farms operated.</li> </ul> <p>Did the producer operate more land than was initially used by COC to make the "actively engaged in farming" determination? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <ul style="list-style-type: none"> <li>If yes, determine and explain how the contribution was found to equal 50 percent of the individual's or entity's commensurate share.</li> </ul> <hr/> <hr/> <ul style="list-style-type: none"> <li>Based upon this comparison of the land operated by the producer to the land initially used by COC in making determinations, does the land owned and/or leased by the farm operation qualify for inclusion as a significant contribution and have a value equal to at least 50 percent of the individual's, entity's, or joint operation's commensurate share of the total rental value of the land? <input type="checkbox"/> Yes <input type="checkbox"/> No</li> </ul> <p><b>Note:</b> If no, the individual, entity, or joint operation cannot qualify as "actively engaged in farming" using land as its significant contribution.</p>
7	<p>Summarize the facts involved in this determination, develop findings as appropriate, and go to worksheet 4.</p> <hr/> <hr/> <hr/>

**\*--681.5 Worksheet 3.5, Cash-Rent Tenant**

**A**

**Worksheet 3.5** Use this worksheet to determine whether the producer meets the cash-rent tenant rule.

Step	Action
1	<p>If the producer is a cash-rent tenant, did the producer provide a contribution of active personal labor to the farming operation?    <input type="checkbox"/> Yes    <input type="checkbox"/> No</p> <ul style="list-style-type: none"> <li>• If yes, complete worksheet 5 to determine if the contribution of active personal labor was significant.</li> <li>• If no, complete worksheet 2 and worksheet 6 to determine if the producer provided a combination of significant contributions of equipment and management.</li> </ul>
2	<p>Upon completion of the applicable contribution worksheets, does the producer meet the cash-rent tenant rules of paragraph 172?    <input type="checkbox"/> Yes    <input type="checkbox"/> No</p> <ul style="list-style-type: none"> <li>• If yes, complete step 3 and go to worksheet 9.</li> <li>• If no, determine the producer ineligible for payment on the cash-rented land. Complete step 3 and go to worksheet 9.</li> </ul>
3	<p>Summarize the facts involved in this determination, develop findings as appropriate, and go to worksheet 9.</p> <hr/> <hr/> <hr/>

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**\*--682 Worksheet 4, Combination of Capital, Equipment, and Land Contributions**

**A**

**Worksheet 4**

Use this worksheet to determine whether a combination of capital, equipment, and land qualified as a significant contribution.

Name of Case \_\_\_\_\_ ID No. \_\_\_\_\_

Was any combination of capital, equipment, and land used to qualify as a significant contribution? \_\_\_  
 Yes \_\_\_ No

- If yes, complete this worksheet.
- If no, go to worksheet 5.

Step	Action		
1	If the contribution is a combination of the 3 "left-hand" inputs (capital, equipment, and land): <ul style="list-style-type: none"> <li>• check the appropriate block or blocks and complete the applicable worksheets using the 30 percent contribution requirement to determine whether any rules have been violated for the appropriate contributions</li> <li>• go to step 2 of this worksheet after completing the appropriate worksheets.</li> </ul> <hr/> <hr/> <hr/>		
	___ Capital	___ Equipment	___ Land
	Go to worksheet 1.	Go to worksheet 2.	Go to worksheet 3.

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Continued on the next page

**\*--682 Worksheet 4, Combination of Capital, Equipment, and Land Contributions (Continued)**

**A  
Worksheet 4  
(Continued)**

Step	Action
2	<p><b>Determinations</b></p> <p>How did the reviewing authority determine that the combined contribution of "left-hand" inputs was equal to 30 percent of the individual's or entity's commensurate share of the total value of the farming operation?</p> <hr/> <hr/> <hr/> <p>Does the actual contribution of the inputs equal to 30 percent of the individual's or entity's commensurate share of the total value of the farming operation?            __ Yes __ No</p> <ul style="list-style-type: none"> <li>• If yes, the requirements for significant "left-hand" contribution have been met.</li> <li>• If no, the requirements to be "actively engaged in farming" have not been met unless exception applies.</li> </ul>
3	<p>Summarize the facts involved in this determination, develop findings as appropriate, and go to worksheet 5.</p> <hr/> <hr/> <hr/> <hr/> <hr/>

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**\*--683 Worksheet 5, Active Personal Labor Contribution**

**A**

**Worksheet 5**

Use this worksheet to determine whether active personal labor qualified as a significant contribution.

Name of Case \_\_\_\_\_ ID No. \_\_\_\_\_

Was active personal labor used as a significant contribution?  Yes  No

- If yes, complete this worksheet.
- If no, go to worksheet 6.

Step	Action
1	<ul style="list-style-type: none"> <li>• Review CCC-502 and interview the individual or individuals contributing active personal labor.</li> <li>• Determine by interview or documentation if the individual or individuals indicated as contributing labor know how many hours of labor it takes for the farming operation and how many hours they provided.</li> <li>• Is there any record of hours worked by the contributing individual or individuals? <input type="checkbox"/> Yes <input type="checkbox"/> No</li> </ul> <p><b>Note:</b> If yes, review and obtain copies to document the determination.</p> <hr/> <hr/> <hr/>

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**\*--683 Worksheet 5, Active Personal Labor Contribution (Continued)**

**A  
Worksheet 5  
(Continued)**

Step	Action
2	<p>Is this a joint operation? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <ul style="list-style-type: none"> <li>• If yes:                             <ul style="list-style-type: none"> <li>• determine whether labor, performed by a member of a joint operation, was excluded as a contribution</li> </ul> <p style="margin-left: 40px;"><b>Note:</b> If a member of joint operation is paid for any part of the contribution, the contribution cannot be counted.</p> <li>• review accounting records and determine whether salaries were paid by the joint operation to any members.</li> </li></ul> <ul style="list-style-type: none"> <li>• If no, go to step 3.</li> </ul> <hr/> <hr/> <hr/>

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**\*--683 Worksheet 5, Active Personal Labor Contribution (Continued)**

**A  
Worksheet 5  
(Continued)**

Step	Action
3	<p>Determine whether the individual could have provided the labor reported on CCC-502.</p> <ul style="list-style-type: none"> <li>• Was the individual living away from the farm?    <input type="checkbox"/> Yes    <input type="checkbox"/> No</li> <li>• Did the individual correctly report his or her residence to the County Office?  <input type="checkbox"/> Yes    <input type="checkbox"/> No</li> </ul> <p><b>Note:</b> Consider interview with the individual (without manager or principal present), if information indicates that it is doubtful the individual provided active personal labor to the farming operation.</p> <hr/> <hr/> <hr/>
4	<p>Review the payroll and accounting records.</p> <p>Was the individual paid for labor?    <input type="checkbox"/> Yes    <input type="checkbox"/> No</p> <ul style="list-style-type: none"> <li>• If no, go to step 5.</li> <li>• If yes, how much was the individual paid and who paid the labor cost?</li> </ul> <hr/> <hr/> <hr/>

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**\*--683 Worksheet 5, Active Personal Labor Contribution (Continued)**

**A  
Worksheet 5  
(Continued)**

Step	Action
5	Determine: <ul style="list-style-type: none"> <li>• how "draws" upon capital accounts were considered at the end of the year when the profit or loss was disbursed</li> <li>• for joint operations, if commensurate shares were maintained for the members.</li> </ul> <hr/> <hr/> <hr/>
6	Compare the claimed labor contribution to the operation shown on CCC-502 with the findings of actual contribution, and determine whether there is a significant difference. <hr/> <hr/>
7	Summarize the facts involved in this determination, develop findings as appropriate, and go to worksheet 6. <hr/> <hr/> <hr/> <hr/>

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**\*--684 Worksheet 6, Active Personal Management Contribution**

**A**

**Worksheet 6**

Use this worksheet to determine whether active personal management qualified as a significant contribution.

Name of Case \_\_\_\_\_ ID No. \_\_\_\_\_

Was active personal management used as a significant contribution?  Yes  No

- If yes, complete this worksheet.
- If no, go to worksheet 7.

Step	Action
1	Review the description of management shown on CCC-502. <hr/> <hr/> <hr/>
2	Is this a joint operation? <input type="checkbox"/> Yes <input type="checkbox"/> No  <ul style="list-style-type: none"> <li>• If yes:                             <ul style="list-style-type: none"> <li>• determine whether management, performed by a member of a joint operation, was excluded as a contribution</li> </ul> <p style="margin-left: 40px;"><b>Note:</b> If a member of joint operation is paid for any part of the contribution, the contribution cannot be counted.</p> <li>• review accounting records and determine whether salaries were paid by the joint operation to any members.</li> </li></ul> <li>• If no, go to step 3.</li> <hr/> <hr/> <hr/>

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**\*--684 Worksheet 6, Active Personal Management Contribution (Continued)**

**A  
Worksheet 6  
(Continued)**

Step	Action
3	<p>If documentation does not adequately establish management contributions, interview the individual(s) and discuss management.</p> <ul style="list-style-type: none"> <li>• Does the individual(s) have knowledge of the farming operation commensurate with claimed contribution of management?    <input type="checkbox"/> Yes    <input type="checkbox"/> No</li> </ul> <hr/> <hr/> <ul style="list-style-type: none"> <li>• Ask the individual(s) how the management duties performed help the profitability of the farming operation.</li> </ul> <hr/> <hr/> <ul style="list-style-type: none"> <li>• Compare the written description of management on CCC-502 with the individual's comments.</li> </ul> <p><b>Note:</b> Consider interview with individual (without manager or principal present), if information indicates it is doubtful the individual provided active personal management.</p> <hr/> <hr/> <hr/>
4	<p>Has the individual(s) prepared written management reports during the year? <input type="checkbox"/> Yes    <input type="checkbox"/> No</p> <ul style="list-style-type: none"> <li>• If no, go to step 5.</li> <li>• If yes, review and obtain copies.</li> </ul> <hr/> <hr/> <hr/>

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**\*--684 Worksheet 6, Active Personal Management Contribution (Continued)**

**A  
Worksheet 6  
(Continued)**

Step	Action
5	<p>Compare all the individual's residences with the farm location.</p> <p>Was onsite management provided?    <input type="checkbox"/> Yes    <input type="checkbox"/> No</p> <ul style="list-style-type: none"> <li>• If yes, how often? _____</li> <li>• If no, how are management duties performed? _____ _____ _____</li> </ul>
6	<p>Determine:</p> <ul style="list-style-type: none"> <li>• how "draws" upon capital accounts were considered at the end of the year when the profit or loss was disbursed</li> <li>• for joint operations, if commensurate shares were maintained for the members.</li> </ul> <p>_____ _____ _____</p>
7	<p>Compare the reported management contribution to the operation with the review results, and determine whether there is a significant difference.</p>
8	<p>Summarize the facts involved in this determination, develop findings as appropriate, and go to worksheet 7.</p> <p>_____ _____ _____ _____</p>

--\*



**\*--685 Worksheet 7, Combination of Active Personal Labor and Active Personal Management Contributions**

---

**A**

**Worksheet 7**

Use this worksheet to determine whether a combination of active personal labor and active personal management qualified as a significant contribution.

**Name of Case** \_\_\_\_\_ **ID No.** \_\_\_\_\_

Was a combination of active personal labor and active personal management used to qualify as a significant contribution?  Yes  No

- If yes, complete this worksheet.
- If no, go to worksheet 8.

Step	Action
1	Review the description of labor and management shown on CCC-502. <hr/> <hr/> <hr/> Complete worksheets 5 and 6 to determine that the combination of active personal labor and active personal management has a critical impact on the profitability of the farming operation in an amount at least equal to the significant contribution of either consideration when taken alone. <hr/> <hr/> <hr/>

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Continued on the next page

**\*--685 Worksheet 7, Combination of Active Personal Labor and Active Personal Management Contributions (Continued)**

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**A**  
**Worksheet 7**  
**(Continued)**

Step	Action
2	Determine how the reviewing authority determined that the contribution would have a critical impact on the profitability of the farming operation. <hr/> <hr/> <hr/> <hr/>
3	Summarize the facts involved in this determination, develop findings as appropriate, and go to worksheet 8. <hr/> <hr/> <hr/> <hr/>

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686 Worksheet 8, Substantive Change

A

**Worksheet 8** Use this worksheet to determine whether the substantive change qualified as a significant contribution.

Name of Case \_\_\_\_\_ ID No. \_\_\_\_\_

Did an increase in "persons" occur from the previous year? \_\_ Yes \_\_ No

- If yes, complete this worksheet.
- If no, go to worksheet 9.

Step	Action	Finding
1	Was substantive change required? __ Yes __ No  • If yes, go to step 2.  • If no, write the reason in the "Finding" column and go to worksheet 9.  *-- <b>Example:</b> The formation of a husband and wife joint venture does not require substantive change.--*	
2	If substantive change was required, list what COC considered substantive change.	

Continued on the next page

**\*--686 Worksheet 8, Substantive Change (Continued)**

**A  
Worksheet 8  
(Continued)**

Step	Action	Finding														
3	Include the substantive change that occurred.  <b>Note:</b> Go to the following step containing the substantive change that occurred.															
	<table border="1"> <thead> <tr> <th data-bbox="266 596 415 655">Step</th> <th data-bbox="415 596 1073 655">Action</th> </tr> </thead> <tbody> <tr> <td data-bbox="266 655 415 789">A</td> <td data-bbox="415 655 1073 789">If addition of <b>adult family member</b>, determine whether the adult family member qualifies according to paragraph 295.</td> </tr> <tr> <td data-bbox="266 789 415 924">B</td> <td data-bbox="415 789 1073 924">If change in <b>land rental</b> from cash-lease to share-lease, determine whether the change qualifies a landowner only.</td> </tr> <tr> <td data-bbox="266 924 415 1058">C</td> <td data-bbox="415 924 1073 1058">If a <b>20 percent increase in cropland</b>, determine whether the change qualifies according to paragraphs 93 through 97.</td> </tr> <tr> <td data-bbox="266 1058 415 1192">D</td> <td data-bbox="415 1058 1073 1192">If a <b>change in ownership of equipment or land</b>, determine whether the change qualifies according to paragraphs 93 through 97.</td> </tr> <tr> <td data-bbox="266 1192 415 1327">E</td> <td data-bbox="415 1192 1073 1327">If <b>addition of equipment</b> not previously involved in the farming operation, determine whether the change qualifies according to paragraphs 93 through 97.</td> </tr> <tr> <td data-bbox="266 1327 415 1461">F</td> <td data-bbox="415 1327 1073 1461">If a <b>20 percent increase in livestock</b>, determine whether the change qualifies according to paragraphs 93 through 97.</td> </tr> </tbody> </table>	Step	Action	A	If addition of <b>adult family member</b> , determine whether the adult family member qualifies according to paragraph 295.	B	If change in <b>land rental</b> from cash-lease to share-lease, determine whether the change qualifies a landowner only.	C	If a <b>20 percent increase in cropland</b> , determine whether the change qualifies according to paragraphs 93 through 97.	D	If a <b>change in ownership of equipment or land</b> , determine whether the change qualifies according to paragraphs 93 through 97.	E	If <b>addition of equipment</b> not previously involved in the farming operation, determine whether the change qualifies according to paragraphs 93 through 97.	F	If a <b>20 percent increase in livestock</b> , determine whether the change qualifies according to paragraphs 93 through 97.	
Step	Action															
A	If addition of <b>adult family member</b> , determine whether the adult family member qualifies according to paragraph 295.															
B	If change in <b>land rental</b> from cash-lease to share-lease, determine whether the change qualifies a landowner only.															
C	If a <b>20 percent increase in cropland</b> , determine whether the change qualifies according to paragraphs 93 through 97.															
D	If a <b>change in ownership of equipment or land</b> , determine whether the change qualifies according to paragraphs 93 through 97.															
E	If <b>addition of equipment</b> not previously involved in the farming operation, determine whether the change qualifies according to paragraphs 93 through 97.															
F	If a <b>20 percent increase in livestock</b> , determine whether the change qualifies according to paragraphs 93 through 97.															

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Continued on the next page

**\*--686 Worksheet 8, Substantive Change (Continued)**

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**A**  
**Worksheet 8**  
**(Continued)**

<b>Step</b>	<b>Action</b>	<b>Finding</b>
4	Summarize the facts involved in this determination, develop findings as appropriate, and go to worksheet 9.	

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**\*--687 Worksheet 9, "Persons" and Other Determinations**

**A**

**Worksheet 9**

Use this worksheet to determine whether "person" determinations and other determinations were correctly made.

Name of Case \_\_\_\_\_ ID No. \_\_\_\_\_

Step	Determination	Action	Finding
1	Other farming interests	Did the producer indicate any other farming interests, including interests of spouse and minor children?  • If yes, verify that all were reported by reviewing system reports.  • If no, verify by reviewing system reports, such as the entity interest report.	

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Continued on the next page

687 Worksheet 9, "Persons" and Other Determinations (Continued)

A  
Worksheet 9  
(Continued)

Step	Determination	Action	Finding
2	"Person"	Review the initial "person" determination to determine whether any combined "person" rule applies.  Is there a combined "person" involved in this case? ___ Yes ___ No  <b>Note:</b> If yes, explain.	
3	Other	Do any other rules apply? ___ Yes ___ No  <b>Example:</b> Cash-rent tenant <ul style="list-style-type: none"> <li>• If yes, specify and go to worksheet 20.</li> <li>• If no, go to worksheet 20.</li> </ul>	

688 Worksheet 10, AGI Compliance

A Worksheet 10

Use this worksheet to determine AGI compliance for the producer for the year under review. **Complete multiple worksheets as needed to include all members of producers that are entities and/or joint operations.**

Producer \_\_\_\_\_

Year under review \_\_\_\_\_

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Step	Action	Result												
1	Enter AGI from the 3 previous years from all sources (agriculture and non-agriculture):  <table style="width: 100%; border: none;"> <tr> <td style="width: 30%; text-align: center;">Year</td> <td style="width: 30%; text-align: center;">Amount</td> <td></td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">\$ _____</td> <td></td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">\$ _____</td> <td></td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">\$ _____</td> <td></td> </tr> </table>	Year	Amount		_____	\$ _____		_____	\$ _____		_____	\$ _____		
Year	Amount													
_____	\$ _____													
_____	\$ _____													
_____	\$ _____													
2	Total the amounts in step 1.	\$ _____												
3	Calculate the average AGI from all sources by dividing the result of step 2 by the number of years in step 1.	\$ _____												
4	Enter AGI from the 3 previous years from farming, ranching, and forestry:  <table style="width: 100%; border: none;"> <tr> <td style="width: 30%; text-align: center;">Year</td> <td style="width: 30%; text-align: center;">Amount</td> <td></td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">\$ _____</td> <td></td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">\$ _____</td> <td></td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">\$ _____</td> <td></td> </tr> </table>	Year	Amount		_____	\$ _____		_____	\$ _____		_____	\$ _____		
Year	Amount													
_____	\$ _____													
_____	\$ _____													
_____	\$ _____													
5	Total the amounts in step 4.	\$ _____												
6	Calculate the average AGI from farming, ranching, and forestry by dividing the result of step 5 by the number of years in step 4.	\$ _____												
7	Calculate AGI percentage by dividing the result of step 6 by the result of step 3 and multiply by 100.	%												
8	<b>IF the result of step 7 is...</b>	<b>THEN...</b>												
	equal or greater than 75 percent	the producer is eligible.												
	less than 75 percent	go to step 9.												
9	<b>IF the result in step 3 is...</b>	<b>THEN the producer is...</b>												
	equal to or greater than \$2.5 million	<b>not</b> eligible.												
	less than \$2.5 million	eligible.												

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**\*--689 Worksheet 11, Additional Space for Notes**

**A Worksheet 11**

Use this worksheet for additional space for notes.

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Page \_\_ of \_\_

(Reproduce as needed)--\*

**690-697 (Reserved)**



698 Worksheet 20, Summary of Findings

A Worksheet 20

Use this worksheet to summarize findings for the initial reviewing authority.

Name of Case \_\_\_\_\_ ID No. \_\_\_\_\_

Factor	Yes	No	Questioned	N/A	Handbook or Worksheet Reference
CCC-502 followed					
Significant contribution of land					
Significant contribution of capital					
Significant contribution of equipment					
Significant contribution of “left-hand” combination					
Significant contribution of active personal labor					
Significant contribution of active personal management					
Significant contribution of “right-hand” combination					
Share of profits and losses commensurate with contributions					
Contributions at risk					
Cash-rent tenant rule met					
Foreign person rule met					
Substantive change requirements met					
Separate “person” requirements met					
Initial “person” determination correct					
Initial “actively engaged in farming” determination correct					
*--AGI certification correct--*					

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698 Worksheet 20, Summary of Findings (Continued)

A Worksheet 20 (Continued)

**“Actively Engaged in Farming” Findings**

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**“Person” Findings**

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**\*--AGI and Other Findings--\***

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**Comments**

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699-704 (Reserved)

**\*--Section 4 Reports**

**705 Overview**

**A Introduction**

This section provides instructions for preparing the End-of-Year Review Report (PA-122R).

**B In This Section**

The following paragraphs are included in this section.

<b>Paragraph</b>	<b>Title</b>	<b>Page</b>
705	Overview	7-181
706	County Office End-of-Year Payment Limitation Review Report (PA-122R)	7-182
707	State Office End-of-Year Payment Limitation Review Report (PA-122R)	7-185

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**706 County Office Action for Submitting CCC-502EYR (Report PA-122R)**

**A Introduction**

This paragraph instructs County Offices to submit CCC-502EYR (Report PA-122R) to the State Office.

**B Report Date**

STC shall establish a date or dates for County Offices to submit CCC-502EYR (Report PA-122R) to the State Office for review. See paragraph 530.

**C Report Format**

County Offices shall use CCC-502EYR (Report PA-122R) to report end-of-year reviews to the State Office.

**Note:** On CCC-502EYR, item 10, “Dollar Amount”, record the total actual and projected amount of payments or benefits for which the producer is known to be ineligible as a result of the end-of-year review.

**\*--D Report Attachments and Enclosures**

Attach or include the following with CCC-502EYR (Report PA-122R):

- all EYR worksheets completed
- recommendations to COC
- determinations made by COC
- written notifications issued to the producers.

**Note:** Do not send copies of tax returns.--\*

706 County Office Action for Submitting CCC-502 EYR (Report PA-122R) (Continued)

E Example of CCC-502EYR (Report PA-122R)

Following is an example of CCC-502EYR (Report PA-122R).

This form is available electronically.

<b>CCC-502EYR</b> (03-27-96)		U.S. Department of Agriculture Commodity Credit Corporation	
<b>End-of-Year Report                  of Payment Limitation Review</b> (Report No. PA-122R)			
		1. Reporting Office (Counties include State) Main County, ST	
		2. Reporting Date 2/25/08	3. Year Reported 2006
4. Report Status			
		Progress Report <input type="checkbox"/>	Revised Report <input type="checkbox"/>
		Negative Report <input type="checkbox"/>	Final Report <input checked="" type="checkbox"/>

Type of Selection	Number of Reviews		Number of Discrepancies Found (If any, complete Items 8, 9 & 10)
	Selected	Completed	
5. Judgmental (Required by DAFP)	15	15	0
6. Required spot check	0	0	0
7. Additional cases selected by reviewing authority	5	5	3

**Explanation of Discrepancies - Attach additional sheets if needed. Insert office name on attachments.**

8. ID Number	9. Discrepancy Found	10. Action Taken	11. Dollar Amount
xxx-xx-0000	Not actively engaged in farming	Provided written notice and established receivables	\$20,000
xxx-xx-0001	Not actively engaged in farming	Provided written notice and established receivables	\$5,000
xxx-xx-0002	Not actively engaged in farming	Provided written notice and established receivables	\$5,000

12. Remarks  
 5 DAPP selections waived - 2 H/W only operations; 3 operations owned all land.  
 EYR Worksheets, recommendations and supporting documentation for all reviews completed are attached as required.

13. Signature of CED for County Report, SED for State Report	13. Date 2/25/08
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**707 State Office Action for Submitting CCC-502 EYR (Report PA-122R)**

**A Introduction**

To assess the overall effectiveness of end-of-year reviews, a report summarizing results of reviews conducted is required.

**B Report Format**

State Offices shall do the following.

<b>Step</b>	<b>Action</b>
1	Review County Offices' CCC-502 EYS's (Report PA-122R's).
2	Use CCC-502EYR (Report PA-122R) to summarize totals of County Offices' CCC-502EYR's (Report PA-122R's), items 4, 5, and 6.
3	Attach a copy of the County Office reports to the State Office report.
4	Send the State Offices' CCC-502 EYR (Report PA-122R) to PECD.  <b>Note:</b> Include all EYR worksheets, recommendations, and supporting *--documentation according to subparagraph 706 D for all completed reviews.--* <b>Negative reports are required.</b>

**C Example of CCC-502EYR (Report PA-122R)**

See subparagraph 706 E for an example of CCC-502EYR (Report PA-122R).

**708-799 (Reserved)**





**Part 8 Producers Identified as Deceased****800 Payments to Individuals Identified as Deceased Report (RPT-I-00-CM-08-1)****A Accessing the Payments to Individuals Identified as Deceased Report**

To access the Payments to Individuals Identified as Deceased Report who were direct and indirect payment recipients in FY 2008 and subsequent years, go to <http://intranet.fsa.usda.gov/dafp>, under “Payments to Individuals Identified as Deceased, Revised (Excel Files)”, click the list for the appropriate State.

**B Information Arrangement in the Payments to Individuals Identified as Deceased Report**

The information in the Payments to Individuals Identified as Deceased Report is arranged by the following:

- State and county code of the administrative location for the individual identified as deceased
- name as recorded in SCIMS for the individual identified as deceased
- last 4 digits of the individual’s SSN as recorded in SCIMS
- name of the deceased individual as recorded in DMF
- date of death of the deceased individual as recorded in DMF
- last 4 digits of the deceased individual’s SSN as recorded in DMF
- name of the entity associated with the deceased individual, if applicable
- program under which a FY 2008 payment was issued
- date of payment issuance
- program year associated with the payment
- payment amount.

See Exhibit 15 for an example of the Payments to Individuals Identified as Deceased Report.

800 Payments to Individuals Identified as Deceased Report (RPT-I-00-CM-08-1) (Continued)

**C Individuals Identified in the Payments to Individuals Identified as Deceased Report**

The individuals identified as deceased in the Payments to Individuals Identified as Deceased Report:

- received, either directly or indirectly, a program payment in FY 2008 after the recorded date of death
- may or may not be eligible for the payment received or attributed.

**\*--Note:** No program payments or benefits are to be issued, either directly or indirectly to any entry listed on this report until the required reviews are completed and it is determined that all eligibility requirements have been met. No exceptions are authorized.--\*

**\*--801 Instructions for Required Reviewing and Correcting Records**

**A Instructions for the Required Review**

The following provides instructions for the required review of payment recipients and program payments associated with an individual identified as deceased.

<b>IF review of the individual identified in the Payments to Individuals Identified as Deceased Report reveals that the producer is...</b>	<b>AND...</b>	<b>THEN...</b>
<p><b>deceased</b> but</p> <ul style="list-style-type: none"> <li>• all payment and program eligibility requirements were met</li> <li>• program payment was earned</li> </ul>	<p>the <b>correct</b> SSN was entered in SCIMS</p>	<p>document that producer was eligible per applicable procedure, include handbook references, and payment was proper.</p>
<p><b>not deceased</b> and</p> <ul style="list-style-type: none"> <li>• all payment and program eligibility requirements were met</li> <li>• program payment was earned</li> </ul>	<p>the <b>incorrect</b> SSN was entered in SCIMS</p>	<ul style="list-style-type: none"> <li>• obtain verification of the correct SSN</li> <li>• correct all records according to 1-CM</li> <li>• revise or correct all program contracts and applications per applicable program procedure</li> <li>• revise or correct all financial reporting information according to 1-FI.</li> </ul>
	<p>the producer verifies that SSN entered in SCIMS was correct</p>	<ul style="list-style-type: none"> <li>• obtain verification of SSN as entered in SCIMS</li> <li>• document the payment as proper</li> <li>• advise the producer to contact the Social Security Administration about the possible record error.</li> </ul>
<p><b>deceased</b> and</p> <ul style="list-style-type: none"> <li>• payment and program eligibility requirements were <b>not</b> met</li> <li>• the program payment was <b>not</b> earned</li> </ul>	<p>the correct SSN was entered in SCIMS</p>	<ul style="list-style-type: none"> <li>• document that payment was improper</li> <li>• initiate collection of the overpayment</li> <li>• provide written notice of adverse determination with appeal rights</li> <li>• COC must determine whether scheme or device was present.</li> </ul>

--\*

**\*--801 Instructions for Required Reviewing and Correcting Records (Continued)**

**B Instructions for Correcting Records**

Correct records according to the following.

<b>IF receivables were...</b>	<b>THEN...</b>
<p><b>not</b> established for current and/or prior years</p>	<p>County Offices must complete the following.</p> <ul style="list-style-type: none"> <li>• Report as no overpayment.</li> <li>• Obtain verification of the correct taxpayer ID number.</li> <li>• Correct the taxpayer ID number in SCIMS and on producer records. All FY 2008 and future years payments shall be issued to the correct taxpayer ID number.</li> <li>• Send a memorandum to FMD, FCS according to 62-FI, subparagraph 76 B, requesting the taxpayer ID number be corrected for payments issued under an incorrect number. Include the correct and the corrected taxpayer ID numbers. This will result in a corrected CCC-1099-G. However, financial inquiries will continue to display the incorrect taxpayer ID number.</li> </ul> <p><b>Note:</b> If a contract is accessed and the taxpayer ID number corrected on the program contract, then an overpayment or underpayment will be created.</p>

**\*--801 Instructions for Required Reviewing and Correcting Records (Continued)**

**B Instructions for Correcting Records (Continued)**

<b>IF receivables were...</b>	<b>THEN...</b>
<p>established for current and/or prior years</p>	<p>CCC-1099 G does <b>not</b> provide producer refund information. Therefore, the action that was taken by County Office will result in CCC-1099-G being incorrect for the applicable year</p> <p>County Offices must send:</p> <ul style="list-style-type: none"> <li>• a letter informing the producer of the following:                     <p>“Your taxpayer identification number has been corrected and the following applications/contracts and years were corrected: (List applicable applications/contracts and years).</p> <p>This resulted in an over/under payment(s) situation that has been resolved by this office.</p> <p>The attached Producer Transaction Statement(s) indicates the offset(s) that were used to resolve the over payment situation in current and prior years to an incorrect taxpayer identification number.</p> <p>You will be provided with a CCC-1099-G ‘Statement for Recipient of Certain Government Payments’ in January. The statement will indicate the corrections as income, but will not include the offsets made by this office.</p> <p>Retain the Producer Transaction Statement(s) for your records to report to IRS as an expense as this is your only notification of the offset.”</p> </li> <li>• a memorandum to FMD, FCS according to 62-FI, subparagraph 76 B requesting the taxpayer ID be corrected for payments issued under an incorrect number. Include the correct and the corrected taxpayer ID numbers. This will result in a corrected CCC-1099-G. However, financial inquiries will continue to display the incorrect ID.</li> </ul>

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\*--802 Codes and Identifiers

**A Reason Codes to Identify Erroneous Payments**

The following is a list of codes to be used to describe the reasons for erroneous payments issued to individuals identified as deceased.

Code	Condition or Situation
20	<p>TIN error; or misidentification of actual program participant.</p> <p><b>Example:</b> TIN number on a payment document was that of a deceased individual but the actual program participant and payment recipient was found <b>not</b> to be deceased. This includes situations in which the surviving spouse was using the deceased spouse’s TIN number to receive program payments and benefits.</p>
22	<p>Ineligible program participant.</p> <p><b>Example:</b> Deceased individual did <b>not</b> meet the definition of a producer for program eligibility; or the deceased individual did <b>not</b> meet requirements to be considered “actively engaged in farming” for payment eligibility.</p>
24	<p>Invalid payment document; lack of signature authority, or invalid FSA-211.</p> <p><b>Example:</b> Signature on a payment document was affixed by an individual that did <b>not</b> have signatory authority for the deceased individual; payment document was signed using POA that was no longer valid because of the death of the grantor.</p>
26	<p>Invalid multi-year payment document; incorrect participants.</p> <p><b>Example:</b> A multi-year payment document was <b>not</b> updated following the death of participant to reflect the actual producer or property owner that now held an interest in the property subject to the multi-year agreement or contract.</p>
28	<p>Ineligible for other reasons; detailed explanation required.</p> <p><b>Example:</b> Participant knowingly provided incorrect TIN to receive program benefits; or COC determines scheme or device was adopted by participant to receive program payments otherwise <b>not</b> eligible to receive.</p> <p>Include the explanation on the same line or reference the explanation as an attachment to the spreadsheet.</p>

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\*--802 Codes and Identifiers (Continued)

**B Reason Codes to Identify Correct Payments**

The following is a list of codes to be used to describe the reasons for payments issued correctly to an individual identified as deceased.

Code	Condition or Situation
30	<p>Eligible; payment earned by individual before death.</p> <p><b>Example:</b> Counter-cyclical payment received by the individual identified as deceased in the year following the individual's date of death.</p>
32	<p>Eligible; SSN used to identify estate or trust.</p> <p><b>Example:</b> Wife is co-grantor of a revocable trust carried under the husband's SSN. The trust is the landowner and the husband is identified as deceased. Surviving spouse has authority to sign for the trust.</p>
34	<p>Eligible; TIN corrected/verified.</p> <p><b>Example:</b> Because of an error by FSA, the producer, or SSA, the individual program participant was identified by SSA as deceased. Participant was <b>not</b> deceased and verification of participant's TIN was obtained.</p>
36	<p>Eligible; death of an individual <b>not</b> timely reported, but updated information supports the determinations of record.</p> <p><b>Example:</b> FSA was <b>not</b> timely informed of the individual's death. Updated information provided on behalf of the entity or joint operation did <b>not</b> change any payment eligibility and payment limitation determinations of record for the entity or joint operation.</p>
38	<p>Eligible for other reasons; detailed explanation required.</p> <p><b>Example:</b> Relief granted or determined eligible and corrections made on the review of previous reports.</p> <p>Include the explanation on the same line or reference the explanation as an attachment to the spreadsheet.</p>

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**803 Review Results and Follow-up Actions****A Required Determinations**

For all FY 2008 and subsequent years' payment recipients identified in the Payments to Individuals Identified as Deceased Report, determinations are required for:

- payment eligibility according to Parts 2 and 6.5
- program eligibility for each program under which payments were received according to paragraphs 4 and 16
- verification and, if necessary, correction of the TIN recorded in SCIMS name and address according to 1-CM and other systems, such as the joint operations and entity files
- verification of direct deposit authorization according to 1-FI.

**B Documentation**

The review results and actions taken shall be:

- documented on the Payments to Individuals Identified as Deceased Report
- recorded in the COC minutes.

**C DD Responsibilities**

DD's will:

- provide technical assistance
- assist in completing Payments to Individuals Identified as Deceased Report reviews
- ensure that the appropriate actions are timely completed
- provide completed Payments to Individuals Identified as Deceased Report to the State Office.

**D State Office Responsibilities**

The State Office specialist assigned responsibility will:

- established a deadline for completing reviews
- assist with reviews and determinations questioned by DD
- follow-up on DD reports of improper or insufficient COC determinations
- retain completed Payments to Individuals Identified as Deceased Report.



Reports, Forms, Abbreviations, and Redelegations of Authority

Reports

Following is the report required in this handbook.

Report Control Number	Title	Reporting Period	Submission Date	Negative Report	Reference
PA-122R (CCC-502EYR)	End-of-Year Payment Limitation Review	As required	As required	Required	706, 707
RPT-I-00-CM-08-1)	Payments to Individuals Identified as Deceased Report	As required	As required	No	800, Ex. 15

Forms

This table lists all forms referenced in this handbook.

Number	Title	Display Reference	Reference
CCC-501A	Member's Information	201	Text
CCC-501B	Designation of "Permitted Entities"	218	Text
CCC-502 Continuation	Continuation Sheet for Leased or Owned Land (Use With CCC-502A, CCC-502B, CCC-502C, CCC-502D, CCC-502EZ)	55	Text
CCC-502A	Farm Operating Plan for Payment Eligibility Review for an Individual	277	Text
CCC-502B	Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership	297	Text
CCC-502C	Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities	316	Text
CCC-502D	Farm Operating Plan for Payment Eligibility Review for an Estate or Trust	335	Text
CCC-502EYR	End-of-Year Report of Payment Limitation Review (Report No. PA-122R)	706	531, 707
CCC-502EZ	Farm Operating Plan for Payment Eligibility Review for an Individual	278	Text
CCC-502U	Update for CCC-502, Farm Operating Plan for Payment Eligibility Review	55	50, 436
CCC-503A	County Committee Worksheet for "Actively Engaged in Farming" and "Person" Determinations	394	237

## Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

## Forms (Continued)

Number	Title	Display Reference	Reference
CCC-504 (Optional) <sup>1/</sup>	Worksheet to Blend Shares and Determine Percent of Cropland Factor	134, 158	
CCC-526	Payment Eligibility Average Adjusted Gross Income Certification	630	35, 50, 52, 256, 650, 662
CCC-1099-G	Report of Payments to Producers		801
CCC-1155	Application for Payment (National Wool Act)		215
CRP-1	Conservation Reserve Program Contract		17
FSA-211	Power of Attorney		215
FSA-229	Application for Trade Adjustment Assistance (TAA) for Individual Producers	Ex. 6	630
I-151 <sup>1/</sup>	Alien Registration Receipt Card		236
I-551	Permanent Resident Card/Resident Alien Card	235	236
IRS-990	Return of Organizations Exempt From Income Tax	Ex. 10	199
IRS-990-T	Exempt Organization Business Income Tax Return	Ex. 10	199
IRS-1040	U.S. Individual Income Tax Return	Ex. 10	
IRS-1040 Schedule F	Profit or Loss From Farming	Ex. 10	
IRS-1041	U.S. Income Tax Return of Estates and Trusts	Ex. 10	
IRS-1065	U.S. Return of Partnership Income	Ex. 10	
IRS-1120	U.S. Corporation Income Tax Return	Ex. 10	

<sup>1/</sup> This form is obsolete.

## Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

## Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

<b>Approved Abbreviation</b>	<b>Term</b>	<b>Reference</b>
ACA	Agricultural Credit Association	257
AGI	adjusted gross income	Text
AIFLP	American Indian Livestock Feed Program	16
AMA	Agriculture Management Assistance	16, 22
CEM	combined producer	608, 625
CSP	Conservation Security Program	16
DAP	Disaster Assistance Program	16
DMF	Death Master File	800
EIN	employer identification number	333, 364
EQIP	Environmental Quality Incentive Program	16, 22
FCB	Farm Credit Bank	257, 313
FLBA	Federal Land Bank Association	257
FLM	Farm Loan Manager	52.5
FCS	Financial Services Center, FMD	801
GRP	Grassland Reserve Program	16
HIP	Hurricane Indemnity Program	16
IFM	integrated farm maintenance	158
IRA	individual retirement account	113, 363
LAP	Livestock Assistance Program	16
LIP	Landowner Incentive Program	16
LLC	limited liability companies	632
LLP	limited liability partnerships	632
LP	limited partnerships	632
MLG	marketing loan gain	16
PCA	Production Credit Association	257
POA	power of attorney	630
RCC	resource conserving crops	158
SCIMS	Service Center Information Management System	800, 801, 802
TAA	Trade Adjustment Assistance	4, 16, 22, Ex. 6
TIN	Tax ID Number	802
TIP	Tree Indemnity Program	16

**Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)**

**Redelegations of Authority**

This table lists redelegations of authority in this handbook.

<b>Redelegation</b>	<b>Reference</b>
Administering handbook provisions	549
Making determinations decisions	396, 530
Monitoring determinations	514, 515

## Definitions of Terms Used in This Handbook

### Active Personal Labor

Active personal labor is defined as personally providing physical activities necessary in a farming operation.

These activities include physical activities:

- involved in land preparation, planting, cultivating, harvesting, and marketing of agricultural commodities
- required to establish and maintain conserving cover crops or conserving use acreages
- required in livestock operations.

### Active Personal Management

Active personal management is defined as personally providing:

- the general supervision and direction of activities and labor involved in the farming operation
- services, whether performed on-site or off-site, reasonable related and necessary to the farming operation, including any of the following:
  - supervision of activities necessary in the farming operation
  - business-related actions that include discretionary decision making
  - evaluation of the financial condition and needs of the farming operation
  - assistance in structuring or preparing financial reports or analyses for the farming operation
  - consultations in or structuring of business-related financing arrangements for the farming operation
  - marketing and promoting agricultural commodities produced by the farming operation
  - acquiring technical information used in the farming operation
  - any other management function necessary to conduct the farming operation and for which the operation would ordinarily be charged a fee.

**Definitions of Terms Used in This Handbook (Continued)****Adequate Documentation**

Adequate documentation is whatever documentation is required by the reviewing authority to make proper “actively engaged in farming”, “person” determinations, and the determination of average adjusted gross income compliance.

**Adjusted Gross Income**

\*--Adjusted gross income is for an individual, the amount reported to IRS on the appropriate tax filing document as adjusted gross income; and, for an entity, the comparable measure, as provided in this handbook.--\*

**Agricultural Credit Association**

Agricultural Credit Association is an agricultural lending entity resulting from the merger of PCA and FLBA. When the merger is approved by FCA, this entity becomes the short-, intermediate-, and long-term direct lender for its territory.

**Assumed Name Operation**

An assumed name operation is a farming operation that conducts itself using a business name.

**Attribution**

Attribution is crediting payments made to entities, such as corporations, estates, trusts and limited partnerships, to “real persons” based on the share of the entity held by the individual stockholder, heir, beneficiary, etc.

**Average Adjusted Gross Income for the Individual or Entity**

Average adjusted gross income for the individual or entity is the average of the adjusted gross income, or comparable measure, of the individual or entity over the 3 tax years immediately preceding the year for which benefits are requested.

**Note:** Exclude any year(s) that the individual or entity did not have income or had adjusted gross income considered as zero.

## Definitions of Terms Used in This Handbook (Continued)

### Capital

For payment limitation purposes, capital consists of the funding provided by an individual or entity to the farming operation for the operation to conduct farming activities.

### Corporation

A corporation is an entity recognized by law comprised of 1 or more individuals or entities, which has certain rights and duties.

**Note:** For payment limitation purposes, a subchapter S corporation is included in this definition.

### Default Determination

A default determination assumes all individuals or entities are “actively engaged in farming” and the “person” determination is the determination sought by the applicant.

### Embedded Entity

An embedded entity is an entity that has an interest, directly or indirectly, as a stockholder, member, beneficiary, or heir, in another entity that is earning payments.

### Entity

An entity is a corporation, joint stock company, association, limited liability company, limited partnership, irrevocable trust, revocable trust, estate, charitable organization, or other similar organization including any organization participating in the farming operation as a partner in a general partnership, a participant in a joint venture, a grantor of a revocable trust, or as a participant in a similar organization.

**Note:** A joint operation is not an entity for payment limitation purposes.

**Definitions of Terms Used in This Handbook (Continued)**

**Equipment**

For payment limitation purposes, equipment is the machinery and implements needed by the farming operation to conduct activities of the farming operation.

This includes:

- machinery and implements needed for:
  - land preparation, planting, cultivating, or harvesting of the crops involved
  - establishing and maintaining conservation cover crops or conservation use of acreages
  - conducting livestock operations
- irrigation equipment that is:
  - not of a permanent nature
  - commonly used in the area.



**Definitions of Terms Used in This Handbook (Continued)****Family Member**

A family member is an individual to whom another member in the farming operation is related as lineal ancestor, lineal descendant, or sibling, including spouses of those family members who do not make a significant contribution to the farming operation themselves.

The term “family member” shall include:

- great grandparent
- grandparent
- parent
- child, including legally adopted children
- grandchild
- great grandchild
- sibling of the family members in the farming operation
- spouse of family members, if the family member does not make a significant contribution of active personal labor or active personal management to the farming operation as an individual.

**Farm Credit Bank**

Farm Credit Bank is an agricultural lending entity that is a direct lender of long-term real estate loans and provides funds to PCA’s under certain circumstances.

**Farming Operation**

A farming operation is a business enterprise engaged in the production of agricultural products.

**Federal Land Credit Association**

Federal Land Credit Association is an entity authorized to provide direct lending formerly offered by FLBA. This entity provides long term lending.

**Definitions of Terms Used in This Handbook (Continued)**

**Foreign Entity**

A foreign entity is a corporation, trust, estate, or other similar organization, that has more than 10 percent of its beneficial interest held by individuals who are not:

- citizens of the U.S.
- \*--lawful alien possessing a valid Permanent Resident Card or Resident Alien Card--\*  
(Form I-551 \* \* \*).

**Foreign Individual**

A foreign individual is someone who is not a:

- citizen of the U.S.
- \*--lawful alien possessing a valid Permanent Resident Card or Resident Alien Card--\*  
(Form I-551 \* \* \*).

**Definitions of Terms Used in This Handbook (Continued)****Income From Farming, Ranching, or Forestry Operations**

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

**\*--Notes:** Include income from the following:

- sale of land (including easements rights and development rights) used for farming, ranching, and forestry operations
- sale of farm water rights
- rental of land used for farming, ranching, and forestry operations
- commercial hunting fees on land used for farming, ranching, and forestry
- sale of farm equipment subject to depreciation expense as reported to the IRS
- Federal agricultural and conservation program payments.--\*

Exclude income from the following:

- processing, packaging, or packing
- transporting
- commission from marketing for others
- investment income even if invested funds came from farming, ranching, or forestry
- proceeds from the sale of land used to produce agricultural or forestry products
- farm or forestry implement sales by a retail dealership, unless such implements were subject to depreciation expenses reported to IRS.

**Income from Fishing**

Income from fishing includes amounts received from catching, taking, harvesting, cultivating, or farming aquatic resources such as fish, shellfish, crustacea, and other aquatic forms of animal or vegetable life. (IRS Publication 595, Tax Highlights for Commercial Fisherman.)



**Definitions of Terms Used in This Handbook (Continued)****\*--Indian Tribe**

Indian tribe means any Indian tribe, band, nation, pueblo, or other organized group or community, including any Alaska Native village or regional corporation as defined in or established under the Alaska Native Claims Settlement Act, which is recognized as eligible for the special programs and services provided by the U.S. because of their status as Indian.--\*

**Joint Operation**

A joint operation is a general partnership, joint venture, or other similar business organization in which 2 or more individuals or entities pool their resources, such as land, labor, capital, management, and equipment to conduct the operation.

**Land**

For payment limitation purposes, land is farmland consisting of cropland, pastureland, wetland, or rangeland that meets the specific requirements of the applicable program.

**Limited Partnership**

For payment limitation purposes, a limited partnership consists of:

- at least 1 general partner entrusted with managing and controlling the partnership's business
- at least 1 limited partner.

**“Left-Hand” Contribution**

Significant “left-hand” contribution to the farming operation is 1 or a combination of the following:

- capital
- land
- equipment.

**Minor Child**

A minor child is an individual that is not 18 years of age on or before the status date of the current year.

**Note:** Court action conferring majority on such person does not change this person's status as a minor child.

## Definitions of Terms Used in This Handbook (Continued)

### Paper Changes

Paper changes are changes to the farming operation that are not substantive where the same individuals or entities created by those individuals continue to engage in farming the same land with the same equipment, usually leased from an individual or entity for which the rules would require more restrictive application of the limitation.

### Permitted Entity

A permitted entity is an entity that is designated by an individual who is to receive a payment, loan, or benefit under a program subject to permitted entity rules.

### Person

A “person” is:

- an individual, or an individual participating as a member of a joint operation or similar operation
- a corporation, joint stock company, association, limited stock company, limited partnership, irrevocable trust, revocable trust together with the grantor of the trust, estate, or charitable organization including any entity participating in the farming operation as a partner in a general partnership, a participant in a joint venture, a grantor of a revocable trust, or a participant in a similar entity
- a State, political subdivision, or agency thereof.

**\*--Note:** A cooperative association of producers that market commodities shall **not** be considered the “person,” and payments and benefits thereby limited for the commodities marketed for the producers.--\*

**Definitions of Terms Used in This Handbook (Continued)**

**Production Credit Association**

Production Credit Association is an entity that provides agricultural lending independent of ACA or FCB \* \* \*.

**Public School**

A public school is a primary, elementary, secondary school, college, or university which is directly administered under the authority of a governmental body or which receives a predominant amount of its financing from public funds.

**“Right-Hand” Contribution**

Significant “right-hand” contribution to the farming operation is 1 or a combination of the following:

- active personal labor
- active personal management.

**Sharecropper**

A sharecropper is an individual who:

- performs work in connection with the production of the crop under the supervision of the operator
- receives a share of the crop in return for the provision of such labor.

## Definitions of Terms Used in This Handbook (Continued)

### Substantial Beneficial Interest

A substantial beneficial interest is an ownership interest of either of the following:

- 10 percent or more in any entity.

**Note:** In determining whether this interest equals at least 10 percent, all interests in the entity that are owned by an individual or entity, directly or indirectly, shall be taken into consideration.

**Example:** A corporation owns the entity.

- less than 10 percent in an entity if both of the following apply:
  - any individual or entity has a direct or indirect interest of less than 10 percent in more than 1 entity earning payment
  - COC determines that the arrangement was established for the purpose of circumventing the “permitted entity” provisions of the program.

**Note:** This determination applies to all interests of the “person” that are less than 10 percent.

### Total Value of a Farming Operation

The total value of a farming operation is the total of the costs, excluding the value of active personal labor and active personal management that is contributed by a member of the farming operation, needed to carry out the farming operation for the year for which the determination is made.

### Tribal Venture

\*--A tribal venture is a joint operation conducted by members of a Native American or Indian tribe.--\*



## Menu and Screen Index

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The following menus and screens are referenced in this handbook.

<b>Menu or Screen</b>	<b>Title</b>	<b>Reference</b>
FAX250	Primary Selection Menu	434, 435
FAX07001	Application Selection Menu	435
FAX09002	Office Selection Options	435
MAB12101		435, 449, 450
MAB12701	Payment Limitation Review Register Selection Screen	435, 437, 438
MAB12702		437, 438
MAB12703	Payment Limitation Review Register Update Screen	435
MAB44N	Payment Limitation Review Register	435, 449, 450
MAB44N02	Input-Output	449
MAB44N03		450
MAB440B	Entity File	435
MAD000	Subsidiary Main Menu	435
MA0000	Common Management Provisions	435
OAA010	Office Automation Function	434
	Query Screen	469
	Select and Sequence Fields	469
	Select Records	469
	Work With Data in a File	435, 437, 438
	Work With Disk Files	434

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**\*--Program Payment Limitations**

<b>Payment Limitations</b>	
<b>Payment or Benefit</b>	<b>Limitation</b>
<b>DCP</b>	
Direct payments for the following covered commodities: <ul style="list-style-type: none"> <li>• barley      • corn              • grain sorghum</li> <li>• oats         • other oilseeds   • rice</li> <li>• soybeans   • upland cotton   • wheat.</li> </ul>	\$40,000 per crop year.
Direct payments on peanuts.	\$40,000 per crop year.
Counter-cyclical payments for the following covered commodities: <ul style="list-style-type: none"> <li>• barley      • corn              • grain sorghum</li> <li>• oats         • other oilseeds   • rice</li> <li>• soybeans   • upland cotton   • wheat.</li> </ul>	\$65,000 per crop year.
Counter-cyclical payments on peanuts.	\$65,000 per crop year.
<b>Price Support</b>	
<ul style="list-style-type: none"> <li>• Any gain realized by a producer from repaying a marketing assistance loan for 1 or more of the following loan commodities at a lower level than the original loan rate established for the loan commodity</li> <li>• Any LDP's received for 1 or more of the following loan commodities.</li> </ul> Loan commodities include the following: <ul style="list-style-type: none"> <li>• barley      • corn              • grain sorghum</li> <li>• oats         • other oilseeds   • rice</li> <li>• soybeans   • upland cotton   • wheat.</li> </ul>	\$75,000 per crop year.
<ul style="list-style-type: none"> <li>• Any gain realized by a producer from repaying a marketing assistance loan for 1 or more of the following loan commodities at a lower level than the original loan rate established for the loan commodity</li> <li>• Any LDP's received for 1 or more of the following loan commodities.</li> </ul> Loan commodities include the following: <ul style="list-style-type: none"> <li>• honey      • peanuts         • mohair         • wool.</li> </ul>	\$75,000 per crop year.

--\*

Continued on the next page

**\*--Program Payment Limitations (Continued)**

<b>Payment Limitations</b>	
<b>Payment or Benefit</b>	<b>Limitation</b>
<b>Conservation Programs</b>	
Rental payments including incentive payments made to a person under CRP.	\$50,000 per FY.
Cost-share and incentive payments under EQIP.	\$450,000 per individual or entity.  Individual or entity may not receive, directly or indirectly, cost-share or incentive payments under EQIP that, in aggregate, for all contracts entered into during FY's 2002 through 2007, regardless of the number of contracts entered into by the individual or entity.
<b>NAP</b>	
NAP payments.	\$100,000 per crop year.

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Example of FSA-229, Application for Trade Adjustment Assistance (TAA) for Individual Producers

This is an example of FSA-229.

This form is available electronically. Form Approved - OMB No. 0551-0040

**FSA-229**  
(09-25-03)

**U.S. DEPARTMENT OF AGRICULTURE**  
Farm Service Agency

**APPLICATION FOR TRADE ADJUSTMENT ASSISTANCE (TAA) FOR INDIVIDUAL PRODUCERS**

**NOTE:** The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The authority for requesting the following information is 7 USC 7333 and 7 CFR Part 1580. The information will be used to determine program eligibility. Furnishing the requested information is voluntary. Failure to furnish the requested information will result in denial of program benefits. This information may be provided to other agencies, (RS, Department of Justice, or other State and Federal law enforcement agencies, and in response to a court magistrate or administrative tribunal). The provisions of criminal and civil fraud statutes, including 18 USC 206, 287, 371, 641, 651, 1001; 15 USC 714e; and 31 USC 3729, may be applicable to the information provided.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0551-0040. The time required to complete this information collection is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.

**PART A - APPLICATION**

1A. Name and Address of Producer (include Zip Code)		1B. Producer ID No.:	1C. E-mail Address:
		1D. Telephone No. (include Area Code):	
		1E. Production	1F. Unit of Measure (lbs., tons, cwt., etc.)

**FOR FSA USE ONLY**

2. Crop Year	3. Commodity	4. Application No.	5. State Code	6. County Code	7A. Name and Address of County FSA Office (include Zip Code)
					7B. Telephone No. (include Area Code):

**PART B - PRODUCER CERTIFICATION**

I certify that: (1) all information entered on this application is true and correct; (2) I am submitting this application solely to receive trade adjustment assistance for farmers, and have not received, nor plan to receive any cash benefits for trade adjustment assistance from the Departments of Labor or Commerce; (3) I reported on the applicable Schedule F (Form 1040), Schedule C or EE 1040 or Form 4835 that my net farm or fishing income declined from the latest year in which I did not receive an adjustment assistance payment; (4) my Adjusted Gross Income (AGI) is in accordance with regulations at 7 CFR Part 1400-G. I understand that before payments can be made I must: (1) provide acceptable documentation to verify the production quantity entered in Item 1E; (2) provide documentation to support that I have received technical assistance from the Extension Service; (3) provide verifiable documentation of the net farm or fishing income; (4) submit all required documentation on or before September 30 of the current fiscal year. Failure to timely file required documentation will result in denial of payment. I further understand that: (1) FSA will be conducting spot-checks for this program and I authorize FSA access to records held by elevators, processors, etc. or any other agency or organization maintaining records or other substantiating evidence for which I am certifying production as applicable; (2) my maximum payment cannot exceed \$10,000 per year and my total TAA payment and counter-cyclical payment cannot exceed \$63,000 in any year; (3) I must retain records supporting my application for two years after the date of my final trade adjustment payment and that I may be required to furnish such records on a confidential basis to FSA; (4) knowingly making a false certification is punishable by a fine of not more than \$10,000 or imprisonment for not more than 1 year, or both. All information provided herein is subject to verification by the Farm Service Agency. The provision of criminal and civil fraud statutes that apply to this certification, includes 18 USC 286, 297, 371, 641, 651, 1001 and 1014; 15 USC 714e; and 31 USC 3729.

8A. PRODUCER'S SIGNATURE	8B. DATE (MM-DD-YYYY)
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**PART C - COC DETERMINATION (COUNTY OFFICE USE ONLY)**

	YES	NO	DATE DOCUMENTATION RECEIVED
9A. Has the producer provided verifiable documentation of production of the commodity identified in Item 3 and the production in Items 1E and 1F?			
9B. Has the producer provided supporting documentation verifying that the net farm or net fish income declined from the latest year in which no adjustment assistance payment was received?			
9C. Has the producer provided supporting documentation, if requested, that the Adjusted Gross Income is in accordance with regulations at 7 CFR Part 1400-G.			
9D. Has the producer provided proof that technical assistance from the Extension Service (CSREES) has been received?			

10A. Signature of COC or Designee	10B. Date (MM-DD-YYYY)	11. Application Status <input type="checkbox"/> Approved <input type="checkbox"/> Disapproved
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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 226-M, Webster Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-4410 or call (202) 720-5968 (voice or TDD). USDA is an equal opportunity provider and employer.



IRS Tax Return Forms

A Form 990

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<p>Form <b>990</b></p> <p>Department of the Treasury Internal Revenue Service</p>	<p><b>Return of Organization Exempt From Income Tax</b></p> <p>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</p> <p>▶ The organization may have to use a copy of this return to satisfy state reporting requirements.</p>	<p>OMB No. 1545-0047</p> <p><b>2007</b></p> <p><b>Open to Public Inspection</b></p>
<p><b>A</b> For the 2007 calendar year, or tax year beginning _____, 2007, and ending _____, 20_____</p>		
<p><b>B</b> Check if applicable:</p> <p><input type="checkbox"/> Address change</p> <p><input type="checkbox"/> Name change</p> <p><input type="checkbox"/> Initial return</p> <p><input type="checkbox"/> Termination</p> <p><input type="checkbox"/> Amended return</p> <p><input type="checkbox"/> Application pending</p>	<p><b>C</b> Name of organization _____</p> <p>Number and street (or P.O. box if mail is not delivered to street address) Room/suite _____</p> <p>City or town, state or country, and ZIP + 4 _____</p>	<p><b>D</b> Employer identification number _____</p> <p><b>E</b> Telephone number _____</p> <p><b>F</b> Accounting method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) ▶ _____</p>
<p><b>G</b> Website: ▶ _____</p>		
<p><b>J</b> Organization type (check only one) ▶ <input type="checkbox"/> 501(c) ( ) (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527</p>		
<p><b>K</b> Check here <input type="checkbox"/> if the organization is not a 509(a)(3) supporting organization and its gross receipts are normally not more than \$25,000. A return is not required, but if the organization chooses to file a return, be sure to file a complete return.</p>		
<p><b>L</b> Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 ▶ _____</p>		
<p><b>H and I are not applicable to section 527 organizations.</b></p> <p><b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>H(b)</b> If "Yes," enter number of affiliates ▶ _____</p> <p><b>H(c)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No (If "No," attach a list. See instructions.)</p> <p><b>H(d)</b> Is this a separate return filed by an organization covered by a group ruling? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>I</b> Group Exemption Number ▶ _____</p> <p><b>M</b> Check <input type="checkbox"/> if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF).</p>		
<p><b>Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See the instructions.)</b></p>		
<p><b>1</b> Contributions, gifts, grants, and similar amounts received:</p> <p><b>a</b> Contributions to donor advised funds . . . . . <b>1a</b> _____</p> <p><b>b</b> Direct public support (not included on line 1a) . . . . . <b>1b</b> _____</p> <p><b>c</b> Indirect public support (not included on line 1a) . . . . . <b>1c</b> _____</p> <p><b>d</b> Government contributions (grants) (not included on line 1a) . . . . . <b>1d</b> _____</p> <p><b>e</b> Total (add lines 1a through 1d) (cash \$ _____ noncash \$ _____) . . . . . <b>1e</b> _____</p> <p><b>2</b> Program service revenue including government fees and contracts (from Part VII, line 93) . . . . . <b>2</b> _____</p> <p><b>3</b> Membership dues and assessments . . . . . <b>3</b> _____</p> <p><b>4</b> Interest on savings and temporary cash investments . . . . . <b>4</b> _____</p> <p><b>5</b> Dividends and interest from securities . . . . . <b>5</b> _____</p> <p><b>6a</b> Gross rents . . . . . <b>6a</b> _____</p> <p><b>b</b> Less: rental expenses . . . . . <b>6b</b> _____</p> <p><b>c</b> Net rental income or (loss). Subtract line 6b from line 6a . . . . . <b>6c</b> _____</p> <p><b>7</b> Other investment income (describe ▶ _____) . . . . . <b>7</b> _____</p> <p><b>8a</b> Gross amount from sales of assets other than inventory (A) Securities _____ (B) Other _____</p> <p><b>b</b> Less: cost or other basis and sales expenses. . . . . <b>8b</b> _____</p> <p><b>c</b> Gain or (loss) (attach schedule) . . . . . <b>8c</b> _____</p> <p><b>d</b> Net gain or (loss). Combine line 8c, columns (A) and (B) . . . . . <b>8d</b> _____</p> <p><b>9</b> Special events and activities (attach schedule). If any amount is from gaming, check here <input type="checkbox"/></p> <p><b>a</b> Gross revenue (not including \$ _____ of contributions reported on line 1b) . . . . . <b>9a</b> _____</p> <p><b>b</b> Less: direct expenses other than fundraising expenses . . . . . <b>9b</b> _____</p> <p><b>c</b> Net income or (loss) from special events. Subtract line 9b from line 9a . . . . . <b>9c</b> _____</p> <p><b>10a</b> Gross sales of inventory, less returns and allowances . . . . . <b>10a</b> _____</p> <p><b>b</b> Less: cost of goods sold . . . . . <b>10b</b> _____</p> <p><b>c</b> Gross profit or (loss) from sales of inventory (attach schedule). Subtract line 10b from line 10a . . . . . <b>10c</b> _____</p> <p><b>11</b> Other revenue (from Part VII, line 103) . . . . . <b>11</b> _____</p> <p><b>12</b> Total revenue. Add lines 1e, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11 . . . . . <b>12</b> _____</p>	<p><b>13</b> Program services (from line 44, column (B)) . . . . . <b>13</b> _____</p> <p><b>14</b> Management and general (from line 44, column (C)) . . . . . <b>14</b> _____</p> <p><b>15</b> Fundraising (from line 44, column (D)) . . . . . <b>15</b> _____</p> <p><b>16</b> Payments to affiliates (attach schedule) . . . . . <b>16</b> _____</p> <p><b>17</b> Total expenses. Add lines 16 and 44, column (A) . . . . . <b>17</b> _____</p> <p><b>18</b> Excess or (deficit) for the year. Subtract line 17 from line 12 . . . . . <b>18</b> _____</p> <p><b>19</b> Net assets or fund balances at beginning of year (from line 73, column (A)) . . . . . <b>19</b> _____</p> <p><b>20</b> Other changes in net assets or fund balances (attach explanation) . . . . . <b>20</b> _____</p> <p><b>21</b> Net assets or fund balances at end of year. Combine lines 18, 19, and 20 . . . . . <b>21</b> _____</p>	
<p>For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11282Y Form <b>990</b> (2007)</p>		

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IRS Tax Return Forms (Continued)

A Form 990 (Continued)

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Form 990 (2007)		Page 2			
<b>Part II Statement of Functional Expenses</b>		All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. (See the instructions.)			
<i>Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.</i>		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
<b>22a</b>	Grants paid from donor advised funds (attach schedule) (cash \$ _____ noncash \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	22a			
<b>22b</b>	Other grants and allocations (attach schedule) (cash \$ _____ noncash \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	22b			
<b>23</b>	Specific assistance to individuals (attach schedule)	23			
<b>24</b>	Benefits paid to or for members (attach schedule)	24			
<b>25a</b>	Compensation of current officers, directors, key employees, etc. listed in Part V-A	25a			
<b>25b</b>	Compensation of former officers, directors, key employees, etc. listed in Part V-B	25b			
<b>25c</b>	Compensation and other distributions, not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	25c			
<b>26</b>	Salaries and wages of employees not included on lines 25a, b, and c	26			
<b>27</b>	Pension plan contributions not included on lines 25a, b, and c	27			
<b>28</b>	Employee benefits not included on lines 25a - 27	28			
<b>29</b>	Payroll taxes	29			
<b>30</b>	Professional fundraising fees	30			
<b>31</b>	Accounting fees	31			
<b>32</b>	Legal fees	32			
<b>33</b>	Supplies	33			
<b>34</b>	Telephone	34			
<b>35</b>	Postage and shipping	35			
<b>36</b>	Occupancy	36			
<b>37</b>	Equipment rental and maintenance	37			
<b>38</b>	Printing and publications	38			
<b>39</b>	Travel	39			
<b>40</b>	Conferences, conventions, and meetings	40			
<b>41</b>	Interest	41			
<b>42</b>	Depreciation, depletion, etc. (attach schedule)	42			
<b>43</b>	Other expenses not covered above (itemize):				
<b>a</b>	.....	43a			
<b>b</b>	.....	43b			
<b>c</b>	.....	43c			
<b>d</b>	.....	43d			
<b>e</b>	.....	43e			
<b>f</b>	.....	43f			
<b>g</b>	.....	43g			
<b>44</b>	<b>Total functional expenses.</b> Add lines 22a through 43g. (Organizations completing columns (B)-(D), carry these totals to lines 13-15)	44			

**Joint Costs.** Check  if you are following SOP 98-2.  
 Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services?  Yes  No  
 If "Yes," enter (i) the aggregate amount of these joint costs \$ \_\_\_\_\_; (ii) the amount allocated to Program services \$ \_\_\_\_\_;  
 (iii) the amount allocated to Management and general \$ \_\_\_\_\_; and (iv) the amount allocated to Fundraising \$ \_\_\_\_\_

Form 990 (2007)

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IRS Tax Return Forms (Continued)

A Form 990 (Continued)

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Form 990 (2007)		Page 4	
<b>Part IV Balance Sheets</b> (See the instructions.)			
Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.			
		(A)	(B)
		Beginning of year	End of year
Assets	45	Cash—non-interest-bearing . . . . .	45
	46	Savings and temporary cash investments . . . . .	46
	47a	Accounts receivable . . . . .	47a
	b	Less: allowance for doubtful accounts . . . . .	47b
			47c
	48a	Pledges receivable . . . . .	48a
	b	Less: allowance for doubtful accounts . . . . .	48b
			48c
	49	Grants receivable . . . . .	49
	50a	Receivables from current and former officers, directors, trustees, and key employees (attach schedule) . . . . .	50a
	b	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) (attach schedule) . . . . .	50b
	51a	Other notes and loans receivable (attach schedule) . . . . .	51a
	b	Less: allowance for doubtful accounts . . . . .	51b
			51c
	52	Inventories for sale or use . . . . .	52
	53	Prepaid expenses and deferred charges . . . . .	53
	54a	Investments—publicly-traded securities . . . . . <input type="checkbox"/> Cost <input type="checkbox"/> FMV	54a
	b	Investments—other securities (attach schedule) . . . . . <input type="checkbox"/> Cost <input type="checkbox"/> FMV	54b
	55a	Investments—land, buildings, and equipment: basis . . . . .	55a
	b	Less: accumulated depreciation (attach schedule) . . . . .	55b
		55c	
56	Investments—other (attach schedule) . . . . .	56	
57a	Land, buildings, and equipment: basis . . . . .	57a	
b	Less: accumulated depreciation (attach schedule) . . . . .	57b	
		57c	
58	Other assets, including program-related investments (describe ► . . . . .)	58	
59	<b>Total assets</b> (must equal line 74). Add lines 45 through 58 . . . . .	59	
Liabilities	60	Accounts payable and accrued expenses . . . . .	60
	61	Grants payable . . . . .	61
	62	Deferred revenue . . . . .	62
	63	Loans from officers, directors, trustees, and key employees (attach schedule) . . . . .	63
	64a	Tax-exempt bond liabilities (attach schedule) . . . . .	64a
	b	Mortgages and other notes payable (attach schedule) . . . . .	64b
	65	Other liabilities (describe ► . . . . .)	65
66	<b>Total liabilities.</b> Add lines 60 through 65 . . . . .	66	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.		
	67	Unrestricted . . . . .	67
	68	Temporarily restricted . . . . .	68
	69	Permanently restricted . . . . .	69
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.		
	70	Capital stock, trust principal, or current funds . . . . .	70
	71	Paid-in or capital surplus, or land, building, and equipment fund . . . . .	71
	72	Retained earnings, endowment, accumulated income, or other funds . . . . .	72
	73	<b>Total net assets or fund balances.</b> Add lines 67 through 69 or lines 70 through 72. (Column (A) must equal line 19 and column (B) must equal line 21) . . . . .	73
74	<b>Total liabilities and net assets/fund balances.</b> Add lines 66 and 73 . . . . .	74	

Form 990 (2007)

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IRS Tax Return Forms (Continued)

A Form 990 (Continued)

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Form 990 (2007)		Page 7	
Part VI Other Information (continued)		Yes	No
82a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82a	
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.)	82b	
83a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83a	
b	Did the organization comply with the disclosure requirements relating to <i>quid pro quo</i> contributions?	83b	
84a	Did the organization solicit any contributions or gifts that were not tax deductible?	84a	
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	84b	
85a	501(c)(4), (5), or (6). Were substantially all dues nondeductible by members?	85a	
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.	85b	
c	Dues, assessments, and similar amounts from members	85c	
d	Section 162(e) lobbying and political expenditures	85d	
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	85e	
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)	85f	
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	85g	
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85h	
86	501(c)(7) orgs. Enter: a Initiation fees and capital contributions included on line 12	86a	
b	Gross receipts, included on line 12, for public use of club facilities	86b	
87	501(c)(12) orgs. Enter: a Gross income from members or shareholders	87a	
b	Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.)	87b	
88a	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX	88a	
b	At any time during the year, did the organization, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Part XI	88b	
89a	501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911; section 4912; section 4955		
b	501(c)(3) and 501(c)(4) orgs. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction	89b	
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958		
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization		
e	All organizations. At any time during the tax year, was the organization a party to a prohibited tax shelter transaction?	89e	
f	All organizations. Did the organization acquire a direct or indirect interest in any applicable insurance contract?	89f	
g	For supporting organizations and sponsoring organizations maintaining donor advised funds. Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	89g	
90a	List the states with which a copy of this return is filed		
b	Number of employees employed in the pay period that includes March 12, 2007 (See instructions.)	90b	
91a	The books are in care of Telephone no. Located at ZIP + 4		
b	At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? If "Yes," enter the name of the foreign country See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.	91b	Yes No

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IRS Tax Return Forms (Continued)

A Form 990 (Continued)

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Form 990 (2007)				Page <b>9</b>	
<b>Part XI</b> Information Regarding Transfers To and From Controlled Entities. Complete only if the organization is a controlling organization as defined in section 512(b)(13).					
106 Did the reporting organization <b>make</b> any transfers <b>to</b> a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity.				Yes	No
	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer	
a	-----				
b	-----				
c	-----				
<b>Totals</b>					
107 Did the reporting organization <b>receive</b> any transfers <b>from</b> a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity.				Yes	No
	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer	
a	-----				
b	-----				
c	-----				
<b>Totals</b>					
108 Did the organization have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in question 107 above?				Yes	No
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.					
Please Sign Here	Signature of officer _____		Date _____		
	Type or print name and title _____				
Paid Preparer's Use Only	Preparer's signature _____	Date _____	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN (See Gen. Inst. X)	
	Firm's name (or yours if self-employed), address, and ZIP + 4 _____	EIN _____	Phone no. _____		
Form <b>990</b> (2007)					

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IRS Tax Return Forms (Continued)

B Form 990-T

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<p>Form <b>990-T</b></p> <p>Department of the Treasury Internal Revenue Service</p>	<p><b>Exempt Organization Business Income Tax Return</b> <b>(and proxy tax under section 6033(e))</b></p> <p>For calendar year 2006 or other tax year beginning....., 2006, and ending , 20 . ▶ See separate instructions.</p>	<p>OMB No. 1545-0687</p> <p><b>2006</b></p> <p>Open to Public Inspection for 501(c)(3) Organizations Only</p>																																																																																																									
<p><input type="checkbox"/> Check box if address changed</p> <p><b>B Exempt under section</b></p> <p><input type="checkbox"/> 501( ) ( )</p> <p><input type="checkbox"/> 408(e) <input type="checkbox"/> 220(e)</p> <p><input type="checkbox"/> 408A <input type="checkbox"/> 530(a)</p> <p><input type="checkbox"/> 529(a)</p> <p><b>C</b> Book value of all assets at end of year</p>	<p>Name of organization ( <input type="checkbox"/> Check box if name changed and see instructions.)</p> <p>Number, street, and room or suite no. If a P.O. box, see page 9 of instructions.</p> <p>City or town, state, and ZIP code</p>	<p><b>D</b> Employer identification number (Employees' trust, see instructions for Block D on page 9.)</p> <p><b>E</b> Unrelated business activity codes (See instructions for Block E on page 9.)</p>																																																																																																									
<p><b>F</b> Group exemption number (See instructions for Block F on page 9.) ▶</p> <p><b>G</b> Check organization type ▶ <input type="checkbox"/> 501(c) corporation <input type="checkbox"/> 501(c) trust <input type="checkbox"/> 401(a) trust <input type="checkbox"/> Other trust</p> <p><b>H</b> Describe the organization's primary unrelated business activity. ▶</p> <p><b>I</b> During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidary controlled group? . ▶ <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," enter the name and identifying number of the parent corporation. ▶</p> <p><b>J</b> The books are in care of ▶ Telephone number ▶ ( )</p>																																																																																																											
<p><b>Part I Unrelated Trade or Business Income</b></p> <table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:60%;"></th> <th style="width:10%;"></th> <th style="width:10%;">(A) Income</th> <th style="width:10%;">(B) Expenses</th> <th style="width:10%;">(C) Net</th> </tr> </thead> <tbody> <tr> <td><b>1a</b> Gross receipts or sales</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>b</b> Less returns and allowances</td> <td><b>c</b> Balance ▶</td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>2</b> Cost of goods sold (Schedule A, line 7)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>3</b> Gross profit. Subtract line 2 from line 1c</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>4a</b> Capital gain net income (attach Schedule D)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>b</b> Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>c</b> Capital loss deduction for trusts</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>5</b> Income (loss) from partnerships and S corporations (attach statement)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>6</b> Rent income (Schedule C)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>7</b> Unrelated debt-financed income (Schedule E)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>8</b> Interest, annuities, royalties, and rents from controlled organizations (Schedule F)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>9</b> Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>10</b> Exploited exempt activity income (Schedule I)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>11</b> Advertising income (Schedule J)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>12</b> Other income (See page 11 of the instructions; attach schedule.)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>13</b> Total. Combine lines 3 through 12</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>					(A) Income	(B) Expenses	(C) Net	<b>1a</b> Gross receipts or sales					<b>b</b> Less returns and allowances	<b>c</b> Balance ▶				<b>2</b> Cost of goods sold (Schedule A, line 7)					<b>3</b> Gross profit. Subtract line 2 from line 1c					<b>4a</b> Capital gain net income (attach Schedule D)					<b>b</b> Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)					<b>c</b> Capital loss deduction for trusts					<b>5</b> Income (loss) from partnerships and S corporations (attach statement)					<b>6</b> Rent income (Schedule C)					<b>7</b> Unrelated debt-financed income (Schedule E)					<b>8</b> Interest, annuities, royalties, and rents from controlled organizations (Schedule F)					<b>9</b> Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)					<b>10</b> Exploited exempt activity income (Schedule I)					<b>11</b> Advertising income (Schedule J)					<b>12</b> Other income (See page 11 of the instructions; attach schedule.)					<b>13</b> Total. Combine lines 3 through 12																								
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<p><b>Part II Deductions Not Taken Elsewhere</b> (See page 12 of the instructions for limitations on deductions.) (Except for contributions, deductions must be directly connected with the unrelated business income.)</p> <table border="1" style="width:100%; border-collapse: collapse;"> <tbody> <tr><td><b>14</b> Compensation of officers, directors, and trustees (Schedule K)</td><td></td><td></td><td></td><td></td></tr> <tr><td><b>15</b> Salaries and wages</td><td></td><td></td><td></td><td></td></tr> <tr><td><b>16</b> Repairs and maintenance</td><td></td><td></td><td></td><td></td></tr> <tr><td><b>17</b> Bad debts</td><td></td><td></td><td></td><td></td></tr> <tr><td><b>18</b> Interest (attach schedule)</td><td></td><td></td><td></td><td></td></tr> <tr><td><b>19</b> Taxes and licenses</td><td></td><td></td><td></td><td></td></tr> <tr><td><b>20</b> Charitable contributions (See page 14 of the instructions for limitation rules.)</td><td></td><td></td><td></td><td></td></tr> <tr><td><b>21</b> Depreciation (attach Form 4562)</td><td><b>21</b></td><td></td><td></td><td></td></tr> <tr><td><b>22</b> Less depreciation claimed on Schedule A and elsewhere on return</td><td><b>22a</b></td><td></td><td></td><td><b>22b</b></td></tr> <tr><td><b>23</b> Depletion</td><td></td><td></td><td></td><td></td></tr> <tr><td><b>24</b> Contributions to deferred compensation plans</td><td></td><td></td><td></td><td></td></tr> <tr><td><b>25</b> Employee benefit programs</td><td></td><td></td><td></td><td></td></tr> <tr><td><b>26</b> Excess exempt expenses (Schedule I)</td><td></td><td></td><td></td><td></td></tr> <tr><td><b>27</b> Excess readership costs (Schedule J)</td><td></td><td></td><td></td><td></td></tr> <tr><td><b>28</b> Other deductions (attach schedule)</td><td></td><td></td><td></td><td></td></tr> <tr><td><b>29</b> Total deductions. Add lines 14 through 28</td><td></td><td></td><td></td><td></td></tr> <tr><td><b>30</b> Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13</td><td></td><td></td><td></td><td></td></tr> <tr><td><b>31</b> Net operating loss deduction (limited to the amount on line 30)</td><td></td><td></td><td></td><td></td></tr> <tr><td><b>32</b> Unrelated business taxable income before specific deduction. Subtract line 31 from line 30</td><td></td><td></td><td></td><td></td></tr> <tr><td><b>33</b> Specific deduction (Generally \$1,000, but see line 33 instructions for exceptions.)</td><td></td><td></td><td></td><td></td></tr> <tr><td><b>34</b> Unrelated business taxable income. Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32</td><td></td><td></td><td></td><td></td></tr> </tbody> </table>			<b>14</b> Compensation of officers, directors, and trustees (Schedule K)					<b>15</b> Salaries and wages					<b>16</b> Repairs and maintenance					<b>17</b> Bad debts					<b>18</b> Interest (attach schedule)					<b>19</b> Taxes and licenses					<b>20</b> Charitable contributions (See page 14 of the instructions for limitation rules.)					<b>21</b> Depreciation (attach Form 4562)	<b>21</b>				<b>22</b> Less depreciation claimed on Schedule A and elsewhere on return	<b>22a</b>			<b>22b</b>	<b>23</b> Depletion					<b>24</b> Contributions to deferred compensation plans					<b>25</b> Employee benefit programs					<b>26</b> Excess exempt expenses (Schedule I)					<b>27</b> Excess readership costs (Schedule J)					<b>28</b> Other deductions (attach schedule)					<b>29</b> Total deductions. Add lines 14 through 28					<b>30</b> Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13					<b>31</b> Net operating loss deduction (limited to the amount on line 30)					<b>32</b> Unrelated business taxable income before specific deduction. Subtract line 31 from line 30					<b>33</b> Specific deduction (Generally \$1,000, but see line 33 instructions for exceptions.)					<b>34</b> Unrelated business taxable income. Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32				
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<p>For Privacy Act and Paperwork Reduction Act Notice, see instructions. Cat. No. 11291J Form <b>990-T</b> (2006)</p>																																																																																																											

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IRS Tax Return Forms (Continued)

B Form 990-T (Continued)

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Form 990-T (2006)		Page <b>2</b>
<b>Part III Tax Computation</b>		
<b>35 Organizations Taxable as Corporations.</b> See instructions for tax computation on page 15. Controlled group members (sections 1561 and 1563) check here <input type="checkbox"/> See instructions and:		
<b>a</b> Enter your share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order): (1) \$ _____ (2) \$ _____ (3) \$ _____		
<b>b</b> Enter organization's share of: (1) Additional 5% tax (not more than \$11,750) \$ _____ (2) Additional 3% tax (not more than \$100,000) \$ _____		
<b>c</b> Income tax on the amount on line 34		35c
<b>36 Trusts Taxable at Trust Rates.</b> See instructions for tax computation on page 16. Income tax on the amount on line 34 from: <input type="checkbox"/> Tax rate schedule or <input type="checkbox"/> Schedule D (Form 1041)		
		36
<b>37 Proxy tax.</b> See page 16 of the instructions		
		37
<b>38 Alternative minimum tax</b>		
		38
<b>39 Total.</b> Add lines 37 and 38 to line 35c or 36, whichever applies		39
<b>Part IV Tax and Payments</b>		
<b>40a</b> Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116)		40a
<b>b</b> Other credits (see page 17 of the instructions)		40b
<b>c</b> General business credit. Check here and indicate which forms are attached: <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form(s) (specify) ▶		40c
<b>d</b> Credit for prior year minimum tax (attach Form 8801 or 8827)		40d
<b>e Total credits.</b> Add lines 40a through 40d		40e
<b>41</b> Subtract line 40e from line 39		41
<b>42</b> Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Other (attach schedule)		42
<b>43 Total tax.</b> Add lines 41 and 42		43
<b>44a</b> Payments: A 2005 overpayment credited to 2006		44a
<b>b</b> 2006 estimated tax payments		44b
<b>c</b> Tax deposited with Form 8868		44c
<b>d</b> Foreign organizations: Tax paid or withheld at source (see instructions)		44d
<b>e</b> Backup withholding (see instructions)		44e
<b>f</b> Credit for federal telephone excise tax paid (attach Form 8913)		44f
<b>g</b> Other credits and payments: <input type="checkbox"/> Form 2439 _____ <input type="checkbox"/> Form 4136 _____ <input type="checkbox"/> Other _____ Total ▶		44g
<b>45 Total payments.</b> Add lines 44a through 44g		45
<b>46</b> Estimated tax penalty (see page 4 of the instructions). Check if Form 2220 is attached <input type="checkbox"/>		46
<b>47 Tax due.</b> If line 45 is less than the total of lines 43 and 46, enter amount owed		47
<b>48 Overpayment.</b> If line 45 is larger than the total of lines 43 and 46, enter amount overpaid		48
<b>49</b> Enter the amount of line 48 you want: Credited to 2007 estimated tax ▶ Refunded ▶		49
<b>Part V Statements Regarding Certain Activities and Other Information</b> (see instructions on page 18)		
<b>1</b> At any time during the 2006 calendar year, did the organization have an interest in or a signature or other authority over a financial account (bank, securities, or other) in a foreign country? If YES, the organization may have to file Form TD F 90-22.1. If YES, enter the name of the foreign country here ▶		Yes No
<b>2</b> During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If YES, see page 5 of the instructions for other forms the organization may have to file.		Yes No
<b>3</b> Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$		
<b>Schedule A—Cost of Goods Sold.</b> Enter method of inventory valuation ▶		
<b>1</b> Inventory at beginning of year		1
<b>2</b> Purchases		2
<b>3</b> Cost of labor		3
<b>4a</b> Additional section 263A costs (attach schedule)		4a
<b>b</b> Other costs (attach schedule)		4b
<b>5</b> Total. Add lines 1 through 4b		5
<b>6</b> Inventory at end of year		6
<b>7</b> Cost of goods sold. Subtract line 6 from line 5. Enter here and in Part I, line 2		7
<b>8</b> Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization?		Yes No
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
<b>Sign Here</b>		May the IRS discuss this return with the preparer shown below (see instructions)? <input type="checkbox"/> Yes <input type="checkbox"/> No
Signature of officer _____ Date _____ Title _____		
<b>Paid Preparer's Use Only</b>		
Preparer's signature _____ Date _____		Check if self-employed <input type="checkbox"/> Preparer's SSN or PTIN _____
Firm's name (or yours if self-employed), address, and ZIP code _____		EIN _____ Phone no. ( ) _____
Form <b>990-T</b> (2006)		

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IRS Tax Return Forms (Continued)

B Form 990-T (Continued)

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Form 990-T (2006)		Page <b>3</b>						
<b>Schedule C—Rent Income (From Real Property and Personal Property Leased With Real Property)</b> (see instructions on page 20)								
<b>1</b> Description of property								
(1) _____								
(2) _____								
(3) _____								
(4) _____								
<b>2</b> Rent received or accrued		<b>3</b> Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)						
<b>(a)</b> From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	<b>(b)</b> From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)							
(1) _____		_____						
(2) _____		_____						
(3) _____		_____						
(4) _____		_____						
Total		Total						
<b>Total income.</b> Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A)		<b>Total deductions.</b> Enter here and on page 1, Part I, line 6, column (B)						
<b>Schedule E—Unrelated Debt-Financed Income</b> (see instructions on page 20)								
<b>1</b> Description of debt-financed property		<b>2</b> Gross income from or allocable to debt-financed property						
(1) _____		_____						
(2) _____		_____						
(3) _____		_____						
(4) _____		_____						
<b>4</b> Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)		<b>5</b> Average adjusted basis of or allocable to debt-financed property (attach schedule)		<b>6</b> Column 4 divided by column 5		<b>3</b> Deductions directly connected with or allocable to debt-financed property		
						<b>(a)</b> Straight line depreciation (attach schedule)	<b>(b)</b> Other deductions (attach schedule)	
(1) _____		_____		_____		_____		
(2) _____		_____		%		_____		
(3) _____		_____		%		_____		
(4) _____		_____		%		_____		
<b>Totals</b>		Enter here and on page 1, Part I, line 7, column (A).		Enter here and on page 1, Part I, line 7, column (B).		_____		
<b>Total dividends-received deductions</b> included in column 8		_____		_____		_____		
<b>Schedule F—Interest, Annuities, Royalties, and Rents From Controlled Organizations</b> (see instructions on page 21)								
<b>1</b> Name of Controlled Organization		<b>2</b> Employer Identification Number		Exempt Controlled Organizations				
				<b>3</b> Net unrelated income (loss) (see instructions)	<b>4</b> Total of specified payments made	<b>5</b> Part of column 4 that is included in the controlling organization's gross income	<b>6</b> Deductions directly connected with income in column 5	
(1) _____		_____		_____		_____		
(2) _____		_____		_____		_____		
(3) _____		_____		_____		_____		
(4) _____		_____		_____		_____		
Nonexempt Controlled Organizations								
<b>7</b> Taxable Income		<b>8</b> Net unrelated income (loss) (see instructions)		<b>9</b> Total of specified payments made		<b>10</b> Part of column 9 that is included in the controlling organization's gross income		<b>11</b> Deductions directly connected with income in column 10
(1) _____		_____		_____		_____		
(2) _____		_____		_____		_____		
(3) _____		_____		_____		_____		
(4) _____		_____		_____		_____		
<b>Totals</b>		_____		_____		_____		

Form 990-T (2006)

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IRS Tax Return Forms (Continued)

B Form 990-T (Continued)

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Form 990-T (2006)				Page <b>4</b>		
<b>Schedule G—Investment Income of a Section 501(c)(7), (9), or (17) Organization</b> (see instructions on page 22)						
1 Description of income	2 Amount of income	3 Deductions directly connected (attach schedule)	4 Set-asides (attach schedule)	5 Total deductions and set-asides (col. 3 plus col. 4)		
(1)						
(2)						
(3)						
(4)						
<b>Totals</b> . . . . . ▶		Enter here and on page 1, Part I, line 9, column (A).		Enter here and on page 1, Part I, line 9, column (B).		
<b>Schedule I—Exploited Exempt Activity Income, Other Than Advertising Income</b> (see instructions on page 22)						
1 Description of exploited activity	2 Gross unrelated business income from trade or business	3 Expenses directly connected with production of unrelated business income	4 Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7.	5 Gross income from activity that is not unrelated business income	6 Expenses attributable to column 5	7 Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
<b>Totals</b> . . . . . ▶		Enter here and on page 1, Part I, line 10, col. (A).	Enter here and on page 1, Part I, line 10, col. (B).			Enter here and on page 1, Part II, line 26.
<b>Schedule J—Advertising Income</b> (see instructions on page 23)						
<b>Part I Income From Periodicals Reported on a Consolidated Basis</b>						
1 Name of periodical	2 Gross advertising income	3 Direct advertising costs	4 Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5 Circulation income	6 Readership costs	7 Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
<b>Totals</b> (carry to Part II, line (5)) . . . ▶						
<b>Part II Income From Periodicals Reported on a Separate Basis</b> (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)						
(1)						
(2)						
(3)						
(4)						
(5) <b>Totals from Part I</b>						
<b>Totals</b> , Part II (lines 1-5) . . . . . ▶		Enter here and on page 1, Part I, line 11, col. (A).	Enter here and on page 1, Part I, line 11, col. (B).			Enter here and on page 1, Part II, line 27.
<b>Schedule K—Compensation of Officers, Directors, and Trustees</b> (see instructions on page 23)						
1 Name	2 Title	3 Percent of time devoted to business	4 Compensation attributable to unrelated business			
			%			
			%			
			%			
			%			
<b>Total.</b> Enter here and on page 1, Part II, line 14 . . . . . ▶						

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IRS Tax Return Forms (Continued)

C Form 1040

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Form 1040		Department of the Treasury—Internal Revenue Service		U.S. Individual Income Tax Return 2007		IRS Use Only—Do not write or staple in this space.	
<b>Label</b> (See instructions on page 12.) <b>Use the IRS label.</b> Otherwise, please print or type.  <b>Presidential Election Campaign</b>	L A B E L  H E R E	For the year Jan. 1–Dec. 31, 2007, or other tax year beginning _____, 2007, ending _____, 20		OMB No. 1545-0074			
	Your first name and initial	Last name		Your social security number			
	If a joint return, spouse's first name and initial	Last name		Spouse's social security number			
	Home address (number and street). If you have a P.O. box, see page 12.		Apt. no.		▲ You must enter your SSN(s) above. ▲ Checking a box below will not change your tax or refund.		
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 12) ▶		<input type="checkbox"/> You		<input type="checkbox"/> Spouse			
<b>Filing Status</b> Check only one box.		1 <input type="checkbox"/> Single		4 <input type="checkbox"/> Head of household (with qualifying person). (See page 13.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶			
		2 <input type="checkbox"/> Married filing jointly (even if only one had income)		5 <input type="checkbox"/> Qualifying widow(er) with dependent child (see page 14)			
		3 <input type="checkbox"/> Married filing separately. Enter spouse's SSN above and full name here. ▶					
<b>Exemptions</b>		6a <input type="checkbox"/> Yourself. If someone can claim you as a dependent, do not check box 6a		Boxes checked on 6a and 6b			
		b <input type="checkbox"/> Spouse		No. of children on 6c who:			
		<b>c Dependents:</b>		(2) Dependent's social security number		(3) Dependent's relationship to you	
		(1) First name Last name		(4) <input checked="" type="checkbox"/> if qualifying child for child tax credit (see page 15)		• lived with you • did not live with you due to divorce or separation (see page 16)	
If more than four dependents, see page 15.						Dependents on 6c not entered above	
		d Total number of exemptions claimed				Add numbers on lines above ▶	
<b>Income</b>		7 Wages, salaries, tips, etc. Attach Form(s) W-2		7			
Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.		8a Taxable interest. Attach Schedule B if required		8a			
		b Tax-exempt interest. Do not include on line 8a		8b			
		9a Ordinary dividends. Attach Schedule B if required		9a			
		b Qualified dividends (see page 19)		9b			
		10 Taxable refunds, credits, or offsets of state and local income taxes (see page 20)		10			
		11 Alimony received		11			
		12 Business income or (loss). Attach Schedule C or C-EZ		12			
		13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶		13			
		14 Other gains or (losses). Attach Form 4797		14			
If you did not get a W-2, see page 19.		15a IRA distributions		15a		b Taxable amount (see page 21)	
		16a Pensions and annuities		16a		b Taxable amount (see page 22)	
Enclose, but do not attach, any payment. Also, please use Form 1040-V.		17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17			
		18 Farm income or (loss). Attach Schedule F		18			
		19 Unemployment compensation		19			
		20a Social security benefits		20a		b Taxable amount (see page 24)	
		21 Other income. List type and amount (see page 24)		21			
		22 Add the amounts in the far right column for lines 7 through 21. This is your total income ▶		22			
<b>Adjusted Gross Income</b>		23 Educator expenses (see page 26)		23			
		24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ		24			
		25 Health savings account deduction. Attach Form 8889		25			
		26 Moving expenses. Attach Form 3903		26			
		27 One-half of self-employment tax. Attach Schedule SE		27			
		28 Self-employed SEP, SIMPLE, and qualified plans		28			
		29 Self-employed health insurance deduction (see page 26)		29			
		30 Penalty on early withdrawal of savings		30			
		31a Alimony paid b Recipient's SSN ▶		31a			
		32 IRA deduction (see page 27)		32			
		33 Student loan interest deduction (see page 30)		33			
		34 Tuition and fees deduction. Attach Form 8917		34			
		35 Domestic production activities deduction. Attach Form 8903		35			
		36 Add lines 23 through 31a and 32 through 35		36			
		37 Subtract line 36 from line 22. This is your adjusted gross income ▶		37			
For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 83.		Cat. No. 11320B		Form 1040 (2007)			

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IRS Tax Return Forms (Continued)

C Form 1040 (Continued)

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Form 1040 (2007)		Page 2	
<b>Tax and Credits</b>	38 Amount from line 37 (adjusted gross income)		38
<b>Standard Deduction for—</b> • People who checked any box on line 39a or 39b or who can be claimed as a dependent, see page 31. • All others: Single or Married filing separately, \$5,350 Married filing jointly or Qualifying widow(er), \$10,700 Head of household, \$7,850	39a Check <input type="checkbox"/> You were born before January 2, 1943, <input type="checkbox"/> Blind. Total boxes if: <input type="checkbox"/> Spouse was born before January 2, 1943, <input type="checkbox"/> Blind. checked ▶ 39a		
	b If your spouse itemizes on a separate return or you were a dual-status alien, see page 31 and check here ▶ 39b <input type="checkbox"/>		
	40 Itemized deductions (from Schedule A) or your standard deduction (see left margin)		40
	41 Subtract line 40 from line 38		41
	42 If line 38 is \$117,300 or less, multiply \$3,400 by the total number of exemptions claimed on line 6d. If line 38 is over \$117,300, see the worksheet on page 33		42
	43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-		43
	44 Tax (see page 33). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/> Form(s) 8889		44
	45 Alternative minimum tax (see page 36). Attach Form 6251		45
	46 Add lines 44 and 45		46
	47 Credit for child and dependent care expenses. Attach Form 2441		47
48 Credit for the elderly or the disabled. Attach Schedule R		48	
49 Education credits. Attach Form 8863		49	
50 Residential energy credits. Attach Form 5695		50	
51 Foreign tax credit. Attach Form 1116 if required		51	
52 Child tax credit (see page 39). Attach Form 8901 if required		52	
53 Retirement savings contributions credit. Attach Form 8880		53	
54 Credits from: a <input type="checkbox"/> Form 8396 b <input type="checkbox"/> Form 8859 c <input type="checkbox"/> Form 8839		54	
55 Other credits: a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/> Form		55	
56 Add lines 47 through 55. These are your total credits		56	
57 Subtract line 56 from line 46. If line 56 is more than line 46, enter -0-		57	
<b>Other Taxes</b>	58 Self-employment tax. Attach Schedule SE		58
59 Unreported social security and Medicare tax from: a <input type="checkbox"/> Form 4137 b <input type="checkbox"/> Form 8919		59	
60 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required		60	
61 Advance earned income credit payments from Form(s) W-2, box 9		61	
62 Household employment taxes. Attach Schedule H		62	
63 Add lines 57 through 62. This is your total tax		63	
<b>Payments</b>	64 Federal income tax withheld from Forms W-2 and 1099		64
65 2007 estimated tax payments and amount applied from 2006 return		65	
66a Earned income credit (EIC)		66a	
b Nontaxable combat pay election ▶ 66b			
67 Excess social security and tier 1 RRTA tax withheld (see page 59)		67	
68 Additional child tax credit. Attach Form 8812		68	
69 Amount paid with request for extension to file (see page 59)		69	
70 Payments from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4136 c <input type="checkbox"/> Form 8885		70	
71 Refundable credit for prior year minimum tax from Form 8801, line 27		71	
72 Add lines 64, 65, 66a, and 67 through 71. These are your total payments		72	
<b>Refund</b>	73 If line 72 is more than line 63, subtract line 63 from line 72. This is the amount you overpaid		73
Direct deposit? See page 59 and fill in 74b, 74c, and 74d, or Form 8888.	74a Amount of line 73 you want refunded to you. If Form 8888 is attached, check here ▶ <input type="checkbox"/>		74a
▶ b Routing number	▶ c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
▶ d Account number			
75 Amount of line 73 you want applied to your 2008 estimated tax ▶		75	
<b>Amount You Owe</b>	76 Amount you owe. Subtract line 72 from line 63. For details on how to pay, see page 60 ▶		76
77 Estimated tax penalty (see page 61)		77	
<b>Third Party Designee</b>	Do you want to allow another person to discuss this return with the IRS (see page 61)? <input type="checkbox"/> Yes. Complete the following. <input type="checkbox"/> No		
Designee's name ▶	Phone no. ▶ ( )	Personal identification number (PIN) ▶	
<b>Sign Here</b>	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
Joint return? See page 13. Keep a copy for your records.	Your signature	Date	Your occupation
			Daytime phone number ( )
	Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation
<b>Paid Preparer's Use Only</b>	Preparer's signature ▶	Date	Check if self-employed <input type="checkbox"/>
	Firm's name (or yours if self-employed), address, and ZIP code ▶	EIN	Preparer's SSN or PTIN
		Phone no. ( )	

IRS Tax Return Forms (Continued)

D Schedule F, Form 1040

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<p><b>SCHEDULE F</b> <b>(Form 1040)</b></p> <p>Department of the Treasury Internal Revenue Service</p>	<p><b>Profit or Loss From Farming</b></p> <p>▶ Attach to Form 1040, Form 1040NR, Form 1041, Form 1065, or Form 1065-B.</p> <p>▶ See Instructions for Schedule F (Form 1040).</p>	<p>OMB No. 1545-0074</p> <p style="font-size: 24pt; font-weight: bold;">2007</p> <p>Attachment Sequence No. 14</p>	
<p>Name of proprietor</p>		<p>Social security number (SSN)</p>	
<p>A Principal product. Describe in one or two words your principal crop or activity for the current tax year.</p>		<p>B Enter code from Part IV</p>	
<p>C Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual</p>		<p>D Employer ID number (EIN), if any</p>	
<p>E Did you "materially participate" in the operation of this business during 2007? If "No," see page F-2 for limit on passive losses. <input type="checkbox"/> Yes <input type="checkbox"/> No</p>			
<p><b>Part I Farm Income—Cash Method.</b> Complete Parts I and II (Accrual method. Complete Parts II and III, and Part I, line 11.) Do not include sales of livestock held for draft, breeding, sport, or dairy purposes. Report these sales on Form 4797.</p>			
<p>1 Sales of livestock and other items you bought for resale . . . . .</p> <p>2 Cost or other basis of livestock and other items reported on line 1 . . . . .</p> <p>3 Subtract line 2 from line 1 . . . . .</p> <p>4 Sales of livestock, produce, grains, and other products you raised . . . . .</p> <p>5a Cooperative distributions (Form(s) 1099-PATR) . . . . .</p> <p>6a Agricultural program payments (see page F-3) . . . . .</p> <p>7 Commodity Credit Corporation (CCC) loans (see page F-3):</p> <p style="padding-left: 20px;">a CCC loans reported under election . . . . .</p> <p style="padding-left: 20px;">b CCC loans forfeited . . . . .</p> <p>8 Crop insurance proceeds and federal crop disaster payments (see page F-3):</p> <p style="padding-left: 20px;">a Amount received in 2007 . . . . .</p> <p style="padding-left: 20px;">c If election to defer to 2008 is attached, check here <input type="checkbox"/> . . . . .</p> <p>9 Custom hire (machine work) income . . . . .</p> <p>10 Other income, including federal and state gasoline or fuel tax credit or refund (see page F-3) . . . . .</p> <p>11 <b>Gross income.</b> Add amounts in the right column for lines 3 through 10. If you use the accrual method, enter the amount from Part III, line 51 . . . . .</p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5b Taxable amount</p> <p>6b Taxable amount</p> <p>7a</p> <p>7c Taxable amount</p> <p>8a</p> <p>8b Taxable amount</p> <p>8d</p> <p>9</p> <p>10</p> <p>11</p>		
<p><b>Part II Farm Expenses—Cash and Accrual Method.</b> Do not include personal or living expenses such as taxes, insurance, or repairs on your home.</p>			
<p>12 Car and truck expenses (see page F-4). Also attach Form 4562 . . . . .</p> <p>13 Chemicals . . . . .</p> <p>14 Conservation expenses (see page F-4) . . . . .</p> <p>15 Custom hire (machine work) . . . . .</p> <p>16 Depreciation and section 179 expense deduction not claimed elsewhere (see page F-5) . . . . .</p> <p>17 Employee benefit programs other than on line 25 . . . . .</p> <p>18 Feed . . . . .</p> <p>19 Fertilizers and lime . . . . .</p> <p>20 Freight and trucking . . . . .</p> <p>21 Gasoline, fuel, and oil . . . . .</p> <p>22 Insurance (other than health) . . . . .</p> <p>23 Interest:</p> <p style="padding-left: 20px;">a Mortgage (paid to banks, etc.) . . . . .</p> <p style="padding-left: 20px;">b Other . . . . .</p> <p>24 Labor hired (less employment credits) . . . . .</p>	<p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23a</p> <p>23b</p> <p>24</p>	<p>25 Pension and profit-sharing plans . . . . .</p> <p>26 Rent or lease (see page F-6):</p> <p style="padding-left: 20px;">a Vehicles, machinery, and equipment . . . . .</p> <p style="padding-left: 20px;">b Other (land, animals, etc.) . . . . .</p> <p>27 Repairs and maintenance . . . . .</p> <p>28 Seeds and plants . . . . .</p> <p>29 Storage and warehousing . . . . .</p> <p>30 Supplies . . . . .</p> <p>31 Taxes . . . . .</p> <p>32 Utilities . . . . .</p> <p>33 Veterinary, breeding, and medicine . . . . .</p> <p>34 Other expenses (specify):</p> <p style="padding-left: 20px;">a . . . . .</p> <p style="padding-left: 20px;">b . . . . .</p> <p style="padding-left: 20px;">c . . . . .</p> <p style="padding-left: 20px;">d . . . . .</p> <p style="padding-left: 20px;">e . . . . .</p> <p style="padding-left: 20px;">f . . . . .</p> <p>35 <b>Total expenses.</b> Add lines 12 through 34f. If line 34f is negative, see instructions . . . . .</p> <p>36 <b>Net farm profit or (loss).</b> Subtract line 35 from line 11.</p> <p style="padding-left: 20px;">• If a profit, enter the profit on Form 1040, line 18, and also on Schedule SE, line 1. If you file Form 1040NR, enter the profit on Form 1040NR, line 19.</p> <p style="padding-left: 20px;">• If a loss, you must go to line 37. Estates, trusts, and partnerships, see page F-6.</p> <p>37 If you have a loss, you must check the box that describes your investment in this activity (see page F-7).</p> <p style="padding-left: 20px;">• If you checked 37a, enter the loss on Form 1040, line 18, and also on Schedule SE, line 1. If you file Form 1040NR, enter the loss on Form 1040NR, line 19.</p> <p style="padding-left: 20px;">• If you checked 37b, you must attach Form 6198. Your loss may be limited.</p>	<p>25</p> <p>26a</p> <p>26b</p> <p>27</p> <p>28</p> <p>29</p> <p>30</p> <p>31</p> <p>32</p> <p>33</p> <p>34a</p> <p>34b</p> <p>34c</p> <p>34d</p> <p>34e</p> <p>34f</p> <p>35</p> <p>36</p>
		<p>37a <input type="checkbox"/> All investment is at risk.</p> <p>37b <input type="checkbox"/> Some investment is not at risk.</p>	
<p>For Paperwork Reduction Act Notice, see page F-7 of the instructions. Cat. No. 11346H Schedule F (Form 1040) 2007</p>			

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IRS Tax Return Forms (Continued)

D Schedule F, Form 1040 (Continued)

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Schedule F (Form 1040) 2007		Page <b>2</b>
<b>Part III Farm Income—Accrual Method</b> (see page F-7). Do not include sales of livestock held for draft, breeding, sport, or dairy purposes. Report these sales on Form 4797 and do not include this livestock on line 46 below.		
38	Sales of livestock, produce, grains, and other products . . . . .	38
39a	Cooperative distributions (Form(s) 1099-PATR) . . . . . <b>39a</b>	39b Taxable amount <b>39b</b>
40a	Agricultural program payments . . . . . <b>40a</b>	40b Taxable amount <b>40b</b>
41	Commodity Credit Corporation (CCC) loans:	
a	CCC loans reported under election . . . . .	41a
b	CCC loans forfeited . . . . . <b>41b</b>	41c Taxable amount <b>41c</b>
42	Crop insurance proceeds . . . . .	42
43	Custom hire (machine work) income . . . . .	43
44	Other income, including federal and state gasoline or fuel tax credit or refund . . . . .	44
45	Add amounts in the right column for lines 38 through 44 . . . . .	45
46	Inventory of livestock, produce, grains, and other products at beginning of the year . . . . . <b>46</b>	
47	Cost of livestock, produce, grains, and other products purchased during the year . . . . . <b>47</b>	
48	Add lines 46 and 47 . . . . . <b>48</b>	
49	Inventory of livestock, produce, grains, and other products at end of year <b>49</b>	
50	Cost of livestock, produce, grains, and other products sold. Subtract line 49 from line 48* . . . . .	50
51	<b>Gross income.</b> Subtract line 50 from line 45. Enter the result here and on Part I, line 11 . . . . . ▶	51
*If you use the unit-livestock-price method or the farm-price method of valuing inventory and the amount on line 49 is larger than the amount on line 48, subtract line 48 from line 49. Enter the result on line 50. Add lines 45 and 50. Enter the total on line 51 and on Part I, line 11.		
<b>Part IV Principal Agricultural Activity Codes</b>		
 <p>File Schedule C (Form 1040) or Schedule C-EZ (Form 1040) instead of Schedule F if (a) your principal source of income is from providing agricultural services such as soil preparation, veterinary, farm labor, horticultural, or management for a fee or on a contract basis, or (b) you are engaged in the business of breeding, raising, and caring for dogs, cats, or other pet animals.</p>		
<p>These codes for the Principal Agricultural Activity classify farms by their primary activity to facilitate the administration of the Internal Revenue Code. These six-digit codes are based on the North American Industry Classification System (NAICS). Select the code that best identifies your primary farming activity and enter the six digit number on page 1, line B.</p>		
<b>Crop Production</b>		
111100	Oilseed and grain farming	
111210	Vegetable and melon farming	
111300	Fruit and tree nut farming	
111400	Greenhouse, nursery, and floriculture production	
111900	Other crop farming	
<b>Animal Production</b>		
112111	Beef cattle ranching and farming	
112112	Cattle feedlots	
112120	Dairy cattle and milk production	
112210	Hog and pig farming	
112300	Poultry and egg production	
112400	Sheep and goat farming	
112510	Aquaculture	
112900	Other animal production	
<b>Forestry and Logging</b>		
113000	Forestry and logging (including forest nurseries and timber tracts)	
Schedule F (Form 1040) 2007		

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IRS Tax Return Forms (Continued)

E Form 1041

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Form <b>1041</b> U.S. Income Tax Return for Estates and Trusts <b>2007</b>		OMB No. 1545-0092
<b>A</b> Type of entity (see instr.): For calendar year 2007 or fiscal year beginning _____, 2007, and ending _____, 20____		
<input type="checkbox"/> Decedent's estate <input type="checkbox"/> Simple trust <input type="checkbox"/> Complex trust <input type="checkbox"/> Qualified disability trust <input type="checkbox"/> ESBT (S portion only) <input type="checkbox"/> Grantor type trust <input type="checkbox"/> Bankruptcy estate—Ch. 7 <input type="checkbox"/> Bankruptcy estate—Ch. 11 <input type="checkbox"/> Pooled income fund	Name of estate or trust (If a grantor type trust, see page 14 of the instructions.)	<b>C</b> Employer identification number
	Name and title of fiduciary	<b>D</b> Date entity created
	Number, street, and room or suite no. (If a P.O. box, see page 14 of the instructions.)	<b>E</b> Nonexempt charitable and split-interest trusts, check applicable boxes (see page 15 of the instr.):
	City or town, state, and ZIP code	
<b>B</b> Number of Schedules K-1 attached (see instructions) ▶	<b>F</b> Check applicable boxes: <input type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Change in fiduciary <input type="checkbox"/> Change in fiduciary's name <input type="checkbox"/> Change in fiduciary's address	
<b>G</b> Check here if the estate or filing trust made a section 645 election . . . . . <input type="checkbox"/>		
<b>Income</b>	<b>1</b> Interest income . . . . .	<b>1</b>
	<b>2a</b> Total ordinary dividends . . . . .	<b>2a</b>
	<b>b</b> Qualified dividends allocable to: (1) Beneficiaries . . . . . (2) Estate or trust . . . . .	
	<b>3</b> Business income or (loss). Attach Schedule C or C-EZ (Form 1040) . . . . .	<b>3</b>
	<b>4</b> Capital gain or (loss). Attach Schedule D (Form 1041) . . . . .	<b>4</b>
	<b>5</b> Rents, royalties, partnerships, other estates and trusts, etc. Attach Schedule E (Form 1040) . . . . .	<b>5</b>
	<b>6</b> Farm income or (loss). Attach Schedule F (Form 1040) . . . . .	<b>6</b>
	<b>7</b> Ordinary gain or (loss). Attach Form 4797 . . . . .	<b>7</b>
	<b>8</b> Other income. List type and amount . . . . .	<b>8</b>
<b>9</b> Total income. Combine lines 1, 2a, and 3 through 8 . . . . . ▶	<b>9</b>	
<b>Deductions</b>	<b>10</b> Interest. Check if Form 4952 is attached ▶ <input type="checkbox"/> . . . . .	<b>10</b>
	<b>11</b> Taxes . . . . .	<b>11</b>
	<b>12</b> Fiduciary fees . . . . .	<b>12</b>
	<b>13</b> Charitable deduction (from Schedule A, line 7) . . . . .	<b>13</b>
	<b>14</b> Attorney, accountant, and return preparer fees . . . . .	<b>14</b>
	<b>15a</b> Other deductions <b>not</b> subject to the 2% floor (attach schedule) . . . . .	<b>15a</b>
	<b>b</b> Allowable miscellaneous itemized deductions subject to the 2% floor . . . . .	<b>15b</b>
	<b>16</b> Add lines 10 through 15b . . . . . ▶	<b>16</b>
	<b>17</b> Adjusted total income or (loss). Subtract line 16 from line 9 . . . . . <b>17</b>	
	<b>18</b> Income distribution deduction (from Schedule B, line 15). Attach Schedules K-1 (Form 1041) . . . . .	<b>18</b>
	<b>19</b> Estate tax deduction including certain generation-skipping taxes (attach computation) . . . . .	<b>19</b>
<b>20</b> Exemption . . . . .	<b>20</b>	
<b>21</b> Add lines 18 through 20 . . . . . ▶	<b>21</b>	
<b>Tax and Payments</b>	<b>22</b> Taxable income. Subtract line 21 from line 17. If a loss, see page 23 of the instructions . . . . .	<b>22</b>
	<b>23</b> Total tax (from Schedule G, line 7) . . . . .	<b>23</b>
	<b>24</b> Payments: <b>a</b> 2007 estimated tax payments and amount applied from 2006 return . . . . .	<b>24a</b>
	<b>b</b> Estimated tax payments allocated to beneficiaries (from Form 1041-T) . . . . .	<b>24b</b>
	<b>c</b> Subtract line 24b from line 24a . . . . .	<b>24c</b>
	<b>d</b> Tax paid with Form 7004 (see page 23 of the instructions) . . . . .	<b>24d</b>
	<b>e</b> Federal income tax withheld. If any is from Form(s) 1099, check ▶ <input type="checkbox"/> . . . . .	<b>24e</b>
	Other payments: <b>f</b> Form 2439 . . . . . ; <b>g</b> Form 4136 . . . . . ; Total ▶	<b>24h</b>
	<b>25</b> Total payments. Add lines 24c through 24e, and 24h . . . . . ▶	<b>25</b>
	<b>26</b> Estimated tax penalty (see page 24 of the instructions) . . . . .	<b>26</b>
<b>27</b> Tax due. If line 25 is smaller than the total of lines 23 and 26, enter amount owed . . . . .	<b>27</b>	
<b>28</b> Overpayment. If line 25 is larger than the total of lines 23 and 26, enter amount overpaid . . . . .	<b>28</b>	
<b>29</b> Amount of line 28 to be: <b>a</b> Credited to 2008 estimated tax ▶ ; <b>b</b> Refunded ▶	<b>29</b>	
<b>Sign Here</b> Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
Signature of fiduciary or officer representing fiduciary _____ Date _____		EIN of fiduciary if a financial institution _____
<b>Paid Preparer's Use Only</b> Preparer's signature _____ Date _____ Check if self-employed <input type="checkbox"/> Preparer's SSN or PTIN _____ Firm's name (or yours if self-employed), address, and ZIP code _____ EIN _____ Phone no. ( ) _____		
For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11370H Form <b>1041</b> (2007)		

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IRS Tax Return Forms (Continued)

E Form 1041 (Continued)

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Form 1041 (2007)		Page <b>2</b>
<b>Schedule A Charitable Deduction.</b> Do not complete for a simple trust or a pooled income fund.		
1	Amounts paid or permanently set aside for charitable purposes from gross income (see page 24)	1
2	Tax-exempt income allocable to charitable contributions (see page 24 of the instructions)	2
3	Subtract line 2 from line 1	3
4	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes	4
5	Add lines 3 and 4	5
6	Section 1202 exclusion allocable to capital gains paid or permanently set aside for charitable purposes (see page 25 of the instructions)	6
7	<b>Charitable deduction.</b> Subtract line 6 from line 5. Enter here and on page 1, line 13	7
<b>Schedule B Income Distribution Deduction</b>		
1	Adjusted total income (see page 25 of the instructions)	1
2	Adjusted tax-exempt interest	2
3	Total net gain from Schedule D (Form 1041), line 15, column (1) (see page 25 of the instructions)	3
4	Enter amount from Schedule A, line 4 (minus any allocable section 1202 exclusion)	4
5	Capital gains for the tax year included on Schedule A, line 1 (see page 25 of the instructions)	5
6	Enter any gain from page 1, line 4, as a negative number. If page 1, line 4, is a loss, enter the loss as a positive number	6
7	<b>Distributable net income.</b> Combine lines 1 through 6. If zero or less, enter -0-	7
8	If a complex trust, enter accounting income for the tax year as determined under the governing instrument and applicable local law	8
9	Income required to be distributed currently	9
10	Other amounts paid, credited, or otherwise required to be distributed	10
11	Total distributions. Add lines 9 and 10. If greater than line 8, see page 26 of the instructions	11
12	Enter the amount of tax-exempt income included on line 11	12
13	Tentative income distribution deduction. Subtract line 12 from line 11	13
14	Tentative income distribution deduction. Subtract line 2 from line 7. If zero or less, enter -0-	14
15	<b>Income distribution deduction.</b> Enter the smaller of line 13 or line 14 here and on page 1, line 18	15
<b>Schedule G Tax Computation</b> (see page 27 of the instructions)		
1	<b>Tax:</b> a Tax on taxable income (see page 27 of the instructions)	1a
	b Tax on lump-sum distributions. Attach Form 4972	1b
	c Alternative minimum tax (from Schedule I, line 56)	1c
	d <b>Total.</b> Add lines 1a through 1c	1d
2a	Foreign tax credit. Attach Form 1116	2a
b	Other nonbusiness credits (attach schedule)	2b
c	General business credit. Enter here and check which forms are attached: <input type="checkbox"/> Form 3800 <input type="checkbox"/> Forms (specify) ▶	2c
d	Credit for prior year minimum tax. Attach Form 8801	2d
3	<b>Total credits.</b> Add lines 2a through 2d	3
4	Subtract line 3 from line 1d. If zero or less, enter -0-	4
5	Recapture taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611	5
6	Household employment taxes. Attach Schedule H (Form 1040)	6
7	<b>Total tax.</b> Add lines 4 through 6. Enter here and on page 1, line 23	7
<b>Other Information</b>		Yes No
1	Did the estate or trust receive tax-exempt income? If "Yes," attach a computation of the allocation of expenses Enter the amount of tax-exempt interest income and exempt-interest dividends ▶ \$ .....	Yes No
2	Did the estate or trust receive all or any part of the earnings (salary, wages, and other compensation) of any individual by reason of a contract assignment or similar arrangement?	Yes No
3	At any time during calendar year 2007, did the estate or trust have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country? See page 29 of the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country ▶ .....	Yes No
4	During the tax year, did the estate or trust receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the estate or trust may have to file Form 3520. See page 29 of the instructions	Yes No
5	Did the estate or trust receive, or pay, any qualified residence interest on seller-provided financing? If "Yes," see page 29 for required attachment	Yes No
6	If this is an estate or a complex trust making the section 663(b) election, check here (see page 29) ▶ <input type="checkbox"/>	Yes No
7	To make a section 643(e)(3) election, attach Schedule D (Form 1041), and check here (see page 29) ▶ <input type="checkbox"/>	Yes No
8	If the decedent's estate has been open for more than 2 years, attach an explanation for the delay in closing the estate, and check here ▶ <input type="checkbox"/>	Yes No
9	Are any present or future trust beneficiaries skip persons? See page 29 of the instructions	Yes No
Form <b>1041</b> (2007)		

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IRS Tax Return Forms (Continued)

E Form 1041 (Continued)

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Form 1041 (2007)		Page 3
<b>Schedule I Alternative Minimum Tax (AMT)</b> (see pages 29 through 37 of the instructions)		
<b>Part I—Estate's or Trust's Share of Alternative Minimum Taxable Income</b>		
1	Adjusted total income or (loss) (from page 1, line 17)	1
2	Interest	2
3	Taxes	3
4	Miscellaneous itemized deductions (from page 1, line 15b)	4
5	Refund of taxes	5 ( )
6	Depletion (difference between regular tax and AMT)	6
7	Net operating loss deduction. Enter as a positive amount	7
8	Interest from specified private activity bonds exempt from the regular tax	8
9	Qualified small business stock (see page 30 of the instructions)	9
10	Exercise of incentive stock options (excess of AMT income over regular tax income)	10
11	Other estates and trusts (amount from Schedule K-1 (Form 1041), box 12, code A)	11
12	Electing large partnerships (amount from Schedule K-1 (Form 1065-B), box 6)	12
13	Disposition of property (difference between AMT and regular tax gain or loss)	13
14	Depreciation on assets placed in service after 1986 (difference between regular tax and AMT)	14
15	Passive activities (difference between AMT and regular tax income or loss)	15
16	Loss limitations (difference between AMT and regular tax income or loss)	16
17	Circulation costs (difference between regular tax and AMT)	17
18	Long-term contracts (difference between AMT and regular tax income)	18
19	Mining costs (difference between regular tax and AMT)	19
20	Research and experimental costs (difference between regular tax and AMT)	20
21	Income from certain installment sales before January 1, 1987	21 ( )
22	Intangible drilling costs preference	22
23	Other adjustments, including income-based related adjustments	23
24	Alternative tax net operating loss deduction (See the instructions for the limitation that applies.)	24 ( )
25	Adjusted alternative minimum taxable income. Combine lines 1 through 24	25
<b>Note:</b> Complete Part II below before going to line 26.		
26	Income distribution deduction from Part II, line 44	26
27	Estate tax deduction (from page 1, line 19)	27
28	Add lines 26 and 27	28
29	Estate's or trust's share of alternative minimum taxable income. Subtract line 28 from line 25	29
If line 29 is:		
• \$22,500 or less, stop here and enter -0- on Schedule G, line 1c. The estate or trust is not liable for the alternative minimum tax.		
• Over \$22,500, but less than \$165,000, go to line 45.		
• \$165,000 or more, enter the amount from line 29 on line 51 and go to line 52.		
<b>Part II—Income Distribution Deduction on a Minimum Tax Basis</b>		
30	Adjusted alternative minimum taxable income (see page 34 of the instructions)	30
31	Adjusted tax-exempt interest (other than amounts included on line 8)	31
32	Total net gain from Schedule D (Form 1041), line 15, column (1). If a loss, enter -0-	32
33	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes (from Schedule A, line 4)	33
34	Capital gains paid or permanently set aside for charitable purposes from gross income (see page 34 of the instructions)	34
35	Capital gains computed on a minimum tax basis included on line 25	35 ( )
36	Capital losses computed on a minimum tax basis included on line 25. Enter as a positive amount	36
37	Distributable net alternative minimum taxable income (DNAMTI). Combine lines 30 through 36. If zero or less, enter -0-	37
38	Income required to be distributed currently (from Schedule B, line 9)	38
39	Other amounts paid, credited, or otherwise required to be distributed (from Schedule B, line 10)	39
40	Total distributions. Add lines 38 and 39	40
41	Tax-exempt income included on line 40 (other than amounts included on line 8)	41
42	Tentative income distribution deduction on a minimum tax basis. Subtract line 41 from line 40	42
43	Tentative income distribution deduction on a minimum tax basis. Subtract line 31 from line 37. If zero or less, enter -0-	43
44	Income distribution deduction on a minimum tax basis. Enter the smaller of line 42 or line 43. Enter here and on line 26	44

Form 1041 (2007)

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IRS Tax Return Forms (Continued)

E Form 1041 (Continued)

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Form 1041 (2007)		Page 4	
<b>Part III—Alternative Minimum Tax</b>			
45	Exemption amount		45 \$22,500 00
46	Enter the amount from line 29	46	
47	Phase-out of exemption amount	47 \$75,000 00	
48	Subtract line 47 from line 46. If zero or less, enter -0-	48	
49	Multiply line 48 by 25% (.25)	49	
50	Subtract line 49 from line 45. If zero or less, enter -0-	50	
51	Subtract line 50 from line 46	51	
52	Go to Part IV of Schedule I to figure line 52 if the estate or trust has qualified dividends or has a gain on lines 14a and 15 of column (2) of Schedule D (Form 1041) (as refigured for the AMT, if necessary). Otherwise, if line 51 is— <ul style="list-style-type: none"> <li>• \$175,000 or less, multiply line 51 by 26% (.26).</li> <li>• Over \$175,000, multiply line 51 by 28% (.28) and subtract \$3,500 from the result</li> </ul>	52	
53	Alternative minimum foreign tax credit (see page 35 of the instructions)	53	
54	Tentative minimum tax. Subtract line 53 from line 52	54	
55	Enter the tax from Schedule G, line 1a (minus any foreign tax credit from Schedule G, line 2a)	55	
56	<b>Alternative minimum tax.</b> Subtract line 55 from line 54. If zero or less, enter -0-. Enter here and on Schedule G, line 1c	56	
<b>Part IV—Line 52 Computation Using Maximum Capital Gains Rates</b>			
<b>Caution:</b> If you did not complete Part V of Schedule D (Form 1041), the Schedule D Tax Worksheet, or the Qualified Dividends Tax Worksheet, see page 36 of the instructions before completing this part.			
57	Enter the amount from line 51	57	
58	Enter the amount from Schedule D (Form 1041), line 22, line 13 of the Schedule D Tax Worksheet, or line 4 of the Qualified Dividends Tax Worksheet, whichever applies (as refigured for the AMT, if necessary)	58	
59	Enter the amount from Schedule D (Form 1041), line 14b, column (2) (as refigured for the AMT, if necessary). If you did not complete Schedule D for the regular tax or the AMT, enter -0-	59	
60	If you did not complete a Schedule D Tax Worksheet for the regular tax or the AMT, enter the amount from line 58. Otherwise, add lines 58 and 59 and enter the <b>smaller</b> of that result or the amount from line 10 of the Schedule D Tax Worksheet (as refigured for the AMT, if necessary)	60	
61	Enter the <b>smaller</b> of line 57 or line 60	61	
62	Subtract line 61 from line 57	62	
63	If line 62 is \$175,000 or less, multiply line 62 by 26% (.26). Otherwise, multiply line 62 by 28% (.28) and subtract \$3,500 from the result	63	
64	Maximum amount subject to the 5% rate	64 \$2,150 00	
65	Enter the amount from line 23 of Schedule D (Form 1041), line 14 of the Schedule D Tax Worksheet, or line 5 of the Qualified Dividends Tax Worksheet, whichever applies (as figured for the regular tax). If you did not complete Schedule D or either worksheet for the regular tax, enter -0-	65	
66	Subtract line 65 from line 64. If zero or less, enter -0-	66	
67	Enter the <b>smaller</b> of line 57 or line 58	67	
68	Enter the <b>smaller</b> of line 66 or line 67	68	
69	Multiply line 68 by 5% (.05)	69	
70	Subtract line 69 from line 67	70	
71	Multiply line 70 by 15% (.15) If line 59 is zero or blank, skip lines 72 and 73 and go to line 74. Otherwise, go to line 72.	71	
72	Subtract line 67 from line 61	72	
73	Multiply line 72 by 25% (.25)	73	
74	Add lines 63, 69, 71, and 73	74	
75	If line 57 is \$175,000 or less, multiply line 57 by 26% (.26). Otherwise, multiply line 57 by 28% (.28) and subtract \$3,500 from the result	75	
76	Enter the <b>smaller</b> of line 74 or line 75 here and on line 52	76	

Form 1041 (2007)

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IRS Tax Return Forms (Continued)

F Form 1065

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<p><b>1065</b> Form Department of the Treasury Internal Revenue Service</p>	<p><b>U.S. Return of Partnership Income</b> For calendar year 2007, or tax year beginning _____, 2007, ending _____, 20____ ▶ See separate instructions.</p>	<p>OMB No. 1545-0099 <b>2007</b></p>
<p><b>A</b> Principal business activity</p>	<p>Name of partnership</p>	<p><b>D</b> Employer identification number</p>
<p><b>B</b> Principal product or service</p>	<p>Number, street, and room or suite no. If a P.O. box, see the instructions.</p>	<p><b>E</b> Date business started</p>
<p><b>C</b> Business code number</p>	<p>City or town, state, and ZIP code</p>	<p><b>F</b> Total assets (see the instructions) \$ _____</p>
<p><b>G</b> Check applicable boxes: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change (5) <input type="checkbox"/> Amended return</p> <p><b>H</b> Check accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶ _____</p> <p><b>I</b> Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ _____</p> <p><b>J</b> Check if Schedule M-3 attached. <input type="checkbox"/></p>		
<p><b>Caution.</b> Include <b>only</b> trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.</p>		
<b>Income</b>	<p><b>1a</b> Gross receipts or sales . . . . . <b>1a</b> _____</p> <p><b>b</b> Less returns and allowances . . . . . <b>1b</b> _____</p> <p><b>1c</b> _____</p> <p><b>2</b> Cost of goods sold (Schedule A, line 8) . . . . . <b>2</b> _____</p> <p><b>3</b> Gross profit. Subtract line 2 from line 1c. . . . . <b>3</b> _____</p> <p><b>4</b> Ordinary income (loss) from other partnerships, estates, and trusts (attach statement). . . . . <b>4</b> _____</p> <p><b>5</b> Net farm profit (loss) (attach Schedule F (Form 1040)) . . . . . <b>5</b> _____</p> <p><b>6</b> Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) . . . . . <b>6</b> _____</p> <p><b>7</b> Other income (loss) (attach statement) . . . . . <b>7</b> _____</p> <p><b>8</b> <b>Total income (loss).</b> Combine lines 3 through 7 . . . . . <b>8</b> _____</p>	
<b>Deductions</b> <small>(see the instructions for limitations)</small>	<p><b>9</b> Salaries and wages (other than to partners) (less employment credits) . . . . . <b>9</b> _____</p> <p><b>10</b> Guaranteed payments to partners . . . . . <b>10</b> _____</p> <p><b>11</b> Repairs and maintenance . . . . . <b>11</b> _____</p> <p><b>12</b> Bad debts . . . . . <b>12</b> _____</p> <p><b>13</b> Rent . . . . . <b>13</b> _____</p> <p><b>14</b> Taxes and licenses . . . . . <b>14</b> _____</p> <p><b>15</b> Interest . . . . . <b>15</b> _____</p> <p><b>16a</b> Depreciation (if required, attach Form 4562) . . . . . <b>16a</b> _____</p> <p><b>b</b> Less depreciation reported on Schedule A and elsewhere on return . . . . . <b>16b</b> _____</p> <p><b>16c</b> _____</p> <p><b>17</b> Depletion (Do not deduct oil and gas depletion.) . . . . . <b>17</b> _____</p> <p><b>18</b> Retirement plans, etc. . . . . <b>18</b> _____</p> <p><b>19</b> Employee benefit programs . . . . . <b>19</b> _____</p> <p><b>20</b> Other deductions (attach statement) . . . . . <b>20</b> _____</p> <p><b>21</b> <b>Total deductions.</b> Add the amounts shown in the far right column for lines 9 through 20 . . . . . <b>21</b> _____</p> <p><b>22</b> <b>Ordinary business income (loss).</b> Subtract line 21 from line 8 . . . . . <b>22</b> _____</p>	
<p><b>Sign Here</b></p>	<p>Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.</p> <p>▶ _____ ▶ _____ Signature of general partner or limited liability company member manager Date</p> <p style="text-align: right; border: 1px solid black; padding: 2px;">May the IRS discuss this return with the preparer shown below (see instructions)? <input type="checkbox"/> Yes <input type="checkbox"/> No</p>	
<p><b>Paid Preparer's Use Only</b></p>	<p>Preparer's signature _____ Date _____ Check if self-employed <input type="checkbox"/> Preparer's SSN or PTIN _____</p> <p>Firm's name (or yours if self-employed), address, and ZIP code ▶ _____ EIN ▶ _____</p> <p>Phone no. ( ) _____</p>	
<p>For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11390Z Form <b>1065</b> (2007)</p>		

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IRS Tax Return Forms (Continued)

F Form 1065 (Continued)

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Form 1065 (2007)		Page 3	
Schedule K Partners' Distributive Share Items			Total amount
Income (Loss)	1	Ordinary business income (loss) (page 1, line 22)	1
	2	Net rental real estate income (loss) (attach Form 8825)	2
	3a	Other gross rental income (loss)	3a
	b	Expenses from other rental activities (attach statement)	3b
	c	Other net rental income (loss). Subtract line 3b from line 3a	3c
	4	Guaranteed payments	4
	5	Interest income	5
	6	Dividends: a Ordinary dividends	6a
	b	Qualified dividends	6b
	7	Royalties	7
	8	Net short-term capital gain (loss) (attach Schedule D (Form 1065))	8
Income (Loss)	9a	Net long-term capital gain (loss) (attach Schedule D (Form 1065))	9a
	b	Collectibles (28%) gain (loss)	9b
	c	Unrecaptured section 1250 gain (attach statement)	9c
	10	Net section 1231 gain (loss) (attach Form 4797)	10
11	Other income (loss) (see instructions) Type ▶	11	
Deductions	12	Section 179 deduction (attach Form 4562)	12
	13a	Contributions	13a
	b	Investment interest expense	13b
	c	Section 59(e)(2) expenditures: (1) Type ▶ (2) Amount ▶	13c(2)
d	Other deductions (see instructions) Type ▶	13d	
Self-Employment	14a	Net earnings (loss) from self-employment	14a
	b	Gross farming or fishing income	14b
	c	Gross nonfarm income	14c
Credits	15a	Low-income housing credit (section 42(j)(5))	15a
	b	Low-income housing credit (other)	15b
	c	Qualified rehabilitation expenditures (rental real estate) (attach Form 3468)	15c
	d	Other rental real estate credits (see instructions) Type ▶	15d
	e	Other rental credits (see instructions) Type ▶	15e
	f	Other credits (see instructions) Type ▶	15f
Foreign Transactions	16a	Name of country or U.S. possession ▶	16a
	b	Gross income from all sources	16b
	c	Gross income sourced at partner level	16c
	d	Passive category ▶ e General category ▶ f Other ▶	16f
	e	Deductions allocated and apportioned at partner level	16g
	g	Interest expense ▶ h Other ▶	16h
	h	Deductions allocated and apportioned at partnership level to foreign source income	16i
	i	Passive category ▶ j General category ▶ k Other ▶	16k
	l	Total foreign taxes (check one): Paid <input type="checkbox"/> Accrued <input type="checkbox"/>	16l
	m	Reduction in taxes available for credit (attach statement)	16m
n	Other foreign tax information (attach statement)	16n	
Alternative Minimum Tax (AMT) Items	17a	Post-1986 depreciation adjustment	17a
	b	Adjusted gain or loss	17b
	c	Depletion (other than oil and gas)	17c
	d	Oil, gas, and geothermal properties—gross income	17d
	e	Oil, gas, and geothermal properties—deductions	17e
	f	Other AMT items (attach statement)	17f
Other Information	18a	Tax-exempt interest income	18a
	b	Other tax-exempt income	18b
	c	Nondeductible expenses	18c
	19a	Distributions of cash and marketable securities	19a
	b	Distributions of other property	19b
	20a	Investment income	20a
b	Investment expenses	20b	
c	Other items and amounts (attach statement)		

Form 1065 (2007)

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IRS Tax Return Forms (Continued)

F Form 1065 (Continued)

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Form 1065 (2007)						Page <b>4</b>
<b>Analysis of Net Income (Loss)</b>						
1 Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16l						1
2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other
a General partners						
b Limited partners						
<b>Schedule L Balance Sheets per Books</b>						
	Beginning of tax year		End of tax year			
	(a)		(b)		(c) (d)	
<b>Assets</b>						
1 Cash						
2a Trade notes and accounts receivable						
b Less allowance for bad debts						
3 Inventories						
4 U.S. government obligations						
5 Tax-exempt securities						
6 Other current assets (attach statement)						
7 Mortgage and real estate loans						
8 Other investments (attach statement)						
9a Buildings and other depreciable assets						
b Less accumulated depreciation						
10a Depletable assets						
b Less accumulated depletion						
11 Land (net of any amortization)						
12a Intangible assets (amortizable only)						
b Less accumulated amortization						
13 Other assets (attach statement)						
14 Total assets						
<b>Liabilities and Capital</b>						
15 Accounts payable						
16 Mortgages, notes, bonds payable in less than 1 year						
17 Other current liabilities (attach statement)						
18 All nonrecourse loans						
19 Mortgages, notes, bonds payable in 1 year or more						
20 Other liabilities (attach statement)						
21 Partners' capital accounts						
22 Total liabilities and capital						
<b>Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return</b>						
Note. Schedule M-3 may be required instead of Schedule M-1 (see instructions).						
1 Net income (loss) per books		6 Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):				
2 Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize):		a Tax-exempt interest \$				
3 Guaranteed payments (other than health insurance)		7 Deductions included on Schedule K, lines 1 through 13d, and 16l, not charged against book income this year (itemize):				
4 Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize):		a Depreciation \$				
a Depreciation \$		8 Add lines 6 and 7				
b Travel and entertainment \$		9 Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5				
5 Add lines 1 through 4						
<b>Schedule M-2 Analysis of Partners' Capital Accounts</b>						
1 Balance at beginning of year		6 Distributions: a Cash				
2 Capital contributed: a Cash		b Property				
b Property		7 Other decreases (itemize):				
3 Net income (loss) per books		8 Add lines 6 and 7				
4 Other increases (itemize):		9 Balance at end of year. Subtract line 8 from line 5				
5 Add lines 1 through 4						
Form 1065 (2007)						

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IRS Tax Return Forms (Continued)

G Form 1120

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Form <b>1120</b> Department of the Treasury Internal Revenue Service		<b>U.S. Corporation Income Tax Return</b>			OMB No. 1545-0123				
For calendar year 2007 or tax year beginning _____, 2007, ending _____, 20____					<b>2007</b>				
▶ See separate instructions.									
<b>A Check if:</b>		Name		B Employer identification number					
1a Consolidated return (attach Form 851) <input type="checkbox"/>		Use IRS label.		C Date incorporated					
b Life/nonlife consolidated return <input type="checkbox"/>		Otherwise, print or type.		D Total assets (see instructions)					
2 Personal holding co. (attach Sch. PH) <input type="checkbox"/>		Number, street, and room or suite no. If a P.O. box, see instructions.		S					
3 Personal service corp. (see instructions) <input type="checkbox"/>		City or town, state, and ZIP code							
4 Schedule M-3 attached <input type="checkbox"/>		E Check if: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change							
Income	1a	Gross receipts or sales	b	Less returns and allowances	c	Bal ▶	1c		
	2	Cost of goods sold (Schedule A, line 8)					2		
	3	Gross profit. Subtract line 2 from line 1c					3		
	4	Dividends (Schedule C, line 19)					4		
	5	Interest					5		
	6	Gross rents					6		
	7	Gross royalties					7		
	8	Capital gain net income (attach Schedule D (Form 1120)).					8		
	9	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)					9		
	10	Other income (see instructions—attach schedule)					10		
	11	<b>Total income.</b> Add lines 3 through 10					11		
Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (Schedule E, line 4)					12		
	13	Salaries and wages (less employment credits)					13		
	14	Repairs and maintenance					14		
	15	Bad debts					15		
	16	Rents					16		
	17	Taxes and licenses					17		
	18	Interest					18		
	19	Charitable contributions					19		
	20	Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return (attach Form 4562)					20		
	21	Depletion					21		
	22	Advertising					22		
	23	Pension, profit-sharing, etc., plans					23		
	24	Employee benefit programs					24		
	25	Domestic production activities deduction (attach Form 8903)					25		
	26	Other deductions (attach schedule)					26		
	27	<b>Total deductions.</b> Add lines 12 through 26					27		
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11					28		
	29	Less: a Net operating loss deduction (see instructions)	29a				29c		
	b Special deductions (Schedule C, line 20)	29b				29c			
Tax and Payments	30	<b>Taxable income.</b> Subtract line 29c from line 28 (see instructions)					30		
	31	<b>Total tax</b> (Schedule J, line 10)					31		
	32a	2006 overpayment credited to 2007	32a						
	b	2007 estimated tax payments	32b						
	c	2007 refund applied for on Form 4466	32c	(	)	d	Bal ▶	32d	
	e	Tax deposited with Form 7004					32e		
	f	Credits: (1) Form 2439 (2) Form 4136					32f	32g	
33	Estimated tax penalty (see instructions). Check if Form 2220 is attached					33			
34	<b>Amount owed.</b> If line 32g is smaller than the total of lines 31 and 33, enter amount owed					34			
35	<b>Overpayment.</b> If line 32g is larger than the total of lines 31 and 33, enter amount overpaid					35			
36	Enter amount from line 35 you want: <b>Credited to 2008 estimated tax</b> ▶					<b>Refunded</b> ▶	36		
<b>Sign Here</b>		Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.				May the IRS discuss this return with the preparer shown below (see instructions)? <input type="checkbox"/> Yes <input type="checkbox"/> No			
		Signature of officer		Date	Title				
<b>Paid Preparer's Use Only</b>		Preparer's signature		Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN			
		Firm's name (or yours if self-employed), address, and ZIP code		EIN	Phone no. ( )				
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.				Cat. No. 11450Q	Form 1120 (2007)				

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IRS Tax Return Forms (Continued)

G Form 1120 (Continued)

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Form 1120 (2007) Page **2**

**Schedule A Cost of Goods Sold** (see instructions)

1 Inventory at beginning of year	1		
2 Purchases	2		
3 Cost of labor	3		
4 Additional section 263A costs (attach schedule)	4		
5 Other costs (attach schedule)	5		
6 <b>Total.</b> Add lines 1 through 5	6		
7 Inventory at end of year	7		
8 <b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on page 1, line 2	8		

9a Check all methods used for valuing closing inventory:

(i)  Cost

(ii)  Lower of cost or market

(iii)  Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods . . . . .

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) . . . . .

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 9d

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? . . . . .  Yes  No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation . . . . .  Yes  No

**Schedule C Dividends and Special Deductions** (see instructions)

	(a) Dividends received	(b) %	(c) Special deductions (a) × (b)
1 Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)		70	
2 Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)		80	
3 Dividends on debt-financed stock of domestic and foreign corporations		see instructions	
4 Dividends on certain preferred stock of less-than-20%-owned public utilities		42	
5 Dividends on certain preferred stock of 20%-or-more-owned public utilities		48	
6 Dividends from less-than-20%-owned foreign corporations and certain FSCs		70	
7 Dividends from 20%-or-more-owned foreign corporations and certain FSCs		80	
8 Dividends from wholly owned foreign subsidiaries		100	
9 <b>Total.</b> Add lines 1 through 8. See instructions for limitation			
10 Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11 Dividends from affiliated group members		100	
12 Dividends from certain FSCs		100	
13 Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12			
14 Income from controlled foreign corporations under subpart F (attach Form(s) 5471)			
15 Foreign dividend gross-up			
16 IC-DISC and former DISC dividends not included on lines 1, 2, or 3			
17 Other dividends			
18 Deduction for dividends paid on certain preferred stock of public utilities			
19 <b>Total dividends.</b> Add lines 1 through 17. Enter here and on page 1, line 4			
20 <b>Total special deductions.</b> Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b			

**Schedule E Compensation of Officers** (see instructions for page 1, line 12)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
2 Total compensation of officers					
3 Compensation of officers claimed on Schedule A and elsewhere on return					
4 Subtract line 3 from line 2. Enter the result here and on page 1, line 12					

Form **1120** (2007)

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IRS Tax Return Forms (Continued)

G Form 1120 (Continued)

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Form 1120 (2007)		Page <b>3</b>	
<b>Schedule J Tax Computation</b> (see instructions)			
1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120))	<input type="checkbox"/>	
2	Income tax. Check if a qualified personal service corporation (see instructions)	<input type="checkbox"/>	
3	Alternative minimum tax (attach Form 4626)	<input type="checkbox"/>	
4	Add lines 2 and 3	<input type="checkbox"/>	
5a	Foreign tax credit (attach Form 1118)	<input type="checkbox"/>	
b	Credits from Forms 5735 and 8834	<input type="checkbox"/>	
c	General business credit. Check applicable box(es): <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form 5884 <input type="checkbox"/> Form 6478 <input type="checkbox"/> Form 8835, Section B <input type="checkbox"/> Form 8844 <input type="checkbox"/> Form 8846	<input type="checkbox"/>	
d	Credit for prior year minimum tax (attach Form 8827)	<input type="checkbox"/>	
e	Bond credits from: <input type="checkbox"/> Form 8860 <input type="checkbox"/> Form 8912	<input type="checkbox"/>	
6	<b>Total credits.</b> Add lines 5a through 5e	<input type="checkbox"/>	
7	Subtract line 6 from line 4	<input type="checkbox"/>	
8	Personal holding company tax (attach Schedule PH (Form 1120))	<input type="checkbox"/>	
9	Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Form 8902 <input type="checkbox"/> Other (attach schedule)	<input type="checkbox"/>	
10	<b>Total tax.</b> Add lines 7 through 9. Enter here and on page 1, line 31	<input type="checkbox"/>	
<b>Schedule K Other Information</b> (see instructions)			
1	Check accounting method: <b>a</b> <input type="checkbox"/> Cash <b>b</b> <input type="checkbox"/> Accrual <b>c</b> <input type="checkbox"/> Other (specify) ▶	Yes No	
2	See the instructions and enter the: <b>a</b> Business activity code no. ▶ <b>b</b> Business activity ▶ <b>c</b> Product or service ▶	Yes No	
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deduction of such corporation for the tax year ending with or within your tax year.	Yes No	
4	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? If "Yes," enter name and EIN of the parent corporation ▶	Yes No	
5	At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter percentage owned ▶	Yes No	
6	During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) If "Yes," file Form 5452, Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.	Yes No	
7	At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation? If "Yes," enter: (a) Percentage owned ▶ and (b) Owner's country ▶	Yes No	
c	The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached ▶	Yes No	
8	Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/> If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.	Yes No	
9	Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$	Yes No	
10	Enter the number of shareholders at the end of the tax year (if 100 or fewer) ▶	Yes No	
11	If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <input type="checkbox"/> If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3) must be attached or the election will not be valid.	Yes No	
12	Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) ▶ \$	Yes No	
13	Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. ▶ \$	Yes No	
Form 1120 (2007)			

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IRS Tax Return Forms (Continued)

G Form 1120 (Continued)

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Form 1120 (2007)		Page 4			
<b>Schedule L Balance Sheets per Books</b>		Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
<b>Assets</b>					
1	Cash . . . . .				
2a	Trade notes and accounts receivable . . . . .				
b	Less allowance for bad debts . . . . .	( )		( )	
3	Inventories . . . . .				
4	U.S. government obligations . . . . .				
5	Tax-exempt securities (see instructions) . . . . .				
6	Other current assets (attach schedule) . . . . .				
7	Loans to shareholders . . . . .				
8	Mortgage and real estate loans . . . . .				
9	Other investments (attach schedule) . . . . .				
10a	Buildings and other depreciable assets . . . . .				
b	Less accumulated depreciation . . . . .	( )		( )	
11a	Depletable assets . . . . .				
b	Less accumulated depletion . . . . .	( )		( )	
12	Land (net of any amortization) . . . . .				
13a	Intangible assets (amortizable only) . . . . .				
b	Less accumulated amortization . . . . .	( )		( )	
14	Other assets (attach schedule) . . . . .				
15	<b>Total assets</b> . . . . .				
<b>Liabilities and Shareholders' Equity</b>					
16	Accounts payable . . . . .				
17	Mortgages, notes, bonds payable in less than 1 year . . . . .				
18	Other current liabilities (attach schedule) . . . . .				
19	Loans from shareholders . . . . .				
20	Mortgages, notes, bonds payable in 1 year or more . . . . .				
21	Other liabilities (attach schedule) . . . . .				
22	Capital stock: a Preferred stock . . . . .				
	b Common stock . . . . .				
23	Additional paid-in capital . . . . .				
24	Retained earnings—Appropriated (attach schedule) . . . . .				
25	Retained earnings—Unappropriated . . . . .				
26	Adjustments to shareholders' equity (attach schedule) . . . . .				
27	Less cost of treasury stock . . . . .				( )
28	<b>Total liabilities and shareholders' equity</b> . . . . .				
<b>Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return</b>					
Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more—see instructions					
1	Net income (loss) per books . . . . .		7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax per books . . . . .			Tax-exempt interest \$ . . . . .	
3	Excess of capital losses over capital gains . . . . .				
4	Income subject to tax not recorded on books this year (itemize): . . . . .				
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
a	Depreciation . . . . . \$ . . . . .		a	Depreciation . . . . . \$ . . . . .	
b	Charitable contributions \$ . . . . .		b	Charitable contributions \$ . . . . .	
c	Travel and entertainment \$ . . . . .				
6	Add lines 1 through 5 . . . . .		9	Add lines 7 and 8 . . . . .	
			10	Income (page 1, line 28)—line 6 less line 9	
<b>Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)</b>					
1	Balance at beginning of year . . . . .		5	Distributions:	
2	Net income (loss) per books . . . . .		a	Cash . . . . .	
3	Other increases (itemize): . . . . .		b	Stock . . . . .	
			c	Property . . . . .	
4	Add lines 1, 2, and 3 . . . . .		6	Other decreases (itemize): . . . . .	
			7	Add lines 5 and 6 . . . . .	
			8	Balance at end of year (line 4 less line 7)	

Form 1120 (2007)

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Review of Payments to Individuals Identified as Deceased Report (RPT-I-00-CM-08-1)

State and County Offices shall report findings and actions taken in the following format.

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Payment		Last 4	ID Type	Producer Name (SCIMS)	Date Of Death (DMF)	Last 4	ID Type	Payee Name (N & A)	Program Code	Program Name	Payment Date	Program Year	Payment Amount	Explanation and Actions Completed	Overpayment Amount	Reason Code		
State	County																	
00	zz	001	Xxxxxxx	1111	S	xxx xxxxxxxx	03-04-2006	1212	S	xxxxxxxxxxxxx	6740	DIRECT PAYMENTS	2008-02-02	2006	\$188.00		30	
00	zz	003	Xxxxxxx	2222	S	xxxxx xxxxxxxx	07-24-2006	2121	S	xxxxxxxxxxxxx	3101	CONSERVATION RESERVE PROGRAM - ANNU	2007-10-11	1999	\$216.00		216.00	26
00	zz	003	Xxxxxxx	3333	S	xxxx xxxxxxxx	09-22-2006	1313	S	xxxxxx xxxxxx	6740	DIRECT PAYMENTS	2008-10-11	2006	\$325.00		325.00	24
00	zz	003	Xxxxxxx	4444	S	xxxxxx xxxxxx	09-22-2006	3131	S	xxxxxx xxxxxx	3101	CONSERVATION RESERVE PROGRAM - ANNU	2007-10-11	1999	\$412.00		412.00	26
00	zz	003	Xxxxxxx	5555	S	xx x xxxxxxxx	12-31-2004	2323	S	xx x xxxxxx	6012	PIGFORD SETTLEMENT - CCC	2007-10-05		\$3000.00			30

Explanations and actions completed include, but are **not** limited to:

- handbook procedure that was reviewed
- legal documents authenticating producer’s TIN
- other records that may have been reviewed
- date receivable established.

**Notes:** “Program Year” column will be **blank** for Crop Disaster Program, dishonored check, ECP, interest penalty, Livestock Compensation Program, LIP, Local Deposit Bank, National Payment Service refund, refund repayment, and settlements under *Pigford*.

“Overpayment Amount” column is the monetary amount producer is overpaid, if applicable.

“Reason Code” column is the numerical code that best describes the condition or situation.--\*

