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Farm Bill Primer: Program Eligibility and Payment Limits

Since 1970, Congress has used varying policies to address the issue of who should be eligible for farm payments and how much should an individual recipient be permitted to receive in a single year. In recent years, congressional debate has focused on (1) ensuring that payments go to persons or entities currently engaged in farming, (2) attributing payments directly to individual recipients, (3) capping the amount of payments that a qualifying recipient may receive in any one year, and (4) excluding from payment eligibility those farmers or farming entities with incomes above a certain level as measured by their adjusted gross income (AGI).

Most recently, the 2014 farm bill (Agricultural Act of 2014, P.L. 113-79) specified eligibility requirements for benefits under current farm programs and annual payment limits that vary across different combinations of farm programs. Federal farm support programs, along with their current eligibility requirements and payment limits, are listed in **Table 1** (for more detail, see CRS Report R44739, *U.S. Farm Program Eligibility and Payment Limits*).

Program Eligibility

Some requirements are common across most programs, while others are specific to individual programs. Current eligibility requirements specific to each program participant but that affect multiple programs include the following:

- identification of every participating person or legal entity—both U.S. and non-U.S.;
- the nature and extent of an individual's participation (i.e., actively engaged in farming criteria), including ownership interests in multi-person entities and personal time commitments (whether as labor or management);
- conservation compliance provisions; and
- means testing based on an AGI threshold.

Is U.S. Citizenship Required?

In general, if a foreign person or legal entity meets a program's eligibility requirements, then they are eligible to participate. One exception is the permanent disaster assistance programs—Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program (ELAP), Livestock Forage Disaster Program (LFP), Livestock Indemnity Program (LIP), Tree Assistance Program (TAP), and the noninsured crop disaster assistance program (NAP)—under which non-resident aliens are excluded.

Actively Engaged in Farming (AEF)

Three categories of legal entities are subject to AEF requirements for program payment eligibility: an individual, a partnership, and a corporation.

Individual. To be considered AEF, an individual must meet three criteria. First, the person makes a significant contribution to the operation of capital, equipment, or land

and is also active though personal labor and/or personal management. Second, the person's share of profits or losses is commensurate with their contribution to the operation. Third, the person shares in the risk of loss from the farming operation. If a married person meets the AEF requirements, any spouse will also be considered to have met the requirements, thus effectively doubling the individual payment limit. Another exception to AEF requirements is made for landowners provided they receive income based on the farm's operating results.

Partnership. Under a partnership, each member must individually meet all program requirements, including AEF and AGI requirements. Each qualifying member is potentially eligible for payments up to the individual limit.

Corporation. A corporation is treated as a single person for purposes of determining eligibility and payment limits, provided that it meets the AEF and other eligibility criteria. Thus, a corporation is subject to a single payment limit.

Conservation Compliance

To be eligible for most farm program benefits, a producer agrees to maintain a minimum level of conservation on highly erodible land and not to convert or make production possible on wetlands. Collectively, these two provisions are referred to as conservation compliance (see CRS Report R42459, *Conservation Compliance and U.S. Farm Policy*).

Adjusted Gross Income (AGI) Threshold

Persons with combined farm and nonfarm AGI in excess of \$900,000 are ineligible for most program benefits. AGI is measured from the previous three tax years, excluding the most recent taxable year.

Direct Attribution and Payment Limits

The process of tracking payments to an individual through various levels of ownership in single or multi-person legal entities—referred to as direct attribution—is critical for assessing an individual's cumulative payments against their annual payment limit. Current law requires direct attribution through four levels of ownership in multi-person legal entities (see **Table 1** for specific payment limits).

Issues for Congress

Eligibility requirements and payment limits strongly influence what size and type of farms are supported. Congress has debated what annual payment limit amount is optimal and whether the limit should be specific to each program or cumulative across all programs. Furthermore, program eligibility requirements and payment limits generate 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 payments are at stake (see CRS Report R44914, *Farm Safety-Net Payments Under the 2014 Farm Bill: Comparison by Program Crop*).

Table I. Farm Program Eligibility Requirements and Payment Limitations Under the 2014 Farm Bill

Farm Program Type	AEF	U.S. Citizen ^a	AGI Limit	Conservation Compliance	Payment Limit
Commodity Programs					
PLC, ARC, LDP, and MLG payments (all commodities combined, except peanuts)	Y	N	Y	Y	\$125,000 per CY
PLC, ARC, LDP, and MLG payments for peanuts	Y	N	Y	Y	\$125,000 per CY
MLGs with commodity certificates or forfeiture	Y	N	Y	Y	Unlimited
Cotton Transition Assistance Program (CTAP)	N	N	Y	Y	\$50,000 per CY
Sugar Program (implicit price support benefits)	N	N	N	N	Unlimited
Dairy Margin Protection Program (MPP) payments	N	N	N	Y	Unlimited
Disaster Assistance Programs					
ELAP, LFP, and LIP (all three programs combined)	N	Y	Y	Y	\$125,000 per CY
Tree Assistance Program (TAP)	N	Y	Y	Y	\$125,000 per CY
Noninsured Crop Disaster Assistance Program (NAP)	N	Y	Y	Y	\$125,000 per CY
Crop Insurance Programs					
Premium subsidies and indemnity payments	N	N	N	Y	Unlimited
Conservation Programs					
Conservation Reserve Program (total rental payments)	N	N	Y	Y	\$50,000 per FY
Conservation Stewardship Program (CSP)	N	N	Y	Y	\$200,000 ^b
Environmental Quality Incentives Program (EQIP)	N	N	Y	Y	\$450,000 ^b
Agricultural Management Assistance (AMA)	N	N	Y	Y	\$50,000 per CY
Agricultural Conservation Easement Program (ACEP)	N	N	Y	Y	Based on easement value
Regional Conservation Partnership Program (RCPP)	N	N	Y	Y	Subject to limitations of EQIP, CSP, & ACEP
Landscape Assistance Programs					
Emergency Conservation Program (ECP)	N	N	Y	Y	\$200,000 per disaster
Emergency Forest Restoration Program (EFRP)	N	N	Y	Y	\$500,000 per disaster
Emergency Watershed Protection Program (EWPP)	N	N	N	Y	Unlimited
Miscellaneous					
Trade Adjustment Assistance for Farmers (TAAF)	Y	Y	Y	N	\$10,000 per CY

Source: Compiled by CRS from various sources. For details, see CRS Report R44739, *U.S. Farm Program Eligibility and Payment Limits*.

Notes: Y implies that this is a necessary requirement for payment eligibility, N implies that it is not a necessary requirement. AEF = Actively Engaged in Farming criteria, AGI = Adjusted Gross Income limit, CY = crop year, FY = fiscal year, PLC = Price Loss Coverage, ARC = Agricultural Risk Coverage, LDP = Loan Deficiency Payment, and MLG = Marketing Loan Gain.

- a. U.S. citizenship or resident alien status required, assuming that any AEF requirements are met.
- b. All contracts combined for the entire period of FY2014-FY2018.

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