

as amended. Subtitles B and C of title XII of the Act are classified generally to subchapters II (§3811 et seq.) and III (§3821 et seq.), respectively, of chapter 58 of Title 16, Conservation. For complete classification of this Act to the Code, see Short Title of 1985 Amendment note set out under section 1281 of this title and Tables.

This subchapter, referred to in subsec. (c), was in the original "this subtitle", meaning subtitle B (§§111-118) of title I of Pub. L. 104-127, Apr. 4, 1996, 110 Stat. 898, which enacted this subchapter and amended sections 1308, 1308-1, and 1308-3 of this title. For complete classification of subtitle B to the Code, see Tables.

Sections 101B, 103B, 105B, and 107B of the Agricultural Act of 1949, referred to in subsec. (d)(1), were classified to sections 1441-2, 1444-2, 1444f, and 1445b-3a, respectively, of this title prior to repeal by section 7301(b)(2)(A)-(D) of this title.

VIOLATION OF CONTRACT; DENIAL OF FUNDS FOR  
SALARIES

Pub. L. 104-180, title VII, §726, Aug. 6, 1996, 110 Stat. 1600, provided that: "None of the funds made available in this Act [see Tables for classification] may be used to pay the salaries of employees of the Department of Agriculture who make payments pursuant to a production flexibility contract entered into under section 111 of the Federal Agriculture Improvement and Reform Act of 1996 (Public Law 104-127; 7 U.S.C. 7211) when it is made known to the Federal official having authority to obligate or expend such funds that the land covered by that production flexibility contract is not being used for the production of an agricultural commodity or is not devoted to a conserving use, unless it is also made known to that Federal official that the lack of agricultural production or the lack of a conserving use is a consequence of drought, flood, or other natural disaster."

## § 7212. Elements of contracts

### (a) Time for contracting

#### (1) Commencement

To the extent practicable, the Secretary shall commence entering into contracts not later than 45 days after April 4, 1996.

#### (2) Deadline

Except as provided in paragraph (3), the Secretary may not enter into a contract after August 1, 1996.

### (3) Conservation reserve lands

#### (A) In general

At the beginning of each fiscal year, the Secretary shall allow an eligible owner or producer on a farm covered by a conservation reserve contract entered into under section 3831 of title 16 that terminates after the date specified in paragraph (2) to enter into or expand a production flexibility contract to cover the contract acreage of the farm that was subject to the former conservation reserve contract.

#### (B) Amount

Contract payments made for contract acreage under this paragraph shall be made at the rate and amount applicable to the annual contract payment level for the applicable crop. For the fiscal year in which the conservation reserve contract is terminated, the owner or producer subject to the production flexibility contract may elect to receive either contract payments or a prorated payment under the conservation reserve contract, but not both.

### (b) Duration of contract

#### (1) Beginning date

The term of a contract shall begin with—

(A) the 1996 crop of a contract commodity;

or

(B) in the case of acreage that was subject to a conservation reserve contract described in subsection (a)(3), the date the production flexibility contract was entered into or expanded to cover the acreage.

#### (2) Ending date

The term of a contract shall extend through the 2002 crop, unless earlier terminated by the owner or producer.

### (c) Estimation of contract payments

At the time the Secretary enters into a contract, the Secretary shall provide an estimate of the minimum contract payments anticipated to be made during at least the first fiscal year for which contract payments will be made.

### (d) Time for payment

#### (1) In general

An annual contract payment shall be made not later than September 30 of each of fiscal years 1996 through 2002.

#### (2) Advance payments

##### (A) Fiscal year 1996

At the option of the owner or producer, 50 percent of the contract payment for fiscal year 1996 shall be made not later than 30 days after the date on which the contract is entered into and approved by the Secretary and the owner or producer.

##### (B) Subsequent fiscal years

At the option of the owner or producer for fiscal year 1997 and each subsequent fiscal year, 50 percent of the annual contract payment shall be made on December 15 or January 15 of the fiscal year. The owner or producer may change the date selected under this subparagraph for a subsequent fiscal year by providing advance notice to the Secretary.

#### (3) Special rule

Notwithstanding the requirements for making an annual contract payment specified in paragraphs (1) and (2), at the option of the owner or producer, the Secretary shall pay the full amount (or such portion as the owner or producer may specify) of the contract payment required to be paid for any of fiscal years 1999 through 2002 at such time or times during that fiscal year as the owner or producer may specify.

(Pub. L. 104-127, title I, §112, Apr. 4, 1996, 110 Stat. 899; Pub. L. 105-228, §2, Aug. 12, 1998, 112 Stat. 1516; Pub. L. 106-78, title VIII, §811, Oct. 22, 1999, 113 Stat. 1181.)

AMENDMENTS

1999—Subsec. (d)(3). Pub. L. 106-78, in par. heading, struck out "for fiscal year 1999" after "rule" and, in text, substituted "any of fiscal years 1999 through 2002" for "fiscal year 1999".

1998—Subsec. (d)(3). Pub. L. 105-228 added par. (3).

PRODUCTION FLEXIBILITY CONTRACT PAYMENTS

Pub. L. 106-170, title V, §525, Dec. 17, 1999, 113 Stat. 1928, as amended by Pub. L. 107-147, title IV, §417(24)(A),

Mar. 9, 2002, 116 Stat. 57, provided that: “Any option to accelerate the receipt of any payment under a production flexibility contract which is payable under the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7201 et seq.), as in effect on the date of the enactment of this Act [Dec. 17, 1999], shall be disregarded in determining the taxable year for which such payment is properly includible in gross income for purposes of the Internal Revenue Code of 1986 [26 U.S.C. 1 et seq.]”

Pub. L. 105-277, div. J, title II, §2012, Oct. 21, 1998, 112 Stat. 2681-902, provided that:

“(a) IN GENERAL.—The options under paragraphs (2) and (3) of section 112(d) of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7212(d)(2) and (3)), as in effect on the date of the enactment of this Act [Oct. 21, 1998], shall be disregarded in determining the taxable year for which any payment under a production flexibility contract under subtitle B of title I of such Act [7 U.S.C. 7211 et seq.] (as so in effect) is properly includible in gross income for purposes of the Internal Revenue Code of 1986 [26 U.S.C. 1 et seq.]”

“(b) EFFECTIVE DATE.—Subsection (a) shall apply to taxable years ending after December 31, 1995.”

### § 7213. Amounts available for contract payments

#### (a) Fiscal year amounts

The Secretary shall, to the maximum extent practicable, expend the following amounts to satisfy the obligations of the Secretary under all contracts:

- (1) For fiscal year 1996, \$5,570,000,000.
- (2) For fiscal year 1997, \$5,385,000,000.
- (3) For fiscal year 1998, \$5,800,000,000.
- (4) For fiscal year 1999, \$5,603,000,000.
- (5) For fiscal year 2000, \$5,130,000,000.
- (6) For fiscal year 2001, \$4,130,000,000.
- (7) For fiscal year 2002, \$4,008,000,000.

#### (b) Allocation

The amount made available for a fiscal year under subsection (a) shall be allocated as follows:

- (1) For wheat, 26.26 percent.
- (2) For corn, 46.22 percent.
- (3) For grain sorghum, 5.11 percent.
- (4) For barley, 2.16 percent.
- (5) For oats, 0.15 percent.
- (6) For upland cotton, 11.63 percent.
- (7) For rice, 8.47 percent.

#### (c) Adjustment

The Secretary shall adjust the amounts allocated for each contract commodity under subsection (b) for a particular fiscal year by—

- (1) adding an amount equal to the sum of all repayments of deficiency payments required under section 114(a)(2) of the Agricultural Act of 1949 (7 U.S.C. 1445j(a)(2)) for the commodity;
- (2) adding an amount equal to the sum of all refunds of contract payments received during the preceding fiscal year under section 7216 of this title for the commodity; and
- (3) subtracting an amount equal to the amount, if any, necessary during that fiscal year to satisfy payment requirements for the commodity under sections 103B, 105B, or 107B of the Agricultural Act of 1949 for the 1994 and 1995 crop years.

#### (d) Additional rice allocation

In addition to the adjustments required under subsection (c), the amount allocated under subsection (b) for rice contract payments shall be

increased by \$8,500,000 for each of fiscal years 1997 through 2002.

#### (e) Exclusion of certain amounts from contract payments

Any amount added pursuant to paragraphs (1) and (2) of subsection (c) to the amount available under subsection (a) for a fiscal year and paid to owners and producers under a contract shall not be treated as a contract payment for purposes of section 7215 of this title or section 1308(1)<sup>1</sup> of this title. However, the amount of a payment covered by this subsection may not exceed \$50,000 per person.

#### (f) Effect of payment limitation

The amount available under subsection (a) for a fiscal year shall be reduced by an amount equal to the total amount of contract payments for the fiscal year that owners and producers forgo as a result of operation of the payment limitation under section 1308(1)<sup>1</sup> of this title.

(Pub. L. 104-127, title I, §113, Apr. 4, 1996, 110 Stat. 900.)

#### REFERENCES IN TEXT

Sections 103B, 105B, and 107B of the Agricultural Act of 1949, referred to in subsec. (c)(3), were classified to sections 1444-2, 1444f, and 1445b-3a, respectively, of this title prior to repeal by section 7301(b)(2)(A)-(D) of this title.

Section 1308(1) of this title, referred to in subsecs. (e), (f), was repealed by Pub. L. 107-171, title I, §1603(a), May 13, 2002, 116 Stat. 213.

### § 7214. Determination of contract payments under contracts

#### (a) Individual payment quantity of contract commodities

For each contract, the payment quantity of a contract commodity for each fiscal year shall be equal to the product of—

- (1) 85 percent of the contract acreage; and
- (2) the farm program payment yield.

#### (b) Annual payment quantity of contract commodities

The payment quantity of each contract commodity covered by all contracts for each fiscal year shall be equal to the sum of the amounts calculated under subsection (a) for each individual contract.

#### (c) Annual payment rate

The payment rate for a contract commodity for each fiscal year shall be equal to—

- (1) the amount made available under section 7213 of this title for the contract commodity for the fiscal year; divided by
- (2) the amount determined under subsection (b) for the fiscal year.

#### (d) Annual payment amount

The amount to be paid under a contract in effect for each fiscal year with respect to all contract commodities covered by the contract shall be equal to the sum of the products of—

- (1) the payment quantity determined under subsection (a) for each of the contract commodities covered by the contract; and

<sup>1</sup> See References in text note below.