USDA FACT SHEET

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FACTS ABOUT USDA'S PROPOSED ADJUSTED GROSS INCOME LIMIT

How Adjusted Gross Income Differs From Gross Income:
Adjusted Gross Income (AGI) is very different from gross income in that farm expenses and depreciation are subtracted from the total. Other deductions include the cost of self-employed health insurance, one-half of the self-employment tax and contributions to retirement accounts. In total, the Schedule F form (farm proprietor tax form) contains 25 different categories of expenses that are deducted prior to the calculation of AGI. The Schedule F form also has six blank lines for farmers to deduct "Other Expenses." All of these are subtracted from gross income when calculating AGI.

The Administration's Proposed Changes to the AGI Limit:
The Administration's farm bill proposal recommends lowering the AGI limit to $200,000. If a producer has an average AGI that equals or exceeds $200,000 for three tax years, that individual would not be eligible for commodity payments the following year. The proposed AGI limit would not include or impact conservation payments.

The Administration's farm bill proposal also recommends repealing a provision of current law that waives the AGI limit if 75 percent or more of the AGI is derived from farming, ranching or forestry activities.

Facts About the Number of People with an AGI of $200,000 or More:
Internal Revenue Service (IRS) data for 2004, the most recent data available, indicates that only 2.3 percent of all American tax filers have an AGI of $200,000 or more.

IRS data for 2004 also indicates there were 38,000 tax filers who had an AGI of $200,000 or more and received farm program payments. These 38,000 tax filers received 4.9 percent of all farm program payments or approximately $400 million.

The 38,000 tax filers who had an AGI of $200,000 or more and received farm program payments in 2004 includes both Schedule F filers and Form 4835 filers. Schedule F is filed by farm proprietors. Of all Schedule F filers, only 1.2 percent, or 25,000, had an AGI of $200,000 or more and received farm program payments.

Form 4835 is used by tax filers who don't materially participate in running a farm to report farm rental income or expenses. Of all Form 4835 filers, only 2 percent, or 13,000, had an AGI of $200,000 or more and received farm program payments in 2004.

Because the Administration's proposal is based on a three year average of AGI, the number of tax filers affected may vary from the number of tax filers with an AGI of $200,000 or more in any single reporting year.

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