

Section 37: Type of Organization



United States Department of Agriculture
National Agricultural Statistics Service



Why Section 37?

- The downfall of missing data in the late 70s and 80s also gave an early look at how farms were changing.
- The traditional “one farm, one farmer, and one household” concept was inadequate for describing the modern farm sector.



Section 37 Uses?

- Changing farm structure affects the distribution of benefits from farm programs, and the specific elements of farm program design can affect farm structure.
- The legal organization of a farm determines how its income is taxed. ERS is called on to examine changes to the tax code and potential impact on farm businesses.
- Defense/Context: agriculture opponents and “corporate farms”



The Family Farm Question

- *This question determines whether a farm is classified as a family farm*

SECTION 37 TYPE OF ORGANIZATION

1. In 2022, was more than 50 percent of this operation owned by one of the producers of this operation, their household, or extended family?

Select “yes” if more than 50% of the assets of this operation are owned by any of the producers, members of his/her household, and/or other persons related to him/her by blood, marriage, or adoption, including relatives not residing in your household. Consider only farm or ranch assets owned – not rented or leased – by this operation, and exclude the assets held by non-family landlords and contractors.

1249

1 Yes

3 No



Family Farm Question –Considerations

- Family farm: the majority of the business is owned by a producer (aka operator) and individuals related to the producer by blood, marriage, or adoption, including relatives who do not live in the producer household.
- Family farms account for 98% of farms.
- Example of Non-Family owned: Some large hog farms are owned by a single family that owns multiple farms and relies on hired managers to operate the farms. These would not be classified as family farms unless the hired managers were also part of the family that owns the farms.
(However, the contractees of these large operations may be family farms)



Quick Test

- Bill owns 49 percent of the farm and his cousin owns 51 percent. Is it a family operation?
- What if Bill owns 50 percent and his partner-an old friend from high school-owns the other 50 percent?



Ownership

- **Question 2: The number of owners**
 - Based on ASSETS owned by the farm business
 - These cannot be landlords, Contractors or lenders
- **Question 2a: percent of ownership held by principal producer's household**
 - Used to convert farm assets and debt measures to household values
 - Household assets, debt, and net worth



Legal Organizational Structure

3. Was this operation organized as a Limited Liability Company (LLC) under State law?
 1202 1 Yes 3 No

4. In 2022, what was this operation's legal status for tax purposes (*select only one*)?
 1240 1 Family or individual operation (*Exclude partnerships and corporations.*)
 2 Legal partnership operation (*Include family partnerships.*)
 ➔ a. Is this partnership registered under State law? 1204 1 Yes 3 No
 ➔ b. How many partners are there in this operation? 1232

Number

3 C-Corporation
 4 S-Corporation
 5 Other (*Include estates, trusts, cooperatives, grazing associations, etc.*)

6. Is this operation a C-Corporation or an LLC that chose to file as a C-Corporation in 2022?
 1226 1 Yes - Continue 3 No - Go to item 7

a. How much did the principal producer and his/her household receive in corporate dividends from this farming operation in 2022? (*If your operation is an LLC that elected to file for tax purposes as a C-Corporation, consider this as income here.*) [Skip Item 7 and proceed to Section 38.] 0975

Dollars
\$.00



Common Errors

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1249 1 Yes 3 No

2. In 2022, how many people owned this operation? (**Exclude** landlords, contractors, and lending institutions holding farm debt. **Include** the principal producer if he/she has an ownership interest.) 1246

Number
2

- a. What percent of the ownership interest did the principal producer and his/her household hold? (**Exclude** relatives not living in his/her household.) 1248

Percent
100 %



Common Errors

5. In 2022, did any households, other than the principal producer's household, share in the net farm income of this business? *(Sharing can occur by receiving a share of profits/losses or, if incorporated, receiving corporate dividends.)*

1225 1 **Yes** - Continue 3 **No** - Go to item 6

a. How many other households shared in the net income of the farm business? 0976

Number

6. Is this operation a C-Corporation or an LLC that chose to file as a C-Corporation in 2022?

1226 1 **Yes** - Continue 3 **No** - Go to item 7

a. How much did the principal producer and his/her household receive in corporate dividends from this farming operation in 2022? *(If your operation is an LLC that elected to file for tax purposes as a C-Corporation, consider this as income here.) [Skip Item 7 and proceed to Section 38.]* 0975

Dollars
\$.00

7. What percent of net income (whether profit or loss) were the principal producer and his/her household entitled to receive from this farming operation in 2022? *(If the operation is an LLC that elected to report income for tax purposes as a pass-through, consider this as income here.)* 0974

Percent
50 %



Thank You!



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