

## Farm Management

# New rules limit payments

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**T**HE Farm Service Agency has released new rules for direct payment limitations that contain several significant changes. Farmers who produce corn, soybeans and/or wheat are eligible to receive these payments. The producer receives the direct payments each year regardless of that year's yield or crop prices.



### Country Counsel

By ROBERT MOORE

Payment limitations allow a producer to take no more than \$40,000 in

direct payments each year. In the prior program, a producer could essentially receive another \$40,000 through the use of multiple business entities. This was known as the "three entity rule." This rule has been eliminated and each person is limited to a single \$40,000 payment limitation regardless of the number of farming operations in which they may

be involved. Average direct payments in Ohio are slightly over \$20 per acre. Therefore, a producer can farm up to around 2,000 acres before encountering the \$40,000 direct payment limitation.

#### Actively engaged

To receive direct payments, a producer must be actively engaged in farming by contributing significant and commensurate amounts of labor and/or management, as well as some combination of capital, land and/or machinery to the farming operation.

The new rules provide an exception to this rule for spouses. A spouse of a producer actively engaged in farming will automatically be credited for labor and management. That is, the spouse only needs to have ownership in the capital, land and/or machinery to be actively engaged in farming and thus eligible for direct payments.

For example, a farmer is actively engaged in farming and his spouse works off the farm and provides no labor or management to the operation. Provided that the spouse owns a commensurate share of the farming assets, the spouse will be eligible to receive up to \$40,000 in direct payments in addition to the farmer's \$40,000 direct payments.

Another rule change involves a producer's income. If a producer's non-farm adjusted gross income exceeds \$500,000 or farm adjusted gross income exceeds \$750,000, that producer will be ineligible for direct payments. It is important to note that FSA considers the farm adjusted gross income to be the farm's net income, not gross income as the name would suggest.

Calculating the non-farm AGI and the farm AGI takes careful analysis. Each producer's income is submitted to FSA on Form 926. For a detailed discussion on calculating adjusted gross incomes, go to [www.wright-law.net](http://www.wright-law.net).

Farming operations organized as corporations or LLCs also are affected by the new rules. In order for an entity to be eligible for direct payments, each owner or member of the entity must contribute active labor and/or management to the farming operation. The prior rules allowed an entity to receive direct payments even if some of the owners did not provide any labor or management.

This is just a very general discussion of only a few of the new rule changes. A number of exceptions exist for each rule, and many more new rule changes are beyond the scope of this article. Producers should be sure they understand the new rules prior to sign-up to be sure that they maintain their eligibility for program payments. A simple, unintended error could cost a producer up to \$40,000 in program payments.

#### Check out new programs

FSA is also offering two new programs for producers: The ACRE, or Average Crop Revenue Election, program provides revenue support. The Supplemental Revenue Assistance Payments, or SURE, program provides disaster insurance for producers.

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