U.S. Farm Programs: Eligibility and Payment Limits

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SUMMARY

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U.S. Farm Programs: Eligibility and Payment Limits

Under the Agricultural Improvement Act of 2018 (P.L. 115-334, 2018 farm bill), U.S. farm program participants—whether individuals or multiperson legal entities—must meet specific eligibility requirements to receive benefits under certain farm programs. Some requirements are common across most programs, while others are specific to individual programs. In addition, program participants are subject to annual payment limits that vary across different combinations of farm programs.

Recent ad hoc farm revenue support payment programs, such as the Market Facilitation Programs (MFPs) and the Coronavirus Food Assistance Programs (CFAPs), are authorized outside of omnibus farm bill legislation and include similar, but separate, eligibility requirements and payment limits.

Since 1970, Congress has used various policies to address the issue of who should be eligible for farm payments and how much an individual recipient should be permitted to receive in a single year. In recent years, congressional policy has focused on tracking payments through multiperson entities to individual recipients (referred to as direct attribution), ensuring that payments go to persons or entities actively engaged in farming (AEF), capping the amount of payments that a qualifying recipient may receive in any one year, and excluding farmers or farming entities with large average incomes from payment eligibility.

Every participating person or legal entity that participates in a farm program must submit identification information. Other eligibility requirements—which may vary across programs—include U.S. citizenship; the nature and extent of an individual's participation (i.e., AEF criteria), including ownership interests in multiperson entities and personal time commitments (whether as labor or management); means testing (persons with combined farm and nonfarm adjusted gross income [AGI] in excess of $900,000 are ineligible for most program benefits); and conservation compliance requirements. For example, under the FY2019 Additional Supplemental Appropriations for Disaster Relief Act (P.L. 116-20), the AGI requirement as it applies to payments under the 2018 MFP may be waived if at least 75% of AGI is from farming, ranching, or forestry-related activities. This same AGI flexibility has been extended to the 2019 MFP and 2020 CFAP programs.

In general, foreign persons (or foreign legal entities) are eligible to participate in farm programs if they meet the eligibility requirements. Exceptions are the four permanent disaster assistance programs created under the 2014 farm bill (P.L. 113-79) and the Noninsured Crop Disaster Assistance program (NAP), which exclude nonresident aliens.

Current law requires tracking payments through four levels of ownership in multiperson legal entities to the individual recipients. Current payment limits include a cumulative limit of $125,000 for all covered commodities under the Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC) support programs, with the exception of peanuts, which has its own additional $125,000 limit. Two permanent disaster assistance programs are subject to payment limits: the Livestock Forage Disaster Program (LFP) is subject to a payment limit ($125,000 per crop year); and NAP is subject to a $125,000 per crop year limit per person for catastrophic coverage. Most current conservation programs include some limit on the amount of funding a participant may receive, but these limits vary by program. Some conservation programs have multiple limits that vary based on activity or practice implemented.

Congress addresses program eligibility and payment limit issues in periodic farm legislation. The 2018 farm bill extended the definition of *family member* to include first cousins, nieces, and nephews. Under an August 24, 2020, rule (85 *Federal Register* 52033), USDA has specified that every adult member (18 years or older)—

whether a member of a family farm operation or a joint venture—must meet the AEF requirements to be eligible to receive farm program payments in an amount up to the individual payment limit. A notable exception to this rule is spouses of individuals that meet the AEF criteria are themselves also deemed to meet AEF criteria and be eligible for a separate payment limit. Thus, a family farm may still qualify for multiple payment limits based on the number of immediate and extended adult family members (and spouses) that meet the AEF criteria.

Supporters of payment limits contend that large payments facilitate consolidation of farms into larger units, raise the price of land, and put smaller, family-sized farming operations and beginning farmers at a disadvantage. In addition, they argue that large payments undermine public support for farm subsidies and are costly. Critics of payment limits counter that all farms need support, especially when market prices decline, and that larger farms should not be penalized for the economies of size and efficiencies they have achieved. Further, critics argue that farm payments help U.S. agriculture compete in global markets and that income testing is at odds with federal farm policies directed toward improving U.S. agriculture and its competitiveness.

Congress may continue to address these issues, as well as related questions, such as: How does the current policy design of payment limits relate to their distributional impact on crops, regions, and farm size? Is there an optimal aggregation of payment limits across commodities or programs? Do unlimited benefits under the Marketing Assistance Loan (MAL) program reduce the effectiveness of overall payment limits?

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Table of Acronyms

AEF	Actively Engaged in Farming
AGI	Adjusted Gross Income
ARC	Agricultural Risk Coverage program
CBO	Congressional Budget Office
CCC	Commodity Credit Corporation
CCP	Countercyclical Payment
CFAP	Coronavirus Food Assistance Program
CGCS	Cotton Ginning Cost Share program
CRP	Conservation Reserve Program
CSP	Conservation Stewardship Program
DMC	Dairy Margin Coverage (replaced the 2014 farm bill's Margin Protection Plan or MPP)
EIN	Employee Identification Number
ELAP	Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program
EQIP	Environmental Quality Incentives Program
ERS	Economic Research Service of USDA
EWP	Emergency Watershed Protection Program
FSA	Farm Service Agency of USDA
IRS	Internal Revenue Service
LDP	Loan Deficiency Payment
LIP	Livestock Indemnity Program
LFP	Livestock Forage Disaster Program
MAL	Marketing Assistance Loan Program
MFP	Market Facilitation Program
MLG	Marketing Loan Gain
MPP	Margin Protection Program
NAP	Noninsured Crop Disaster Assistance program
NRCS	Natural Resources Conservation Service of USDA
PLC	Price Loss Coverage program (based on a statutory national reference price)
RCPP	Regional Conservation Partnership Program
SSN	Social Security Number
TAP	Tree Assistance Program
TIN	Taxpayer Identification Number
TRQ	Tariff Rate Quota
USDA	U.S. Department of Agriculture
2017 WHIP	2017 Wildfires and Hurricanes Indemnity Program
WHIP+	Wildfires and Hurricanes Indemnity Program Plus
WTO	World Trade Organization

Introduction

Congress has devised a variety of programs operated by the U.S. Department of Agriculture (USDA) to support farm income and help farmers and ranchers manage production or price risk. The programs essentially supplement farm incomes in times of low farm prices and natural disasters, and they are collectively called the farm safety net. The three main components are (1) permanently authorized federal crop insurance, (2) farm revenue support programs for crop years 2019-2023, and (3) permanently authorized agricultural disaster programs.[1] Additional support is provided through emergency loans and USDA discretionary assistance. The suite of programs is designed to allow for maximum farmer choice and flexibility.

Program eligibility requirements and payment limits are central to how various U.S. farm programs operate. These requirements fundamentally address various equity concerns and reflect the goals of government intervention in agriculture. They determine who receives federal farm program payments and how much they receive.

Eligibility requirements and payment limits are controversial because they influence what size farms are supported.[2] Policymakers have debated what limit is optimal for annual payments, whether payments should be proportional to production or limited per individual or per farm operation, and whether the limit should be specific to each program or cumulative across all programs. Furthermore, program eligibility requirements and payment limits generate considerable congressional interest because their effects differ across regions and by type of commodities produced and because a substantial amount of annual U.S. farm program[3] payments are at stake: direct federal outlays have averaged $14.1 billion per year from 1996 through 2019.[4] When federal crop insurance premium subsidies[5] are included, annual farm payments have averaged $18.1 billion over the same period.

Report Overview[6]

This report discusses various eligibility factors and their interaction with current farm programs, including those authorized under the 2018 farm bill,[7] as well as several disaster assistance and other ad hoc payment programs initiated under different authorities.[8] It describes current

[1] CRS In Focus IF11163, *2018 Farm Bill Primer: The Farm Safety Net*.

[2] USDA, Office of the Chief Economist, *Report of the Commission on the Application of Payment Limitations for Agriculture, Submitted in Response to Section 1605, Farm Security and Rural Investment Act of 2002*, August 2003.

[3] The term *federal farm programs* generally refers to a suite of commodity support and disaster assistance programs administered by USDA. Many such programs are authorized in omnibus farm bills, including most recently the 2018 farm bill (P.L. 115-334), and are listed in **Table A-1**. Most conservation programs authorized in farm bills also include payment limits and eligibility requirements. However, they are not discussed in detail in this report.

[4] USDA, Economic Research Service (ERS), federal government direct farm program payments, data as of September 2, 2020, http://www.ers.usda.gov/data-products/farm-income-and-wealth-statistics.aspx.

[5] Federal crop insurance subsidies include premium subsidies, delivery cost payments, and shared underwriting risks. USDA, Risk Management Agency, Summary of Business database, http://www.rma.usda.gov; and Congressional Budget Office (CBO), annual baseline for farm programs, various years.

[6] This is the second of two reports on the subject of program eligibility and payment limits. While this report focuses on farm program payment limits, an earlier report (CRS Report R44656, *USDA's Actively Engaged in Farming (AEF) Requirement*) focuses on program eligibility requirements—in particular, criteria underpinning the AEF requirements.

[7] As specified by USDA's final rule to implement the mandatory changes required by the 2018 farm bill; USDA, "Payment Limitation and Payment Eligibility," Final Rule, 85 *Federal Register* 52033, August 24, 2020.

[8] For example, the 2018 and 2019 Market Facilitation Programs (as described later in this report) were initiated by the

restrictions that limit or preclude payments to farmers based on a number of factors as well as those circumstances where few, if any, restrictions limit farmers' access to such benefits or to the amount of benefits.

Much of the information on farm programs and their eligibility criteria and payment limits is summarized in **Table A-1**. A second appendix table, **Table A-2**, provides a brief history of the legislative evolution of the income eligibility thresholds—that is, means testing. A final appendix table, **Table A-3**, contains a history of the legislative evolution of annual payment limits for major commodity programs. This report concludes with a discussion of several issues related to farm program payment limits, including policy design issues, that may be of interest to Congress.

Background

Farm program payment limits and eligibility requirements may differ by both type of program and type of participating legal entity (e.g., an individual, a partnership, or a corporation). The Farm Service Agency (FSA) has administrative responsibility for collecting and maintaining data used to make eligibility and payment limit determinations for U.S. Department of Agriculture (USDA) farm programs. FSA provides this data to the Natural Resources Conservation Service (NRCS) to administer conservation programs for which they have responsibility.[9]

Congress first added payment limits as part of farm commodity programs in the 1970 farm bill (P.L. 91-524). However, such limits have evolved over time in both scope and amount (**Table A-1**) as the structure of U.S. agriculture, farm policies, and commodity support programs has changed.[10] With each succeeding farm bill, and occasionally via other legislation, Congress has addressed anew who is eligible for farm payments and how much an individual recipient should be permitted to receive in a single year.

In recent years, congressional debate has focused on

- attributing payments directly to individual recipients,
- ensuring that payments go to persons or entities currently engaged in farming,
- capping the amount of payments that a qualifying recipient may receive in any one year, and
- excluding farmers or farming entities with incomes above a certain level—as measured by their adjusted gross income (AGI)—from payment eligibility.

Each of these policy measures—depending on how they are designed and implemented—can have consequences, both intended and unintended, for U.S. agriculture. These consequences include, but are not limited to, farm management structure, crop choices, and farm size. Because U.S. farm program eligibility requirements and annual payment limit policy have such broad potential consequences for U.S. agriculture, a review of both current policies and related issues is of potential interest to Congress.

Administration using Section 5 of the Commodity Credit Corporation (CCC) Charter Act (15 U.S.C. §714c).

[9] Conservation programs have different eligibility requirements from the commodity support programs. Many eligibility requirements are tied to the condition and control of the land and less to activities of those involved in an operation. However, some requirements and data relating to eligibility are similar between the two types of programs and are coordinated between NRCS and FSA.

[10] FSA, "Legislative History of Payment Eligibility and Payment Limitation Provisions," FSA Handbook, *Payment Eligibility, Payment Limitation, and Average Adjusted Gross Income—Agricultural Act of 2014*, as of February 10, 2016 (hereinafter FSA Handbook).

Program Eligibility

Not all farm businesses are eligible to participate in federal farm programs. A number of statutory and regulatory requirements govern federal farm program eligibility for benefits under various programs. Some farm businesses, although eligible to participate, are restricted from receiving certain benefits or may be limited in the extent of program payments that they may receive.

Over time, program eligibility rules have evolved, expanding to more programs and including more limitations. Cross-cutting methods across programs for determining program eligibility—such as AGI thresholds—are relatively new.[11] Discussed below are cross-cutting eligibility requirements that affect multiple programs, including participant identification, foreign ownership, nature and extent of participation (i.e., actively engaged in farming or AEF criteria), means tests, and conservation compliance requirements. Recent ad hoc programs developed by USDA include some of these eligibility requirements, but also variations that allow for expanded participation and payments.

Participant Identification

Generally, program eligibility begins with identification of participants. Identifying who or what entity is participating and therefore how payments may be attributed is the cornerstone of most farm program eligibility requirements. To be eligible to receive any farm program payment, every person or legal entity—including both U.S. citizens and noncitizens—must provide a name and address and have either a Social Security number (SSN), in the case of a person, or a Taxpayer Identification Number (TIN) or Employee Identification Number (EIN), in the case of a legal entity with multiple persons having ownership interests. In this latter situation, each person with an interest must have a TIN or EIN and must declare his or her interest share in the joint entity using the requisite USDA forms.[12]

All participants in programs subject to payment eligibility and payment limitation requirements must submit to USDA two completed forms.[13] The first, CCC-901[14] (Members' Information), identifies the participating persons and/or entities (through four levels of attribution if needed) and their interest share in the operation. The second form, CCC-902 (Farm Operating Plan), identifies the nature of each person's or entity's stake—that is, capital, land, equipment, active personal labor, or active personal management—in the operation.[15] These forms need to be submitted only once (not annually) but must be kept current in regard to any change in the farming operation. Critical changes to a farming operation might include expanding the number of limitations for payment, such as by adding a new family member, changing the land rental

[11] For example, means testing (i.e., AGI requirements) was first introduced in the Food Security and Rural Investment Act of 2002 (P.L. 107-171).

[12] This requirement may be different for American Indians, Alaska Natives, and Pacific Islanders in which a unique identification number for each individual may be used as an alternative to a TIN or SSN.

[13] Some program eligibility requirements (e.g., AEF) are not required for conservation and disaster assistance programs. Therefore some forms required for commodity support programs are not required for participation in others. All required forms for participation in any USDA farm program are provided through a producer's local USDA Service Center. See https://offices.sc.egov.usda.gov/locator/app.

[14] The CCC abbreviation is USDA's Commodity Credit Corporation. For additional information, see CRS Report R44606, *The Commodity Credit Corporation: In Brief*.

[15] FSA Handbook, paragraph 44, p. 2-59. All forms are available at the local USDA county office or online at http://www.sc.egov.usda.gov.

status from cash to share basis, purchasing additional base acres[16] equivalent to at least 20% of the previous base, or substantially altering the interest share of capital or equipment contributed to the farm operation. This information is critical in determining the extent to which each person is actively engaged in the farming operation, as described below.

Three Principal Farm Business Categories

Many types of farm business entities own operations engaged in agricultural production. For purposes of determining the extent to which the participants of a farm operation qualify as potential farm program participants, three major categories are considered (**Table 1**):[17]

1. **Sole proprietorship or family farm.** The farm business is run by a single operator or multiple adult family members—the linkage being common family relationship—whereby each qualifying member is subject to an individual payment limit. Thus, a family farm potentially qualifies for an additional payment limit for each family member (18 years or older) associated with the principal operator.[18] Family farms or sole proprietorships comprised nearly 86% of U.S. farm operations in 2017.
2. **Joint operation.** Each member of a joint operation—where members need not have a common family relation—is treated separately and individually for purposes of determining eligibility and payment limits. Thus, a partnership's potential payment limit is equal to the number of qualifying members (plus any special designees such as spouses) times the individual payment limit.
3. **Corporation.** A legally defined association of joint owners or shareholders that is treated as a single person for purposes of determining eligibility and payment limits.[19] This includes corporations, limited liability companies, and similar entities. Nearly 90% of incorporated farm operations are family held.[20]

As of 2017, these three categories represented nearly 98% of U.S. farm operations (**Table 1**). In addition, federal regulations exist for evaluating both the eligibility of and relevant payment limits for other exceptional types of potential recipients, including a spouse, minor children, and other family members, as well as marketing cooperatives, trusts and estates, cash-rent tenants, sharecroppers, landowners, federal agencies, and state and local governments.[21] These institutional arrangements represent a small share (2.2%) of U.S. farm operations, according to

[16] For the purpose of calculating program payments, the term *base acres* is the historical planted acreage on each farm within the USDA program system using a multiyear average from as far back as the 1980s. Base acre provisions since 1981 are described in Edwin Young et al., *Economic Analysis of Base Acre and Payment Yield Designations Under the 2002 U.S. Farm Act*, ERS, September 2005, pp. 36-41.

[17] These three principal business categories, as they relate to farm program eligibility, are discussed in more detail in CRS Report R44656, *USDA's Actively Engaged in Farming (AEF) Requirement*.

[18] The spouse of the principal operator qualifies automatically for an additional payment limit, but all other adult family members must meet AEF criteria described later in this report in order to be eligible for USDA farm program payments.

[19] Because the company shields its owners from liability (or risk), the company is given a single payment limit regardless of the number of owners.

[20] USDA, National Agricultural Statistics Service, 2017 Census of Agriculture, Table 74, April 11, 2019.

[21] For a discussion of the eligibility of sharecroppers, estates and trusts, deceased and incapacitated persons, military personnel, and other exceptional circumstances, see the discussion under 7 C.F.R. §1400, "Subpart C—Payment Eligibility."

USDA's 2017 *Census of Agriculture*. Special rules also describe eligibility and payment limits in the event of the death of a previously eligible person.

Table 1. U.S. Farms by Legal Status for Tax Purposes, 2017

	Farms		Production Value[a]		USDA Payments	
Farm Type	Number	%	$ Billions	Share	# Farms[b]	$ Billions
Sole proprietor or family farm	1,751,126	85.7%	$187.7	47.2%	514,710	$5.7
Joint operation or partnership	130,173	6.4%	$90.5	22.8%	61,730	$1.8
Corporation	116,840	5.7%	$112.2	28.2%	49,136	$1.2
Other[c]	44,081	2.2%	$7.1	1.8%	17,569	$0.2
Total	**2,042,220**	**100%**	**$397.5**	**100%**	**643,143**	**$8.9**

Source: USDA, National Agricultural Statistics Service, 2017 Census of Agriculture, Table 74, April 11, 2019.

Notes: USDA's Census of Agriculture is conducted every five years, most recently in 2017.

a. Includes the value of both agricultural production and government payments.

b. The number of farms receiving federal farm payments.

c. Cooperative, estate or trust, institutional, etc.

Actively Engaged in Farming (AEF) Requirement

To be eligible for certain farm program benefits, participants—all individuals, as well as other types of legal entities—must meet AEF requirements.[22] The AEF requirements (where applicable) apply equally to U.S. citizens, resident aliens, and foreign entities. This section briefly reviews the specific requirements for each type of legal entity—person, partnership, or corporation—to qualify as "actively engaged in farming."[23]

"Significant Contribution" Defined

A key aspect of the AEF criteria that applies across all types of legal entities is the requirement that the entity make "a significant contribution to the farming operation."[24] This requirement involves the following minimum investments in the operation:

1. **Land, capital, or equipment.** If land, the investment must be at least 50% of the rental value of the land; if capital or equipment, the investment must be at least 50% of the value of capital or the rental value of the equipment necessary to conduct the farming operation; if a combination of land, capital, and equipment, then the investment must be at least 30% of the total value of the farming operation.
2. **Active personal labor.** The smaller of the following: 1,000 hours per calendar year of labor; or 50% of the total hours necessary to conduct a farming operation comparable in size to the person's share in the farming operation.
3. **Active personal management.** Must meet at least one of the following: performs at least 25% of the total management hours required for the farming operation on

[22] The lone exception concerns spouses of AEF-qualified persons. "If one spouse … is determined to be actively engaged in farming … the other spouse is considered to have made a significant contribution." 7 C.F.R. §1400.202(b).

[23] For details, see CRS Report R44656, *USDA's Actively Engaged in Farming (AEF) Requirement*.

[24] USDA added specificity to the definition of "significant contribution" in its rule of August 24, 2020; USDA, "Payment Limitation and Payment Eligibility," Final Rule, 85 *Federal Register* 52033, August 24, 2020.

an annual basis; or performs at least 500 hours of management annually for the farming operation.

4. **For a combination of active personal labor and active personal management**, the combination must (a) be critical to farm profitability; (b) be performed on a regular, continuous, and substantial basis, and (c) adhere to a table of required hours, as shown in **Table 2**.

Table 2. Significant Contribution of Active Personal Labor or Management

USDA-defined acceptable combinations of hours per year

Minimum Combined Threshold	Management Contribution	Labor Contribution
550	475	75
550	450	100
650	425	225
650	400	250
750	375	375
750	350	400
750	325	425
850	300	550
850	275	575
850	250	600
850	225	625
850	200	650
850	175	675
950	150	800
950	125	825
950	100	850
950	75	875
950	50	900
950	25	925

Source: *Code of Federal Regulations*, 7 C.F.R. §1400.3 Definitions, "Significant Contribution."

Individual AEF Requirements

An individual producer must meet three AEF criteria:

1. The person, independently and separately, makes a significant contribution to the farming operation of both (a) capital, equipment, or land; and (b) active personal labor, active personal management, or a combination of active personal labor and management.
2. The person's share of profits or losses is commensurate with his/her contribution to the farming operation.

3. The person makes contributions to the farming operation that are at risk of loss, with the level of risk commensurate with the person's claimed share of the operation.

Prior to the issuance of the USDA rule on payment limits and eligibility of August 24, 2020, family farms received special treatment whereby every adult member (i.e., 18 years or older) was deemed to meet the AEF requirements. At that time, family membership was based on lineal ascendants or descendants but was also extended to siblings and spouses. Under the 2018 farm bill (§1703), for purposes of assessing the availability of individual payment limits, the definition of *family member* has been extended to include first cousins, nieces, and nephews. However, under the August 24 rule, each of these individuals (with the exception of spouses, see below) is no longer "deemed" to meet AEF criteria but must now certify that they meet each of the three AEF criteria cited above, including the conditions identified under the more strictly defined term "significant contribution."[25]

Current law also allows for special treatment of a spouse: If one spouse is determined to be actively engaged in farming, then the other spouse shall also be determined to have met the requirement.[26] The spousal exception applies to both individual producers (as in a family farm) and producers operating within a partnership.

An additional exception is made for landowners who may be deemed in compliance with all AEF requirements if they receive income based on the farm's operating results without providing labor or management.[27]

Partnership AEF Requirements

In a general partnership, each member is treated separately for purposes of meeting the AEF criteria and determining eligibility. In particular, each partner with an ownership interest must satisfy all three of the AEF criteria for an individual, including the "significant contribution" specificity cited above. The active personal labor or management contribution must be (a) performed on a regular basis; (b) identifiable and documentable; and (c) separate and distinct from such contributions made by any other partner. Each partner who fails to meet the AEF criteria is ineligible to participate in the relevant farm program.

Corporate AEF Requirements

A corporation, as an association of joint owners, is treated as a single person for purposes of meeting the AEF criteria and determining eligibility.[28] In addition to the AEF criteria cited for a person—of sharing commensurate profits or losses and bearing commensurate risk—each member with an ownership interest in the corporation must make a significant contribution of personal labor or active personal management—whether compensated or not—to the operation that is (a) performed on a regular basis; (b) identifiable and documentable; and (c) separate and distinct from such contributions of other stockholders or members. Furthermore, the collective contribution of corporate members must be significant and commensurate with contributions to the farming operation.

[25] 7 C.F.R. §1400.3 Definitions, "Significant Contribution."

[26] 7 U.S.C. §1308-1(c)(6) and 7 C.F.R. §1400.202(b).

[27] 7 C.F.R. §1400.207. See also, FSA Handbook, "Landowner Exemption," p. 2-158.

[28] As mentioned earlier, because a corporation shields its owners from liability (or risk), the company is given a single payment limit regardless of the number of owners.

If any member of the legal entity fails to meet the labor or management contribution requirements, then any program payment or benefit to the corporation will be reduced by an amount commensurate with the ownership share of that member. An exception applies if (a) at least 50% of the entity's stock is held by members that are "actively engaged in providing labor or management" and (b) the total annual farm program payments received collectively by the stockholders or members of the entity are equal to or less than one payment limitation.

Special Nonfamily AEF Requirements

Prior to the 2014 farm bill (P.L. 113-79), the definition of *active personal labor or management* was broad and could be satisfied by undertaking passive activities without visiting the operation, thus enabling individuals who lived significant distances from an operation to claim such labor or management contributions.[29] This was often seen as problematic, as passive investors were receiving farm program payments without actively contributing to the farming operation.

Recent farm bills have amended the AEF criteria in an attempt to tighten the requirements. However, the issue remains controversial. In particular, the 2014 farm bill (§1604) required USDA to add more specificity to the role that a nonfamily producer must play to qualify for farm program benefits.[30] These AEF regulations were not changed under the 2018 farm bill.

As a result of the rule, a limit of three is placed on the number of nonfamily members of a farming operation who can qualify as a farm manager—depending on the size and complexity of the farm operation.[31] Also, additional recordkeeping requirements now apply for each nonfamily member of a farming operation claiming active personal management status. No such limit applies to the potential number of qualifying family members.[32]

Foreign Person or Legal Entity

Generally, foreign persons (or foreign legal entities) are eligible to participate if they meet a particular farm program's eligibility requirements.[33] Exceptions include the four permanent disaster assistance programs—Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP); Livestock Forage Disaster Program (LFP); Livestock Indemnity Program (LIP); and Tree Assistance Program (TAP)—and the Noninsured Crop Disaster Assistance Program (NAP), which explicitly prohibit payments to foreign entities other than resident aliens.[34]

[29] U.S. Government Accountability Office (GAO), *Changes Are Needed to Eligibility Requirements for Being Actively Involved in Farming*, GAO-13-781, September 2013, http://www.gao.gov/assets/660/658208.pdf.

[30] CCC, "Payment Limitation and Payment Eligibility; Actively Engaged in Farming," 80 *Federal Register* 78119, December 16, 2015. For more on this rule, see CRS Report R44656, *USDA's Actively Engaged in Farming (AEF) Requirement*.

[31] 7 C.F.R. §1400.602 "Restrictions on active personal management contributions."

[32] However, an indirect limit of four farm managers is in effect for smaller farm operations under the requirement that a manager must account for at least 25% of a farm operation's total management hours. In contrast, a large farm operation could conceivably have more than four managers who log at least 500 hours of management time.

[33] Verifiable physical, on-farm presence is critical in a successful determination for eligibility for nonresident aliens.

[34] 7 U.S.C. §9081(a)(2)(B).

As of December 31, 2018, foreign persons held an interest in 31.8 million acres of U.S. agricultural land (including forest land).[35] This accounts for 2.5% of all privately held agricultural land in the United States and approximately 1% of total U.S. land.

A Foreign Person or Entity

A foreign person is any person who is neither a citizen of the United States nor an alien lawfully admitted into the United States for permanent residence under the Immigration and Nationality Act (8 U.S.C. 1101 et seq.).[36] Similarly, a foreign entity is a corporation or other legal entity in which more than 10% of the ownership is held by foreign persons.

Foreign persons or entities can become eligible for most farm program benefits if they have the requisite U.S. taxpayer ID and meet the AEF criteria discussed earlier. In the case where a foreign corporation or similar entity fails to meet the AEF criteria but has shareholders or partners with U.S. residency status, then the foreign entity may—upon written request to USDA—receive payments representative of the percentage ownership interest by those U.S. citizens or U.S. resident aliens that do meet the AEF criteria.

Current law imposes no specific restrictions on foreign persons or entities with respect to eligibility for crop and livestock insurance premium subsidies. Also, the Dairy Margin Coverage (DMC) program makes no distinction about producer or owner citizenship. Instead, the law states that all dairy operations in the United States shall be eligible to participate in the DMC program to receive margin protection payments.[37] Similarly, no citizenship requirement exists for a sugar processor or a cane or beet producer operating under the U.S. sugar program price guarantees. However, the sugarcane and sugar beets being processed must be of U.S. origin.

AGI Limit

Generally, means testing prohibits persons or legal entities from being eligible to receive any benefit under certain commodity and conservation programs during a crop, fiscal, or program year as appropriate if their income is above an established level. The first means test for farm programs was established by the 2002 farm bill (P.L. 107-171). Income is measured by an individual's or entity's average AGI from the previous three-year period but excluding the most recent complete taxable year.[38] A brief history of the legislative evolution of the AGI threshold is provided in **Table A-2**.

Means testing has recently been applied as a determining factor for the level of payment limit rather than a threshold for eligibility. Supplemental disaster assistance authorized in 2018 and 2019 uses an individual's or entity's average AGI over a three-year period to determine the total payment limits depending on how much of that income is derived from farming.[39] This is discussed further in the "Payment Limits" section below.

[35] Tricia Barnes et al., *Foreign Holdings of U.S. Agricultural Land through December 31, 2018*, FSA, December 31, 2018.

[36] 7 U.S.C. §1308-3.

[37] 7 U.S.C. §9054(a).

[38] For example, the AGI for the 2016 crop year is based on the AGI base years of 2012, 2013, and 2014, excluding the most recently completed tax year of 2015. Those tax years where the person or legal entity had no taxable income are excluded from the calculation of the AGI average.

[39] The three-year period for calculation varies by program. See 2017 WHIP and WHIP+ entry and note in **Table A-1**.

Recent farm bills, including the 2018 farm bill, have preserved the three-year average AGI as the relevant measure of income. Given apparent agreement on the concept of an AGI limit, the debate has shifted to which programs are covered by the means test and what income level is an appropriate threshold.

AGI Defined

Since most U.S. farms are operated as sole proprietorships or partnerships (**Table 1**), most farm households are taxed under the individual income tax rather than the corporate income tax.[40] For an individual, AGI is the Internal Revenue Service (IRS) reported AGI. AGI measures *net* income—that is, income after expenses. Farm income is reported on the IRS Schedule F where AGI is net of farm operating expenses. For an incorporated business, a comparable measure to AGI—as determined by USDA—is used to measure income.

Since the household is the typical unit of taxation, farm and nonfarm income are combined when computing federal income taxes for farm households. In fact, most federal income tax paid by farm households (80% in 2019) can be attributed to nonfarm income.[41]

Farm operations overwhelmingly report operating losses for tax purposes. For example, in 2015, two-thirds of farm sole proprietors reported a net farm loss for tax purposes.[42] The substantial portion of capital investment that can be expensed in the first year is an important determinant of the large loss reporting, along with cash accounting and other practices.

Program participants are required to give their consent to the IRS annually to verify that they are in compliance with their AGI limit provisions using a specific USDA form (CCC-941).[43] Failure to provide the consent and subsequent certification of compliance results in ineligibility for program payments and a required refund of any payments already received for the relevant year.

Historical Development of the AGI Eligibility Limit

The 2002 farm bill (§1604) established the initial AGI threshold for program eligibility at $2.5 million. This AGI criterion applied to most farm programs (listed in **Table A-2**). However, the 2002 farm bill included an exemption if at least 75% of AGI was from farming.

The 2008 farm bill (§1604) replaced the single AGI limit of the 2002 farm bill with three separate AGI limits that distinguished between farm and nonfarm AGI:

1. First, a nonfarm AGI limit of $500,000 applied to eligibility for selected farm commodity program benefits, including the Milk Income Loss Contract program,[44] NAP, and the disaster assistance programs.

[40] USDA estimates that 98% of farm households are pass-through entities (including sole proprietorships, partnerships, and Subchapter S corporations)—any profit or loss from them is passed to the owner/partner/shareholder, and tax is paid at the individual rather than the corporate level. James Williamson and Siraj Bawa, *Estimated Effects of the Tax Cuts and Jobs Act on Farms and Farm Households*, ERS, June 2018, p. 3.

[41] ERS, "2020 Farm Sector Income Forecast," February 5, 2020.

[42] Williamson and Bawa, *Estimated Effects of the Tax Cuts and Jobs Act on Farms and Farm Households*, p. 4.

[43] Thus, a participant completes form CCC-941 for USDA. USDA then submits the forms to IRS for processing. IRS in turn notifies USDA of each participant's compliance status regarding the AGI limit. Producers who fail to comply will be given written notice by USDA and have a 30-day window to challenge their noncompliance status. A subsequent appeal process is available for producers deemed out of compliance following the initial challenge.

[44] The 2014 farm bill (§1422) eliminated this program.

2. Second, a farm-specific AGI limit of $750,000 applied to eligibility for direct payments.
3. Third, a nonfarm AGI limit of $1 million—but subject to an exclusion if 66.6% of total AGI was farm-related income—applied to eligibility for benefits under conservation programs.

However, the AGI limit could be waived in its entirety on a case-by-case basis if implementing a particular conservation program would protect environmentally sensitive land of special significance.[45] The 2008 farm bill also added a provision for married individuals filing a joint tax return whereby the joint AGI could be allocated as if a separate return had been filed by each spouse. This would potentially allow the farmer to exclude any earned income from a spouse as well as a share of any unearned income from jointly held assets for purposes of the eligibility cap.[46] This provision had the potential to significantly reduce the share of farms affected by the AGI cap.

The 2014 farm bill (§1605) returned the eligibility threshold to a single total AGI limit but at a level of $900,000 for individuals and incorporated businesses.[47] It also retained the provision for married individuals filing a joint tax return to allocate the AGI as if a separate return had been filed by each spouse. In the case of a payment to a general partnership or joint venture comprising multiple individuals, the payment would be reduced by an amount that is commensurate with the share of ownership interest of each person who has an average AGI in excess of $900,000. The 2018 farm bill retained the AGI provisions from the 2014 farm bill but added the 2008 farm bill's case-by-case waiver for conservation programs that would protect environmentally sensitive land of special significance.[48]

Conservation Compliance

Two provisions—highly erodible land conservation (Sodbuster) and wetland conservation (Swampbuster)—are collectively referred to as conservation compliance.[49] To be eligible for certain USDA program benefits, a producer agrees to conservation compliance—that is, to maintain a minimum level of conservation on highly erodible land and not to convert or make production possible on wetlands.

Conservation compliance has been in effect since the 1985 farm bill (P.L. 99-198). The majority of farm program payments, loans, disaster assistance, and conservation programs are benefits that may be lost if a participant is out of compliance with the conservation requirements. The 2014 farm bill extended conservation compliance to federal crop insurance premium subsidies, and the 2018 farm bill retains this compliance requirement.[50] Most recently, the 2018 farm bill made relatively minor amendments to the compliance provisions. Within U.S. farm policy, conservation

[45] The land's special significance may derive from its landscape, wildlife, or historical value.

[46] 7 U.S.C. §1308-3a(3).

[47] FSA, "Average Adjusted Gross Income (AGI) Certification and Verification, 2014-2018," March 2016.

[48] Annual reports to Congress are required for waivers issued under this provision.

[49] For additional information, see CRS Report R42459, *Conservation Compliance and U.S. Farm Policy*; and NRCS, "Conservation Compliance," as of March 7, 2019, https://www.nrcs.usda.gov/wps/portal/nrcs/site/national/home/.

[50] Federal crop insurance premium subsidies were previously included under conservation compliance from 1985 to 1995. However, the 1996 farm bill (P.L. 104-127) removed crop insurance from the list of benefits that could be lost if the farmer was found out of compliance.

compliance continues to be one of the only environmentally based requirements for program participation.[51]

Ad Hoc Farm Revenue Support Program Eligibility Criteria

Since 2018, USDA has established several large ad hoc payment programs that support farm revenue—first, the 2018 and 2019 Market Facilitation Programs (MFPs) in response to trade retaliation,[52] and then in 2020, successive rounds of the Coronavirus Food Assistance Program (CFAP-1 and CFAP-2) in response to the Coronavirus Disease 2019 (COVID-19) pandemic.[53] These programs were established under authorities outside of omnibus farm legislation and therefore are not subject to the same eligibility requirements as farm bill authorized programs discussed above. Instead of adhering to the AEF and AGI eligibility criteria previously discussed, USDA tailored producer eligibility under each of the ad hoc programs to meet each program's relief assistance goals.

2018 MFP and 2019 MFP Eligibility

The 2018 MFP was announced by USDA in July 2018 to provide direct payments to producers of selected commodities. To qualify, USDA required that MFP recipients meet AEF, AGI, and conservation compliance (see below) criteria. Also, a producer's average AGI for tax years 2014, 2015, and 2016 must be less than $900,000. However, Congress subsequently amended the AGI criterion as it applies to MFP payments in the FY2019 Supplemental Appropriations for Disaster Relief Act (P.L. 116-20, §103).[54] The MFP-relevant AGI criterion was amended to (1) use the tax years 2013, 2014, and 2015 to calculate average AGI for evaluating eligibility for 2018 MFP payments and (2) allow eligibility for AGI in excess of $900,000 if at least 75% came from farming, ranching, or forestry-related activities. It is unclear if MFP payments made in 2018 under the previous AGI criteria would be reevaluated against the new AGI specification and would then be subject to repayment if the new AGI formulation made a producer ineligible.

In May 2019, USDA announced a second round of MFP payments—referred to as 2019 MFP payments. To qualify, USDA required 2019 MFP recipients to meet AEF, AGI, and conservation compliance criteria. However, the AGI criteria to assess eligibility for the 2019 MFP payments used the 2015, 2016, and 2017 tax years but retained the exception whereby if at least 75% of AGI was derived from farming, ranching, or forestry-related activities then the AGI criteria no longer applied.

CFAP-1 and CFAP-2 Eligibility

In April 2020, USDA announced the first Coronavirus Food Assistance Program (CFAP-1).[55] CFAP-1 included up to $16 billion in direct payments to eligible producers of qualifying

[51] A number of overarching environmental policies apply to agricultural production. However, conservation compliance is one of the only environmentally related policies authorized and overseen by the agriculture committees within the context of farm program participation.

[52] See CRS Report R45310, *Farm Policy: USDA's 2018 Trade Aid Package*, and CRS Report R45865, *Farm Policy: USDA's 2019 Trade Aid Package*.

[53] See USDA, "Coronavirus and USDA Assistance for Farmers," https://www.farmers.gov/coronavirus.

[54] CRS In Focus IF11245, *FY2019 Supplemental Appropriations for Agriculture*.

[55] See CRS Report R46395, *USDA's Coronavirus Food Assistance Program (CFAP) Direct Payments*.

commodities.[56] USDA has developed criteria to determine which commodities and which producers are eligible for CFAP support. For example, to be eligible for a payment, a commodity must have suffered a price loss of at least 5% during the mid-January to mid-April period or been subject to additional significant marketing costs for unexpected supply chain disruptions, including unsold inventories and, for certain commodities, spoilage caused by disruption of the food supply chain. Eligible commodities were listed in the program's final rule—additional commodities were added in subsequent corrections to the final rule.[57] For an individual or legal entity to be eligible for CFAP-1 payments, they were required to complete an application to determine the quantities affected and to meet certain other criteria. These criteria included conservation compliance; sharing in the risk of profit and loss from the farm's operation (a difference from the more stringent AEF criteria); and having an average AGI for 2016, 2017, and 2018 of less than $900,000, unless at least 75% of AGI is from farming, ranching, or forestry-related activities.

In September 2020, USDA announced the second Coronavirus Food Assistance Program (CFAP-2), which included up to $14 billion in direct payments to producers.[58] USDA expanded the number of eligible commodities but retained most of the producer eligibility criteria from CFAP-1, including the AGI limit.[59]

Direct Attribution of Payments

The process of tracking payments to an individual through various levels of ownership in single and multiperson legal entities is referred to as "direct attribution." Several types of legal entities may qualify for farm program payments. However, ultimately every legal entity represents some combination of individuals. For example, a joint operation can be made up of a combination of individuals, partnerships, and/or corporate entities. A particular individual may be part of each of these three component entities, as well as additional subentities within each of these components. Farm payments flow down through these arrangements to individual recipients.

For purposes of farm program payments, Congress defines *legal entity* as an entity created under federal or state law that (1) owns land or an agricultural commodity or (2) produces an agricultural commodity.[60] This broad definition encompasses the multiperson legal entities discussed earlier such as family farm operations, joint ventures, corporations, and institutional arrangements. Ownership shares in a multiperson legal entity are tracked via a person's SSN or EIN as reported in CCC-901 and CCC-902. Identification at the individual payment recipient level is critical for assessing the cumulative payments of each individual against the annual payment limit.

[56] On May 19, 2020, USDA released the final rule that detailed CFAP's $16 billion direct payment program, including the list of eligible commodities, eligibility requirements for producers, payment calculations, and application procedures.

[57] USDA, "Coronavirus Food Assistance Program, Final Rule," 85 *Federal Register* 30825, May 21, 2020; USDA, "Coronavirus Food Assistance Program, Correction," 85 *Federal Register* 35799, June 12, 2020; USDA, "Coronavirus Food Assistance Program, Correction," 85 *Federal Register* 41382, July 10, 2020; and USDA, "Coronavirus Food Assistance Program, Correction," 85 *Federal Register* 49593, August 14, 2020.

[58] USDA, "USDA to Provide Additional Direct Assistance to Farmers and Ranchers Impacted by the Coronavirus," Press Release No. 0378.20, September 18, 2020.

[59] Refer to the section "Special Payment Limits Under CFAP for a Corporate Entity" for a description of the difference. USDA, "Coronavirus Food Assistance Program, Final Rule," 85 *Federal Register* 59380, September 22, 2020.

[60] 7 U.S.C. §1308(a)(3).

Direct attribution was originally authorized in the 2008 farm bill (§1603(b)(3)).[61] All farm program payments made directly or indirectly to an individual associated with a specific farming operation are combined with any other payments received by that same person from any other farming operation—based on that person's pro rata interest in those other operations. It is this accumulation of an individual's payments—tracked through four levels of ownership in multiperson legal entities—that is subject to the annual payment limit (see text box below).

The first level of attribution is an individual's personal farming operation. Subsequent levels of attribution are related to those legal entities in which an individual has an ownership share. If a person meets his or her payment limit at the first level of attribution (i.e., on his or her own personal farming operation), then any payments to legal entities at lower levels of attribution are reduced by that person's pro rata share.

Direct Attribution Examples

Suppose an individual operator (farmer #1) owns and farms 500 acres of cropland (operation #1) but owns farm equipment that is better suited to a much larger farming operation. To benefit from the surplus farming equipment, farmer #1 is also a member of a partnership that farms an additional 2,000 acres of farmland (operation #2). Assuming that farmer #1 meets all qualifying eligibility criteria for operation #2, then farmer #1 would be eligible for payments from both operation #1 and the partnership's operation #2. Any payments due farmer #1 from the activities on operation #2 would be combined with program payments from the activities on operation #1 and subject to a single payment limit. If farmer #1's program payments from activities on operation #1 reach the personal payment limit, then any payments due from activities on operation #2 would be reduced to zero. Any payments received by farmer #1 as a member of the partnership would be attributed as second-level payments.

As a second example, suppose that farmer #1 is also a member of a limited liability corporation (LLC) that runs a third farming operation (operation #3). Assuming that farmer #1 meets all qualifying eligibility criteria for operation #3, then farmer #1 would be eligible for payments from operation #1, the partnership's operation #2, and the corporation's operation #3—with the latter being on a pro rata basis reflecting ownership share in the corporation. If farmer #1's program payments from activities on operations #1 and #2 reached the personal payment limit, then any pro rata payments due from farmer #1's share of the corporation's activities on operation #3 would be reduced to zero in this case.

Suppose that the LLC in the second example was itself a member of the partnership from the first example. Then, any payments that farmer #1 would receive as a member of the LLC from the farming activity of the partnership would be third-level attribution of payments. Farm payments are tracked through four levels of attribution.

Payment Limits

When the eligibility criteria—including AEF, AGI, conservation compliance, and others—are met, the cumulative benefits across certain farm programs are subject to specific annual payment limits (detailed in **Table A-1)** that can be received by an individual or legal entity in a year.

Explicit payment limits date back to the 1970s.[62] Despite their longevity, payment limits are not universal among programs. Payment limits are also enforced differently for different types of legal entities (as mentioned earlier and summarized below). For example, certain program limits may be expanded depending on the number of participants, or they may be subject to exceptions, or they may not exist. The major categories of farm program support and the applicability of annual payment limits, if any, are briefly discussed below.

[61] Prior to the 2008 farm bill, farmers were subject to the "three-entity rule" for determining whether an individual was within annual payment limits. Under this law, a person was permitted to receive payments up to the full cap on the first farm in which the person had a substantial beneficial interest and up to half the full cap on each of two additional farms. The 2008 farm bill replaced this rule with direct attribution.

[62] Carl Zulauf, "Farm Payment Limits: History and Observations," *Farmdoc Daily*, June 21, 2012.

Farm Support Programs Subject to Annual Payment Limits

Traditionally, much attention focuses on the annual payment limits for the Title I commodity programs, largely because this has historically been the conduit for the majority of farm program expenditures. Title I commodity program payment limits were first included in a farm bill in 1970 (Agricultural Act of 1970 [P.L. 91-524], §101) but have evolved substantially since that initial effort (**Table A-1**). Recently, the amount of payments made under ad hoc revenue support programs has surpassed payments made under Title I commodity programs. As these ad hoc programs are created by USDA, so too are the payment limits imposed. This has shifted attention to the payment limits developed by USDA, rather than those established by Congress.

Farm Bill Support Programs

Several farm support programs—as defined by specific titles of the 2018 farm bill—are currently subject to annual payment limits. For example, the following three program categories each have their own separate payment limit.[63]

- **Title I (Subtitle A): ARC and PLC.** Payments for the two revenue-support programs—Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC)—must be combined for all covered commodities (except peanuts) and reduced by any sequestration[64] prior to assessing whether they are within the $125,000 annual payment limit for an individual. Peanuts are a notable exception to this rule in that ARC and PLC payments for peanuts (after sequestration) are subject to their own annual payment limit of $125,000 per individual.[65]
- **Title I (Subtitle E): LFP.** The LFP program is subject to an annual limit of $125,000 per person.[66]
- **Title I (Subtitle F): NAP.**[67] Available for crops not currently eligible for crop insurance. Payments for catastrophic coverage are limited to $125,000 per crop year per individual or entity. Payments for additional coverage (referred to as buy-up coverage) have a separate limit of $300,000 per crop year per individual or entity.

[63] The programs discussed in this report do not represent a comprehensive list of farm programs and benefits. Instead, this report focuses on the most common programs and benefits deemed relevant to a discussion of program eligibility and payment limits. For a more comprehensive list of U.S. farm programs, see CRS Report R45525, *The 2018 Farm Bill (P.L. 115-334): Summary and Side-by-Side Comparison*.

[64] §1703(a)(3) of the 2018 farm bill.

[65] Combined ARC and PLC payments are subject to an annual limit of $125,000 per person. For more information on commodity programs, potential benefits, eligible program crops, and other details, see CRS Report R45730, *Farm Commodity Provisions in the 2018 Farm Bill (P.L. 115-334)*.

[66] Following the 2014 farm bill, all four disaster assistance programs included some form of a payment limit. The Bipartisan Budget Act of 2018 (§20101, P.L. 115-123) removed the payment limit requirements for TAP and LIP. The 2018 farm bill (§1501(e)) removed the payment limit requirement for ELAP. For more information, see CRS Report RS21212, *Agricultural Disaster Assistance*.

[67] CRS Report RS21212, *Agricultural Disaster Assistance*.

Ad Hoc Farm Revenue Support Programs

In addition to commodity programs authorized in periodic farm bills, the Secretary of Agriculture has broad authority under the CCC charter to make payments in support of U.S. agriculture.[68] These payments may be purely ad hoc in nature, or they may be made according to a formula as part of a temporary program. Payments under this type of authority may or may not be subject to payment limits in accordance with the program's specification. For example, neither of the underlying authorities used to initiate the MFP and CFAP ad hoc programs—primarily the CCC Charter Act, but also the CARES Act for CFAP-1—require payment limits. Applying payment limits was done at USDA's discretion. Benefits received under farm bill support programs such as the ARC and PLC are not added to MFP or CFAP payments when calculating payment limits. In other words, payment limits for MFP and CFAP are independent of other farm program benefits received by a farm.

Ad hoc programs that have been initiated at the discretion of USDA since 2016—all subject to annual payment limits—include the following.

1. **Cotton Ginning Cost Share (CGCS) Program.** The CGCS program has been available only in the 2016 and 2018 crop years.[69] Payments under the CGCS program were subject to an annual payment limit of $40,000 per person.
2. **2018 MFP.** USDA established the MFP program in August 2018 as a one-time payment program to help offset the financial losses associated with lost agricultural exports to China as a result of a trade dispute with the United States.[70] MFP payments were subject to a per-person payment limit of $125,000. Furthermore, the MFP payment limit applied separately to each of three categories of commodities—field crops (corn, sorghum, soybeans, upland cotton, and wheat); livestock (dairy and hogs); and specialty crops (shelled almonds and fresh, sweet cherries). Thus, a recipient could potentially receive 2018 MFP payments of up to $375,000 in combined payments under the three commodity categories.
3. **2019 MFP.** In July 2019 USDA established a second round of MFP payments, again subject to per-person payment limits, but at a higher rate of $250,000 per commodity category with an overall cap of $500,000 per person.[71] The three eligible categories included non-specialty crops (primarily grain and oilseed crops), specialty crops (selected tree nuts, cranberries, ginseng, sweet cherries, and table grapes), and livestock (hogs and dairy).
4. **CFAP-1.** Under the CFAP-1, payments were available for over 120 different commodities.[72] Total combined CFAP-1 payments, for all commodities, were limited to $250,000 per person—this limit was entirely unique and separate from other farm program payment limitations, including those for the MFP programs. In addition, USDA made an exception for corporate entities with multiple shareholders that contributed at least 400 hours of personal labor or management

[68] For details, see CRS Report R44606, *The Commodity Credit Corporation: In Brief*.

[69] For more information, see the FSA online site for "Cotton Ginning Cost Share Program" at https://www.fsa.usda.gov/programs-and-services/cgcs/index.

[70] For details, see CRS Report R45310, *Farm Policy: USDA's 2018 Trade Aid Package*.

[71] For details, see CRS Report R45865, *Farm Policy: USDA's 2019 Trade Aid Package*.

[72] CRS Report R46395, *USDA's Coronavirus Food Assistance Program (CFAP) Direct Payments*.

time to the operation of the corporate entity. These corporate entities could receive up to $750,000 in CFAP-1 payments based on the number of qualifying shareholders (not to exceed three).

5. **CFAP-2.** Under CFAP-2, USDA retained the same payment limit structure established for CFAP-1; however, the limits applied uniquely to CFAP-2 payments and not to payments from other farm programs including the two MFP programs and CFAP-1.[73]

When the farm program benefits for a qualifying recipient exceed the annual limits (as listed in **Table A-1**) for a given year, then that individual is no longer eligible for further benefits under that particular program during that year and is required to refund any payments already received under that program that are in excess of the relevant payment limit for that year.

Special Treatment of Family Farms

Under the 2018 farm bill (§1703(a)(1)), the definition of *family member* was extended beyond the direct lineal family unit (grandparents, parents, and children) to include first cousins, nieces, and nephews. Under the August 24 rule, every adult member—18 years or older—of a family farm (except for spouses of qualifying members) must meet the AEF requirements in order to be eligible to receive farm program payments in an amount up to the individual payment limit.[74] Thus, a family farm may qualify for multiple payment limits based on the number of immediate and extended family members that satisfy AEF criteria. For example, suppose that a farmer who is married with two adult children (both married) also has a neighboring married cousin with two adult children (both married) who work part time on the farmer's operation. This farm operation could potentially be eligible for 12 individual payment limits (six on the core farm operation and six from the cousin's family) for a total of $1.5 million in program payments. Six family members would have to meet the AEF criteria, but the six spouses would be deemed to have met the AEF requirement. However, the farming operation would have to be sufficiently large or complex because each of the six family members subject to the AEF requirements must necessarily perform at least 500 hours of personal labor or management work each year.

Multiple Payment Limits for a Partnership

A partnership's potential payment limit is equal to the limit for a single person times the number of persons or legal entities that comprise the ownership of the joint operation plus any additional exemptions or exceptions. Adding a new member can provide one or two (with qualifying spouse) additional payment limits.

Each member of a partnership or joint venture must meet the AEF criteria and must be within the AGI limit. Furthermore, the partnership's total payment limit is reduced by the share of each single member who has already met his or her payment limit (or portion thereof) on another farm operation outside of the partnership.

Single Payment Limit for a Corporation

A corporation is treated as a single person for purposes of determining eligibility and payment limits for farm bill authorized support programs[75]—provided that the entity meets the AEF

[73] USDA, "Coronavirus Food Assistance Program, Final Rule," 85 *Federal Register* 59380, September 22, 2020.

[74] USDA, "Payment Limitation and Payment Eligibility," Final Rule, 85 *Federal Register* 52033, August 24, 2020.

[75] That is, farm programs authorized under omnibus farm legislation and subject to standard payment limits, such as ARC and PLC.

criteria. Adding a new member to the corporation generally does not affect the payment limit but rather increases the number of members that share the single payment limit. However, as described in the previous section, corporate entities are treated differently under the CFAP programs.

Special Payment Limits Under CFAP for a Corporate Entity

Depending on the number of shareholders that contributed at least 400 hours of personal labor or management time to the operation of a corporate entity, it may be eligible for up to three payment limits or $750,000 in payments under each of CFAP-1 and CFAP-2. The "special payment limit" for corporate entities initially created under CFAP-1 has been extended to CFAP-2 but with two changes in its application with respect to CFAP-2 payments: (1) the special payment limit is extended to trust and estates; and (2) the method of payment attribution for individuals within a corporate entity is altered such that an individual's total payments are not reduced based on ownership share in the corporate entity.[76]

Supplemental Assistance Programs Subject to Payment Limits

In FY2018 and FY2019, Congress provided several supplemental appropriations for production losses resulting from natural disasters and not covered by NAP or crop insurance. The majority of the supplemental funding has been administered by USDA through two versions of a similar program—the Wildfires and Hurricanes Indemnity Program (WHIP). Losses occurring in 2017 were eligible for the "2017 WHIP."[77] An expanded set of losses occurring in 2018 and 2019 are eligible for "WHIP Plus" (referred to as WHIP+).[78] In addition to WHIP+, USDA implemented two other ad hoc programs—the On-Farm Storage Loss Program and the Milk Loss Program—as well as block grants with states.[79] USDA established payment limits for WHIP under authority granted to the Secretary in authorizing legislation.[80]

Payment limits for 2017 WHIP and WHIP+ are based on an individual's or entity's average AGI over a three-year period depending on how much of that income is derived from farming (**Table 3**). Producers are assumed to be in the lowest payment limit category unless an exception to the payment limit is filed using a USDA form and documentation from a certified public accountant or attorney that at least 75% of the person's or legal entity's average AGI was from adjusted gross farm income.[81] Unlike the aforementioned AGI consent form (CCC-941), verification of payment limit exceptions is not submitted to the IRS for the WHIP programs. Direct attribution applies for both payment limits and for determining average AGI.

[76] USDA, "Coronavirus Food Assistance Program, Final Rule," 85 *Federal Register* 59380, September 22, 2020.

[77] Funding was authorized in the Bipartisan Budget Act of 2018 (P.L. 115-123). The FY2020 Further Consolidated Appropriations Act (P.L. 116-94) rescinded the unobligated balance of 2017 WHIP and repurposed the funding to the current WHIP+, which was further amended by the act.

[78] Funding was authorized in the Additional Supplemental Appropriations for Disaster Relief Act of 2019 (P.L. 116-20). For more information, see CRS In Focus IF11245, *FY2019 Supplemental Appropriations for Agriculture*.

[79] Eligibility requirements and payment limits for subprograms and block grants may vary from the WHIP programs. For more information, see CRS Report RS21212, *Agricultural Disaster Assistance*.

[80] See footnote 77 and footnote 78.

[81] Farm income includes income received or obtained from farming, ranching, and forestry operations.

Table 3. Wildfires and Hurricanes Indemnity Program Payment Limits

	2017 WHIP	WHIP+
Tax years used to calculate AGI	2013, 2014, 2015	2015, 2016, 2017
If average AGI is:	**Then the payment limit is:**	**Then the payment limit is:**
Less than 75% from farming	$125,000, for combined crop years 2017 and 2018	$125,000, for combined crop years 2018, 2019, and 2020
More than 75% from farming (Exception)	$900,000, for combined crop years 2017 and 2018	$250,000, for each crop year, not to exceed $500,000 combined for crop years 2018, 2019, and 2020
Form required for exception	FSA-892	FSA-896

Source: CRS using 7 C.F.R. §760.1500 et seq.

Conservation Programs Subject to Payment Limits

Payment limits on conservation programs existed long before limits were applied to farm support programs.[82] Most current conservation programs include some limit on the amount of funding a participant may receive, but these limits vary by program. Some programs have multiple limits that vary based on activity or practice implemented. Several major conservation programs in Title II of the 2018 farm bill are currently subject to payment limits.[83]

- **Conservation Reserve Program (CRP).** Payments for CRP can vary based on the type of contract and type of payment. In general, annual rental payments for general enrollment contracts and continuous enrollment contracts are limited to 85% and 90% of the average county rental rate, respectively, and not more than $50,000 total per year per person. Cost-share payments and incentive payments are also limited and may be waived or applied at different levels under subprograms of CRP, such as land enrolled under the Conservation Reserve Enhancement Program or the Soil Health and Income Protection Pilot.[84]
- **Environmental Quality Incentives Program (EQIP).** Total cost-share and incentive payments are limited to $450,000 for all EQIP contracts entered into by a person or legal entity between FY2019 and FY2023. Additional limits apply to select EQIP contract payments, including incentive contract payments, which are limited to a total of $200,000 between FY2019 and FY2023; payments for EQIP conservation practices related to organic production, which are limited to a total of $140,000 between FY2019 and FY2023; and eligible water management entity payments, which are limited to a total of $900,000 between FY2019 and FY2023.
- **Conservation Stewardship Program (CSP).** A person or legal entity may not receive more than a total of $200,000 for all CSP contracts between FY2019 and

[82] For example, the Agricultural Adjustment Act of 1938 (P.L. 75-430, §102) amended the Soil Conservation and Domestic Allotment Act (49 Stat. 1149; 50 Stat. 329) to limit payments for soil conservation assistance to $10,000 per year per person.

[83] The programs discussed in this section do not represent a comprehensive list of conservation programs and benefits. Instead, this section focuses on the largest programs (by funding level). For a more comprehensive list of conservation programs and provisions under the conservation title of the 2018 farm bill, see CRS Report R45698, *Agricultural Conservation in the 2018 Farm Bill*.

[84] Cost-share and incentive payments are typically one-time payments under CRP and therefore not discussed in detail in this report. For additional information on these limits, see CRS Report R45698, *Agricultural Conservation in the 2018 Farm Bill*.

FY2023. A CSP contract with any joint operation is limited to $400,000 over the term of the contract period. These limits do not apply to the CSP Grassland Conservation Initiative, in which annual payments are limited to $18 per acre, not to exceed the number of base acres on a farm.

Exceptions That Avoid Payment Limits

Payments under certain Title I and Title II programs in the 2018 farm bill are excluded from annual payment limits. These programs without payment limits are described below, by farm bill title and subtitle. Another exception to payment limits could result if the principal operator of a farm operation, or a major partner, dies during the course of a program year and any associated program benefits for the deceased are transferred to another farm operator or partner (see "Death of a Principal Operator" later in this report for details).

Selected Farm Programs Without Payment Limits

Certain farm programs are not subject to annual payment limits. This includes any benefits obtainable under the Marketing Assistance Loan (MAL) program, the sugar program, the dairy program, and three of the four disaster assistance programs (ELAP, LIP, and TAP). Also, benefits from crop insurance premium subsidies and indemnity payments on loss claims are not subject to any limits. Finally, any payments made under the Emergency Watershed Protection Program (EWP) are not subject to payment limits.

- **Title I (Subtitle B) MAL program.** Benefits under the MAL program include loan deficiency payments (LDP), marketing loan gains (MLG), and gains under forfeiture or commodity certificate exchanges. Traditionally, MAL benefits in the form of LDPs and MLGs have been subject to payment limits, whereas MAL benefits derived from forfeiting to the CCC the quantity of a commodity pledged as collateral for a marketing assistance loan, or from use of commodity certificates to repay a marketing assistance loan, have traditionally been excluded from payment limits. However, the 2018 farm bill (§1703(a)(2)) excluded all MAL benefits from payment limits.
- **Title I (Subtitle C) sugar program.** The U.S. sugar program does not rely on direct payments from USDA and generally operates with no federal budget outlays.[85] Instead, the sugar program provides indirect price support to producers of sugar beets and sugarcane and direct price guarantees to the processors of both crops in the form of a marketing assistance loan at statutorily fixed prices.[86] Congress has directed USDA to administer the U.S. sugar program at no budgetary cost to the federal government by limiting the amount of sugar supplied for food use in the U.S. market, thus indirectly supporting market prices. This indirect subsidy is implicit and not subject to budgetary restrictions. Furthermore, there is no citizenship requirement for a sugar processor, but the sugarcane and sugar beets being processed under the U.S. sugar program price guarantees must be of U.S. origin.

[85] For more information, see CRS Report R43998, *U.S. Sugar Program Fundamentals*.

[86] Both sugar and dairy producers receive additional indirect price support in the form of tariff-rate quota (TRQ) protection from imports. However, TRQ-related indirect support is not considered in this discussion because TRQs are not based on policy set in the farm bill.

- **Title I (Subtitle D) dairy program.** The margin-based dairy support program was first established under the 2014 farm bill (§§1401-1431) without payment limits as the Margin Protection Program (MPP) for dairy.[87] The MPP was revised and renamed as the Dairy Margin Coverage (DMC) program by the 2018 farm bill. Under the DMC, participants benefit from two potential types of support: an implicit premium subsidy and an indemnity-like payment made when program price triggers are met. The fees or premiums charged for participating in the DMC are set in statute rather than being set annually based on historical data and market conditions. Thus, the subsidy is implicit to the premium paid with no limit on the level of participation. Similarly, any payments made under the DMC are not subject to payment limits.
- **Title I (Subtitle E) disaster assistance programs: ELAP, LIP, and TAP**. Payments under three of the disaster assistance programs in Title I of the 2018 farm bill are excluded from any payment limits. This includes ELAP, LIP, and TAP.[88]
- **Title II conservation programs.** Total payments under certain conservation programs are limited to the value or cost of the specific conservation measure that the program is paying for rather than a fixed dollar limit. Under the Agricultural Conservation Easement Program and the EWP program, payments are limited to a portion of the total cost of the easement or project rather than a dollar amount. In the case of the Regional Conservation Partnership Program (RCPP), USDA may make payments to producers in an amount necessary to achieve the purposes of the program with no statutory limit on the total amount.
- **Title XI crop- and livestock-related insurance premium subsidies and indemnity payments.** The principal support provided for farmers under the federal crop insurance program are federal premium subsidies for both catastrophic and buy-up insurance coverage.[89] Premium subsidies are not subject to any limit on the level of participation or underlying value. Crop insurance indemnities are payments made to cover insurable losses and thus are not subject to any payment limit. To be eligible to purchase catastrophic risk protection coverage, the producer must be a "person" as defined by USDA, be eligible to purchase any other plan of insurance (such as buy-up coverage, among others), and be at least 18 years of age and have a bona fide insurable interest in a crop as an owner-operator, landlord, tenant, or sharecropper.

Death of a Principal Operator

A noteworthy exception to payment limits may occur if the principal operator should die during the crop year. In particular, payments received directly or indirectly by a qualifying person (i.e., someone who meets AEF, AGI, and any other eligibility requirements) may exceed the applicable

[87] See CRS Report R43465, *Dairy Provisions in the 2014 Farm Bill (P.L. 113-79)*.

[88] See footnote 66 for a narrative of when these limits were removed. For more information on the disaster assistance programs, see CRS Report RS21212, *Agricultural Disaster Assistance*.

[89] USDA's Risk Management Agency pays for a portion of the premium cost to purchase crop insurance coverage. This subsidy has averaged $6.4 billion per year from 2011 to 2018. Premiums are charged on a per-acre basis and rise with the value of the insured crop. As a result, larger farmers receive greater premium subsidy support than do smaller farmers. However, Congress has refrained from imposing any payment limits on the premium subsidy out of concern that such a limit would discourage participation. For more information, see CRS Report R43758, *Farm Safety Net Programs: Background and Issues*.

limitation if all of the following apply: ownership interest in farmland or agricultural commodities was transferred because of death, the new owner is the successor to the previous owner's contract, and the new owner meets all other eligibility requirements. This provision also applies to an ownership interest in a legal entity received by inheritance if the legal entity was the owner of the land enrolled in an annual or multiyear farm program contract or agreement at the time of the shareholder's death.

The new owner cannot exceed the payment amount that the previous owner was entitled to receive under the applicable program contracts at the time of death. However, the new payment limit associated with this transfer would be in addition to the payment limit of the person's own farm operation. If the new owner meets all program and payment eligibility requirements, this provision applies for one program year for ARC and PLC. This reflects the idea that individual resources were committed by both farming operations (the deceased's and the inheritor's) during the growing season with no expectation of death and that individual payment limits should reflect that resource commitment and not impose an unnecessary and unexpected burden on the inheritor.

Issues for Congress

Limitations on farm program payments raise a number of issues that have led to debate among farm policymakers and agricultural stakeholders and may continue to be of interest to Congress as it considers issues of equity and efficiency in farm programs.

Payment Limits and Market Signals

Theoretically, market prices—based on relative supply and demand conditions under competitive market conditions[90]—provide the most useful signals for allocating scarce resources. In other words, in a situation where no policy support is available, most producers would make production decisions based primarily on market conditions. If these conditions hold, then tighter payment limits (i.e., a smaller role for government support policies and production incentives) would imply that more land would be farmed based on market conditions and less land would be farmed based on policy choices.

Supporters of payment limits use both economic and political arguments to justify tighter limits.[91] Economically, they contend that large payments facilitate consolidation of farms into larger units, raise the price of land, and put smaller, family-sized farming operations and beginning farmers at a disadvantage. Even though tighter limits would not redistribute benefits to smaller farms, they contend that tighter limits could help indirectly by reducing incentives to expand, thus potentially reducing upward price pressure on land markets. This could help small and beginning farmers buy and rent land. Politically, they believe that large payments are costly and undermine public support for farm subsidies. In the past, newspapers have published stories critical of farm payments and how they are distributed to large farms, non-farmers, or landowners.[92] Limits

[90] Competitive market conditions include transparent, easily accessible knowledge of market conditions by all participants; no barriers to entry or exit; relatively homogeneous goods; a large number of market participants, all of which behave rationally and are price takers; no externalities; and the absence of intrusive government regulation. Paul Krugman and Robin Wells, *Microeconomics*, 2nd ed. (New York: Worth Publishers, 2009).

[91] For example, see National Sustainable Agriculture Coalition, "2014 Farm Bill Drilldown: Subsidy Reform and Fair Competition," February 14, 2014, http://sustainableagriculture.net/blog/farm-bill-subsidy-reform/.

[92] For example, see the *Washington Post* series "Harvesting Cash," published in 2006, at http://www.washingtonpost.com/wp-srv/nation/interactives/farmaid/.

increasingly tend to appeal to urban lawmakers and have advocates among smaller farms and social interest groups.

Critics of payment limits (and thus supporters of higher limits or no limits) counter that all farms are in need of support, especially when market prices decline, and that larger farms should not be penalized for the economies of size and efficiencies they have achieved. They say that farm payments help U.S. agriculture compete in global markets and that income testing is at odds with federal farm policies directed toward improving U.S. agriculture and its competitiveness.

In addition to these concerns, this section briefly reviews other selected payment limit issues and eligibility requirements.

Distributional Impacts on Farm Size

The majority of farm payments go to a small share of large operators. According to USDA's 2017 Agricultural Census, farms with market revenue equal to or greater than $250,000 accounted for 12% of farm households but produced 90% of the value of total U.S. agricultural production and received 62% of federal farm program payments.

Selecting a particular dollar value as a limit on annual government support payments involves a fundamental choice about who should benefit from farm program payments. This has important, but complex, policy implications. For example, numerous academic studies have shown that government payments are usually capitalized into cropland values, thus raising rental rates and land prices. Higher land values disfavor beginning and small farmers, who generally have limited access to capital. As a result, proponents of tighter payment limits contend that there is a lack of equity and fairness under the current system of farm program payments that appears to favor large operations over small and that payment limits are really about farm size.

In contrast, supporters of the current system argue that larger farms tend to be more efficient operators and that altering the system in favor of smaller operators may create inefficiencies and reduce U.S. competitiveness in international markets. Furthermore, they contend that tightening payment limits will have different effects across crops, thus resulting in uneven and potentially harmful regional effects.

Potential Crop and Regional Effects of Tighter Payment Limits

Tighter payment limits do not affect all crops and regions equally. As limits are tightened, they will likely first impact those crops with higher per-unit and per-acre production value. Among the major U.S. program crops, higher valued crops include rice, peanuts, and cotton, all of which tend to be produced in the Southeast, the Mississippi Delta, and western states.[93]

Furthermore, payment limits may influence local economic activity. In particular, payment limits are likely to have a larger economic impact in regions where agricultural production accounts for a larger share of economic output—that is in rural, agriculture-based counties—and where there may be fewer opportunities for diversification to offset any payment-limit-induced reduction in agricultural incomes.

[93] Food and Agricultural Policy Research Institute, *Stricter Payment Limits*, June 17, 2003; and *Stricter Payment Limits: Additional Information*, June 24, 2003.

Separate Payment Limit for Peanuts

Under current law, peanuts have a separate program payment limit—a consequence of the 2002 federal quota buyout (P.L. 107-171, §1603).[94] This separate payment limit affords peanut production an advantage over production of other program crops that are subject to combined payments for ARC and PLC under a single limit. As a result of this feature, a farmer who grows multiple program crops including peanuts has essentially two different program payment limits:

1. $125,000 per person for an aggregation of ARC and PLC program payments made to all program crops other than peanuts, and
2. $125,000 per person for ARC and PLC program payments made exclusively to peanuts.

Thus, under an extreme scenario involving large payments for both peanuts and other program crops, this could potentially double a peanut farmer's payment limits to as much as $250,000.

No Payment Limit on MAL Benefits

The 2018 farm bill (§1703) excluded MAL benefits from any payment limit while also raising the MAL rates for several program crops (§1202), including barley, corn, grain sorghum, oats, extra-long-staple cotton, rice, soybeans, dry peas, lentils, and small and large chickpeas.

Raising MAL rates has two potential program effects. First, since MAL rates function as floor prices for eligible loan commodities, higher rates increase the potential for greater USDA outlays under MAL. Second, MAL rates are used to establish the floor price in calculating the maximum payment under PLC. Thus, raising the loan rate for a program commodity lowers its potential PLC program payment rate.

The absence of a limit on benefits received under the MAL program creates the potential for unlimited, fully coupled USDA farm support outlays. As a result, an apparent equity issue emerges when comparing program benefits of a producer facing a hard cap for ARC and PLC payments as compared to a producer with access to MAL benefits.

Because MAL payments are fully coupled—that is, tied to the production of a specific crop—MAL program outlays count directly against U.S. amber box spending limits under World Trade Organization (WTO) commitments.[95] To the extent that such program outlays might induce surplus production and depress market prices, they could result in potential challenges under the WTO's dispute settlement mechanism.[96]

Policy Design Considerations

When eligibility requirements or payment limits are changed, economically rational producers are likely to alter their behavior to make adjustments to optimize net revenue under the new set of policy and market circumstances. For example, new eligibility requirements or tighter payment limits may result in

[94] For details, see CRS Report R44156, *U.S. Peanut Program and Issues*; and Eric Dohlman et al., "The Post-Buyout Experience: Peanut and Tobacco Sectors Adapt to Policy Reform," ERS, November 2009.

[95] According to WTO classifications, amber box programs are the most market-distorting type of programs and thus are subject to strict aggregate annual spending limits. The United States has committed to an annual spending limit of $19.1 billion for amber box outlays. For more information, see CRS Report R45305, *Agriculture in the WTO: Rules and Limits on U.S. Domestic Support*.

[96] See CRS Report R43817, *2014 Farm Bill Provisions and WTO Compliance*.

- a reorganization of the farm operation to increase the number of eligible persons or to lower the income that counts against a new AGI limit or the farm program payments that count against a smaller payment limit;
- a change in the crop and program choices or marketing practices, for example, to take advantage of the absence of a payment limit on MAL benefits;
- a change in crop choices, as agronomic and marketing opportunities allow, to favor a crop with an expanded limit (e.g., peanuts) over crops with more restricted program payment opportunities; or
- a change in land use, such as instead of farming the same acreage, renting out or selling some land to farmers who have not reached their payment limits.

Payment limits applied per unit or per base acre represent an alternative to per-person payment limits that may mitigate some potential distortions to producer behavior. An example of such a per-unit payment limit is the 85% payment reduction factor applied to base acres[97] receiving payments under either the PLC or ARC programs. The reduction factor is applied equally across all program payments irrespective of crop choice, farm size, AGI, or total value of payments.

AGI Limit Concerns: On- versus Off-Farm Income

The 2018 farm bill retained the $900,000 AGI limit established under the 2014 farm bill. This AGI limit applies to all farm income whether earned on the farm or off.[98] Under the 2008 farm bill, the AGI limit was divided into two components: a $500,000 AGI limit for farm-earned income and a $750,000 AGI cap on nonfarm-earned income.

Analysis by USDA published in 2016 found that fewer farms are affected by the single AGI cap ($900,000) compared with the multiple farm ($500,000) and nonfarm ($750,000) AGI caps of the 2008 farm bill.[99] Thus, it is likely that consolidating the separate AGI farm and nonfarm limits into a single AGI limit with a higher bound has restored eligibility for farm program payments to some farm operations that had previously been disqualified. Other exemptions from the AGI limit include state and local governments and agencies, federally recognized Indian tribes, and waivers under RCPP.

The 2014 farm bill shifted the farm safety net focus away from traditional revenue support programs and toward crop insurance programs, which are not subject to the AGI cap. The 2018 farm bill maintains this emphasis on crop insurance as the foundational farm safety net program. During the eight-year period of 2011-2018, federal crop insurance premium subsidies averaged $6.4 billion annually as compared to $7.6 billion under traditional revenue support programs.[100] Extending the AGI cap to crop insurance subsidies was considered during both the 2014 and 2018 farm bill debates. However, concerns were raised that the elimination of subsidies for higher-

[97] See footnote 16 for a description of base acres.

[98] As noted in **Table A-2**, an exception to this AGI rule has been made for both the 2018 and 2019 MFP payments if at least 75% of AGI originates from farm, ranch, or forestry-related activities.

[99] Ron Durst and Robert Williams, "Farm Bill Income Cap for Program Payment Eligibility Affects Few Farms," *Amber Waves*, August 1, 2016. The authors found that, while federal income tax data are not available for the $900,000 cap level, from published data from 2013—a year of record-high farm income—about 0.7% of all farm sole proprietors and share rent landlords reported total AGI in excess of $1 million.

[100] Crop insurance premium subsidies are from USDA, RMA, Summary of Business data; revenue support programs include ARC, PLC, MPP, MAL, agricultural disaster assistance, and miscellaneous programs from USDA, ERS, farm income database.

income participants could affect overall participation in crop insurance and damage the soundness of the entire program. According to USDA estimates, in most years less than 0.5% of farms and less than 1% of premiums would be affected by the $900,000 income cap on farm program payments if it were extended to crop insurance subsidies.[101]

[101] Durst and Williams, "Farm Bill Income Cap."

Appendix A. Supplementary Tables

Table A-1. U.S. Farm Program Eligibility Requirements and Payment Limitations

Program Payment Type	AEF[a]	U.S. Citizen[b]	AGI Limit	Conservation Compliance	Payment Limit	
Commodity Programs						
Combined PLC and ARC payments (all except peanuts)[c]	X	—	X	X	$125,000 per CY per person	
PLC and ARC payments for peanuts	X	—	X	X	$125,000 per CY per person for peanuts	
Benefits under the MAL program[d]	X	—	X	X	Unlimited	
Cotton Ginning Cost-Share Program[e]	X	—	X	X	$40,000 per CY per person	
Dairy Margin Coverage Program	—	—	—	X	Unlimited	
Sugar Program (implicit price support benefits)[f]	—	—	—	—	Unlimited	
MFP					**2018 MFP**	**2019 MFP**
Non-specialty crops[g]	X	—	X[h]	X	$125,000 per person	$250,000 per person
Hogs and dairy	X	—	X	X	$125,000 per person	$250,000 per person
Specialty crops[i]	X	—	X	X	$125,000 per person	$250,000 per person
Aggregate payment limit across all MFP commodity groups					$375,000 per person	$500,000 per person
Coronavirus Food Assistance Programs						
CFAP-1	—[j]	—	X	X	$250,000 per person; for corporate entities, $250,000 per shareholder contributing 400+ hours, up to 3 shareholders or $750,000.	
CFAP-2	—[j]	—	X	X	$250,000 per person; for corporate entities, $250,000 per shareholder contributing 400+ hours, up to 3 shareholders or $750,000.	
Disaster Assistance Programs						
Livestock Forage Disaster Program	—	X	X	X	$125,000 per CY per person	
Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish	—	X	X	X	Unlimited	
Livestock Indemnity Program	—	X	X	X	Unlimited	
Tree Assistance Program	—	X	X	X	Unlimited	

Program Payment Type	AEF[a]	U.S. Citizen[b]	AGI Limit	Conservation Compliance	Payment Limit
NAP: Catastrophic	—	X	X	X	$125,000 per CY per person
NAP: Additional Coverage	—	X	X	X	$300,000 per CY per person
2017 Wildfires and Hurricanes Indemnity Program (2017 WHIP)	—	X	—[k]	X	$900,000 per person (based on income)[n]
Wildfires and Hurricanes Indemnity Program Plus (WHIP+)	—	X	—	X	$500,000 per person (based on income)
On-Farm Storage Loss Program	X	—	X	X	$125,000 per loss year per person
Milk Loss Program	—	—	X	X	$125,000 per loss year per person
Landscape Assistance Programs					
Emergency Conservation Program	—	—	X	X	$500,000 per disaster event per person
Emergency Forest Restoration Program	—	—	X	X	$500,000 per disaster event per person
Emergency Watershed Protection Program[l]	—	—	—	X	Based on project amount
Conservation Programs					
Conservation Reserve Program[m]	—	—	X	X	$50,000 total rental and incentive payments per fiscal year per person
Conservation Stewardship Program	—	—	X	X	$200,000 all contracts, FY2019-FY2023, per person
Environmental Quality Incentives Program[n]	—	—	X	X	$450,000 all contracts, FY2019-FY2023, per person
Agricultural Management Assistance	—	—	X	X	$50,000 per fiscal year per person
Agricultural Conservation Easement Program	—	—	X	X	Based on easement value
Regional Conservation Partnership Program	—	—	X[o]	X	Unlimited
Risk Management Programs					
Crop insurance premium subsidies on individual policies	—	—	—	X	Unlimited
Crop insurance indemnity payments[p]	—	—	—	X	Unlimited
Miscellaneous					
Trade Adjustment Assistance for Farmers	X	X	X	—	$12,000 over 36 months per person

Source: Compiled by CRS from various public sources cited in footnotes throughout the text of this report.

Notes: "X" implies the column's requirement must be met to be eligible for a payment under the particular program. "—" implies that it is not a necessary requirement. AEF = actively engaged in farming; AGI = adjusted gross income; ARC = Agricultural Risk Coverage; CY = crop year; MAL = Marketing Assistance Loan; MFP = Market Facilitation Program; NAP = Noninsured Crop Disaster Assistance Program; PLC = Price Loss Coverage.

a. For details on AEF requirements, see CRS Report R44656, *USDA's Actively Engaged in Farming (AEF) Requirement*.

b. U.S. citizenship or resident alien status required, assuming that any AEF requirements are met.

c. Combined payments for all covered commodities except peanuts, which has its own separate payment limit.

d. Potential benefits under the MAL program are available when the repayment rate is below the loan rate. For details, see CRS Report R45730, *Farm Commodity Provisions in the 2018 Farm Bill (P.L. 115-334)*.

e. The Cotton Ginning Cost-Share Program to date has been available only in the 2016 and 2018 program years.

f. The U.S. sugar program provides indirect price supports to the producers of sugar beets and sugarcane through direct price guarantees to the processors of both crops (provided the crops are of U.S. origin) and import restrictions based on tariff rate quota formula and an import limitation and minimum price agreement that applies to sugar from Mexico. USDA is to administer the U.S. sugar program at no budgetary cost to the federal government by limiting the amount of sugar supplied for food use in the U.S. market. Thus, the subsidy provides implicit price support and is not subject to payment limitations.

g. Eligible non-specialty crops include corn, sorghum, soybeans, upland cotton, and wheat under the 2018 MFP program and alfalfa hay, barley, canola, corn, crambe, dried beans, dry peas, extra-long-staple cotton, flaxseed, lentils, long- and medium-grain rice, millet, mustard seed, oats, peanuts, rapeseed, rye, safflower, sesame seed, small and large chickpeas, sorghum, soybeans, sunflower seed, temperate japonica rice, triticale, upland cotton, and wheat under the 2019 MFP program.

h. The enacted FY2019 Supplemental Appropriations for Disaster Relief Act (P.L. 116-20) amended the original USDA calculation for the average AGI for purposes of assessing eligibility for MFP payments. Under the FY2019 supplemental, MFP-relevant AGI criteria include (1) the tax years 2013, 2014, and 2015 are to be used to calculate the average AGI and (2) producers with an average AGI greater than $900,000 may receive MFP payments if at least 75% of their AGI came from farming, ranching, or forestry-related activities.

i. Eligible specialty crops include shelled almonds and fresh sweet cherries under the 2018 MFP program and, under the 2019 MFP program, nuts (almonds, hazelnuts, macadamia nuts, pecans, pistachios, and walnuts), cranberries, ginseng, sweet cherries, and table grapes.

j. Each payment recipient must share in the risk of profit or loss from the farming operation. This requirement is less stringent than normal AEF criteria.

k. Use of AGI for 2017 WHIP and WHIP+ apply to determining the payment limit, not eligibility, and are different between WHIP programs. (1) Combined 2017 WHIP payments (for 2017 and 2018 crop years) may not exceed $125,000 per person if less than 75% of AGI is from farm income or $900,000 per person if more than 75% of AGI is from farm income. Average AGI for 2017 WHIP is calculated based on 2013, 2014, and 2015 tax years. (2) Combined WHIP+ payments (for 2018, 2019, and 2020 crop years) may not exceed $125,000 per person if less than 75% of AGI is from farm income. If more than 75% of AGI is from farm income, then WHIP+ payments are limited to $250,000 per person per year and cumulatively $500,000 in total over the 2018, 2019, and 2020 crop years. Average AGI for WHIP+ is calculated based on 2015, 2016, and 2017 tax years.

l. The conservation compliance requirement applies only to the floodplain easement component of the Emergency Watershed Protection Program.

m. An AGI waiver for select eligible entities is available.

n. Within the general Environmental Quality Incentives Program payment limit, component activities have their own limits: organic production practices are limited to a total of $140,000 between FY2019 and FY2023; incentive contract payments are limited to a total of $200,000 between FY2019 and FY2023; and eligible water management entity payments are limited to a total of $900,000 between FY2019 and FY2023. AGI limits may be waived for eligible water management entities.

o. The chief of NRCS may waive the AGI limitation if it is necessary to fulfill the objectives of the program (7 C.F.R. §1464.2(d)).

p. To receive an indemnity, a person must first acquire a policy that includes a premium subsidy and the associated conservation compliance requirement.

Table A-2. History of Adjusted Gross Income (AGI) Eligibility Limits for Programs

AGI Limit	If AGI Exceeds Limit, Then Ineligible for These Programs
Farm Security and Rural Investment Act of 2002 (2002 farm bill, P.L. 107-171**), §1604**	
$2.5 million for total AGI, unless 75% is farm AGI	Direct payments, countercyclical payments (CCP), marketing assistance loan benefits of marketing loan gains (MLGs) and loan deficiency payments (LDPs),[a] and conservation programs.
Food, Conservation, and Energy Act of 2008 (2008 farm bill, P.L. 110-246**), §1604**[b]	
$500,000 for nonfarm AGI	Direct payments, CCP, average crop revenue election; marketing assistance loan MLGs and LDPs; Milk Income Loss Contract; Noninsured Crop Disaster Assistance Program (NAP); Supplemental Revenue Assistance Payments program; Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP); Livestock Forage Program (LFP); Livestock Indemnity Program (LIP); and Tree Assistance Program (TAP).
$750,000 for farm AGI	Direct payments.
$1 million on nonfarm AGI unless 66.6% of total AGI is farm AGI; may be waived on a case-by-case basis if protecting environmentally sensitive land of special significance.	Conservation programs.
Agricultural Act of 2014 (2014 farm bill, P.L. 113-79**), §1605**	
$900,000 for total AGI[c]. Applied the changes starting with the 2014 crop, fiscal, or program year as appropriate.	Price Loss Coverage, Agriculture Risk Coverage, cotton transition assistance program, marketing assistance loan MLGs and LDPs, NAP, ELAP, LFP, LIP, and TAP, and conservation programs.
Agricultural Improvement Act of 2018 (2018 farm bill, P.L. 115-334**), §1704**	
$900,000 for total AGI[c]; may be waived on a case-by-case basis if protecting environmentally sensitive land of special significance.	Same programs as under the 2014 farm bill.
2019 Supplemental Appropriations for Disaster Relief Act (P.L. 116-20**; §103)**[d]	
$900,000 for average AGI for tax years 2013, 2014, and 2015; may be waived if at least 75% is farm-, ranch-, or forestry-related AGI.	The Market Facilitation Program (MFP) initiated in 2018 by the Secretary of Agriculture using the authority provided under Section 5 of CCC Charter Act of 1948.

AGI Limit	If AGI Exceeds Limit, Then Ineligible for These Programs
2019 Market Facilitation Program (MFP)[e]	
$900,000 for average AGI for tax years 2015, 2016, and 2017; may be waived if at least 75% is farm-, ranch-, or forestry-related AGI.	The 2019 MFP program initiated in 2019 by the Secretary of Agriculture using the authority provided under Section 5 of CCC Charter Act of 1948 (15 U.S.C. 714c).
2020 Coronavirus Food Assistance Programs (CFAP-1 and CFAP-2)[f]	
$900,000 for average AGI for tax years 2016, 2017, and 2018; may be waived if at least 75% is farm-, ranch-, or forestry-related AGI.	CFAP-1 and CFAP-2 programs initiated in 2020 by the Secretary of Agriculture using the authority provided under Section 5 of CCC Charter Act of 1948 (15 U.S.C. 714b and 714c); and Division B, Title I, of the Coronavirus Aid, Relief, and Economic Stability Act (CARES Act; P.L. 116-136).

Source: Compiled by CRS from the legislation listed in the table.

Notes: The reference AGI is based on the average AGI for the previous three years preceding the most recently completed tax year (with the exception of the AGI used for the 2018 MFP program, as noted in the table, and 2017 WHIP and WHIP+ payment limits, which are discussed further in the "Payment Limits" section). Those tax years where the person or legal entity had no taxable income are excluded from the calculation of the AGI average. Not all programs included in this table are discussed in the report. For a discussion of farm programs, see CRS Report R45525, *The 2018 Farm Bill (P.L. 115-334): Summary and Side-by-Side Comparison*. "Conservation programs" refers to all Title II farm bill conservation programs in 2002, 2008, 2014, and 2018 and the Agricultural Management Assistance program in 2008, 2014, and 2018.

a. Two other benefits obtainable under the Marketing Assistance Loan program—that is, gains under commodity certificate exchanges and/or forfeiture—are not covered by the AGI eligibility restriction.

b. Section 1604 of the 2008 farm bill included a provision that allows the AGI of a married couple to be divided as if separate tax returns were filed, thus potentially allowing for a doubling of the AGI limits.

c. Both the 2014 and 2018 farm bills retained the provision that allows the AGI of a married couple to be divided as if separate tax returns are filed, thus potentially allowing for a doubling of the AGI limits.

d. Section 103 amended the MFP-relevant AGI criteria.

e. USDA, "Trade Mitigation Program," 84 *Federal Register* 36456, July 29, 2019.

f. For CFAP-1, see USDA, "Coronavirus Food Assistance Program, Final Rule," 85 *Federal Register* 30825, May 21, 2020. For CFAP-2, see USDA, "Coronavirus Food Assistance Program, Final Rule," 85 *Federal Register* 59380, September 22, 2020.

Table A-3. History of Annual Payment Limits for U.S. Farm Commodity Programs

Act	Payment Limit per Person	Description and Comments
Agricultural Act of 1970 (P.L. 91-524), §101	$55,000 for wheat. $55,000 for feed grains. $55,000 for upland cotton.	Applied to price support payments, set-aside payments, diversion payments, and marketing certificates but not loans or purchases. Separate limits for each crop.
Agricultural and Consumer Protection Act of 1973 (P.L. 93-86), §101	$20,000 for wheat, feed grains, and upland cotton combined.	Applied to deficiency, diversion, and disaster payments but not loans or purchases.
Rice Production Act of 1975 (P.L. 94-214)	$55,000 for rice.	Added when deficiency payments were added for rice.
Food and Agriculture Act of 1977 (P.L. 95-113), §101	$40,000 (1978); $45,000 (1979); $50,000 (1980-1981) for wheat, feed grains, and upland cotton combined. $52,250 (1978); $50,000 (1979-1981) for rice.	Provided transition period as rice payment limit declined from $55,000 (1975) to $50,000 (1979) while the combined limit for other program crops rose from $40,000 (1978) to $50,000 (1980). Applied to deficiency and diversion payments but not disaster or loan payments.
Agriculture and Food Act of 1981 (P.L. 97-98), §1101	$50,000 for wheat, feed grains, upland cotton, and rice combined.	Applied to all program payments except disaster payments and loans or purchases. A separate $100,000 limit applied to disaster payments.
Food Security Act of 1985 (P.L. 99-198), §1001	$50,000 for wheat, feed grains, upland cotton, extra-long-staple cotton, and rice combined.	Applied to all program payments such as deficiency payments, except the new marketing loan program, regular loans. A separate $100,000 limit applied to disaster payments. Required attribution of payments to individuals and entities.
Continuing Appropriations Act for FY1987 (P.L. 99-591), §108(a)(1)	$250,000 combined limit as in the Food Security Act of 1985 but including marketing loan gains (MLGs) and loan deficiency payments (LDPs).	Amended the 1985 farm bill to apply limits to marketing loan gains (MLGs) and loan deficiency payments (LDPs). No limit on Marketing Assistance Loan (MAL) program benefits derived from commodity certificate exchanges or forfeiture of crops under loan.
Omnibus Budget Reconciliation Act of 1987 (P.L. 100-203), §1301 et. seq.	No change to amounts.	Added Actively Engaged in Farming (AEF) provisions to further limit eligibility for payments and three-entity rule, which limited payments to a person via maximum of three entities (including the individual), effectively allowing for a doubling of an individual's payment limit.
Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624), §1111	$75,000 for wheat, feed grains, upland cotton, rice, and oilseeds combined. $200,000 for honey. $200,000 (1991); $175,000 (1992); $150,000 (1993); $125,000 (1994) for wool and mohair.	Applied to all program payments, including deficiency payments, MLGs, and LDPs. No limit on MAL program benefits from commodity certificate exchanges or forfeiture. USDA was given discretionary authority to implement a rule allowing spouses to be considered separate persons if certain requirements were met.
Federal Agriculture Improvement and Reform Act of 1996 (P.L. 104-127), §115	$40,000 for production flexibility contract payments. $75,000 for MLGs and LDPs.	Applied to wheat, feed grains, upland cotton, rice, and oilseeds combined. No limit on MAL program benefits from commodity certificate exchanges or forfeiture.

Act	Payment Limit per Person	Description and Comments
Agriculture Appropriations Act for FY2000 (P.L. 106-78), §813	$150,000 for MLGs and LDPs. No change to limit on PFC payments.	Increased the limit in response to low market prices, which increased program payments.
Farm Security and Rural Investment Act of 2002 (P.L. 107-171), §1603	$40,000 for direct payments. $65,000 for countercyclical payments (CCPs). $75,000 for MLGs and LDPs.	Combined limit for all commodities except peanuts, which have separate but identical limit. MLG and LDP limit for peanuts is combined with wool, mohair, and honey. No limit on MAL program benefits from commodity certificate exchanges or forfeiture. Required USDA to track benefits to individuals and entities. Established Commission on Applications of Payment Limits for Agriculture to conduct study.[a]
Food, Conservation, and Energy Act of 2008 (P.L. 110-246), §1603	$40,000 for direct payments. $65,000 for CCPs and ACRE. No limit on marketing loan program benefits. Disaster payment limit of $125,000 for ELAP, LFP, and LIP combined. Separate disaster payment limit of $125,000 each for TAP and NAP.	Eliminated the three-entity rule. Each limit applies to combined payments for all commodities except peanuts, which have separate but identical limits. Added more precision to AEF and direct attribution to individuals through four levels of ownership. Added special rules for minor children, tenants, and institutional arrangements. Eliminated commodity certificates.[b]
Agricultural Act of 2014 (P.L. 113-79), §1603	$125,000 for PLC, ARC, LDP, and MLG. $40,000 for cotton transition payments in 2014 and 2015 only.	Combined limit for all commodities except peanuts, which have separate but identical limits. Also, no limit on MAL program benefits from forfeiture.
FY2016 Consolidated Appropriations Act (P.L. 114-113), §740	No limit on MAL program benefits under commodity certificate exchanges.	Restored commodity certificates for MAL program.
Bipartisan Budget Act of 2018 (P.L. 115-123), §20101	$125,000 for TAP and LIP is eliminated. $125,000 for combined ELAP and LFP remains.	Applied retroactively to losses incurred on or after January 1, 2017.
Agricultural Improvement Act of 2018 (P.L. 115-334), §1703	$125,000 for combined PLC and ARC. No limit on any MAL program benefits; effective in 2019. No payment limit for ELAP. Separate disaster payment limit of $125,000 each for LFP and NAP remains.	Removed MAL program benefits from inclusion under individual payment limits. They remain subject to AGI criteria. The individual payment limit of $125,000 applies only to combined payments under ARC and PLC programs.
2017 WHIP (83 FR 33795)	$125,000, or $900,000 if over 75% of average AGI was from adjusted gross farm income.[c]	Applied to combined 2017 WHIP payments for crop years 2017 and 2018.
2018 MFP (83 FR 44173)	$125,000 for each category.	Applied to each of three categories of 2018 MFP payments: non-specialty crops, specialty crops, and livestock. See **Table A-1** for details.
2019 MFP (84 FR 36456)	$250,000 for each category, subject to a combined total of $500,000.	Applied to each of three categories of 2019 MFP payments: non-specialty crops, specialty crops, and livestock. See **Table A-1** for details.
Agricultural Disaster Indemnity Programs; WHIP+ (83 FR 48518)	$125,000 for combined crop years, or $250,000 each crop year not to exceed $500,000 combined if over 75% of average AGI was from farm-related income.[d]	Applied to combined WHIP+ payments for crop years 2018, 2019, and 2020.

Act	Payment Limit per Person	Description and Comments
2020 CFAP-1 (85 FR 30825)[e]	$250,000 per person or entity; for corporate entities, $250,000 per shareholder contributing 400+ hours, up to 3 shareholders or $750,000.	Applied to cumulative CFAP-1 payments across all commodities.
2020 CFAP-2 (85 FR 59380)	$250,000 per person or entity; for corporate entities, $250,000 per shareholder contributing 400+ hours, up to 3 shareholders or $750,000.	Applied to cumulative CFAP-2 payments across all commodities.

Source: Compiled by CRS from legislation listed in the notes below and from FSA, "Legislative History of Payment Eligibility and Payment Limitation Provisions," FSA Handbook, *Payment Eligibility, Payment Limitation, and Average Adjusted Gross Income—Agricultural Act of 2014*, as of October 27, 2014.

Notes: ACRE = Average Crop Revenue Election; ARC = Agricultural Risk Coverage; PLC = Price Loss Coverage; MFP = Market Facilitation Program; WHIP = Wildfire and Hurricane Indemnity Program; and CFAP = Coronavirus Food Assistance Program. For a complete list of current payment limits across all farm programs, including disaster assistance, landscape assistance, conservation, and other programs, see **Table A-1**. Excludes discussion of other eligibility requirements such as type of entities and actively engaged in farming. For such information, see CRS Report R44656, *USDA's Actively Engaged in Farming (AEF) Requirement*.

a. The commission released its study as the "Report by the Commission on the Application of Payment Limits for Agriculture," August 2003, published by the USDA Office of the Chief Economist.

b. Commodity certificates received in exchange for MAL program benefits were eliminated at end of the 2009 crop year by the 2008 farm bill (P.L. 110-246, §1607). However, they were reinitiated in the Consolidated Appropriations Act of 2016 (P.L. 114-113, §740), enacted in December 2015, which authorized the CCC to issue commodity certificates to agricultural producers in exchange for crops pledged under marketing assistance loans beginning with the 2015 crop year.

c. The 2017 WHIP payment limit is calculated based on a person's or legal entity's average AGI from adjusted gross farm income in the 2013, 2014, and 2015 tax years. See **Table A-1** for details.

d. The WHIP+ payment limit is calculated based on a person's or legal entity's average AGI from adjusted gross farm income in the 2015, 2016, and 2017 tax years. Limits for subprograms and block grants may vary from WHIP+. See **Table A-1** and **Table 3** for details.

e. As amended by (85 FR 35799) and (85 FR 41328).

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