

**Editorial Notes****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).

**Statutory Notes and Related Subsidiaries****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.)

**Editorial Notes****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—

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

(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

(2) the corresponding payment rate for the contract commodity in effect under subsection (c).

**(e) Reduction in payment amount**

The contract payment determined under subsection (d) for an owner or producer for a fiscal year shall be immediately reduced by the amount of any repayment of deficiency payments that is required under section 114(a)(2) of the Agricultural Act of 1949 (7 U.S.C. 1445j(a)(2)) and is not repaid as of the date the contract payment is determined. The Secretary shall be required to collect the required repayment, or any claim based on the required repayment, as soon as the contract payment is determined.

**(f) Assignment of contract payments**

The provisions of section 590h(g) of title 16 (relating to assignment of payments) shall apply to contract payments under this section. The owner or producer making the assignment, or the assignee, shall provide the Secretary with notice, in such manner as the Secretary may require in the contract, of any assignment made under this subsection.

**(g) Sharing of contract payments**

The Secretary shall provide for the sharing of contract payments among the owners and producers subject to the contract on a fair and equitable basis.

(Pub. L. 104-127, title I, §114, Apr. 4, 1996, 110 Stat. 901.)

**§ 7215. Applicability of payment limitations**

Sections 1308 through 1308-3 of this title shall be applicable to contract payments made under this subchapter.

(Pub. L. 104-127, title I, §115(a), Apr. 4, 1996, 110 Stat. 902.)

**§ 7216. Violations of contract**

**(a) Termination of contract for violation**

Except as provided in subsection (b), if an owner or producer subject to a contract violates a requirement of the contract specified in section 7211(a) of this title, the Secretary shall terminate the contract with respect to the owner or producer on each farm in which the owner or producer has an interest. On the termination, the owner or producer shall forfeit all rights to receive future contract payments on each farm in which the owner or producer has an interest and shall refund to the Secretary all contract payments received by the owner or producer

during the period of the violation, together with interest on the contract payments as determined by the Secretary.

**(b) Refund or adjustment**

If the Secretary determines that a violation does not warrant termination of the contract under subsection (a), the Secretary may require the owner or producer subject to the contract—

(1) to refund to the Secretary that part of the contract payments received by the owner or producer during the period of the violation, together with interest on the contract payments as determined by the Secretary; or

(2) to accept a reduction in the amount of future contract payments that is proportionate to the severity of the violation, as determined by the Secretary.

**(c) Foreclosure**

**(1) Effect of foreclosure**

An owner or producer subject to a contract may not be required to make repayments to the Secretary of amounts received under the contract if the contract acreage has been foreclosed on and the Secretary determines that forgiving the repayments is appropriate to provide fair and equitable treatment.

**(2) Resumption of operation**

This subsection shall not void the responsibilities of the owner or producer under the contract if the owner or producer continues or resumes operation, or control, of the contract acreage. On the resumption of operation or control over the contract acreage by the owner or producer, the provisions of the contract in effect on the date of the foreclosure shall apply.

**(d) Review**

A determination of the Secretary under this section shall be considered to be an adverse decision for purposes of the availability of administrative review of the determination.

(Pub. L. 104-127, title I, §116, Apr. 4, 1996, 110 Stat. 903.)

**§ 7217. Transfer or change of interest in lands subject to contract**

**(a) Termination**

Except as provided in subsection (c), a transfer of (or change in) the interest of an owner or producer subject to a contract in the contract acreage covered by the contract shall result in the termination of the contract with respect to the acreage, unless the transferee or owner of the acreage agrees to assume all obligations under the contract. The termination shall be effective on the date of the transfer or change.

**(b) Modification**

At the request of the transferee or owner, the Secretary may modify the contract if the modifications are consistent with the objectives of this subchapter, as determined by the Secretary.

**(c) Exception**

If an owner or producer who is entitled to a contract payment dies, becomes incompetent, or is otherwise unable to receive the contract payment, the Secretary shall make the payment, in