Agriculture and Agri-Food Canada   Agriculture et Agroalimentaire Canada

Net Income Stabilization Account

NISA
NET INCOME STABILIZATION ACCOUNT

Program Handbook

A Policy and Administrative Guide for NISA Participants

2002

Stabilization Year

British Columbia · Government of Saskatchewan · Manitoba · Ontario · Québec · New Brunswick Nouveau Brunswick · Nova Scotia · Prince Edward Island · Government of Newfoundland and Labrador · Canada

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For Information in English...

Contact the NISA Administration toll-free at **1-800-665-6472**,
or visit our website at: **www.agr.gc.ca/nisa**

You can also write to the NISA Administration at the following address:

NISA Administration
P.O. Box 6100
Winnipeg, MB R3C 4N3

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Pour obtenir des renseignements en français...

composez le **1-800-665-2776 (CSRN)**
ou visitez notre site web au: **www.agr.gc.ca/csrn**

Vous pouvez également écrire à l'Administration du CSRN à l'adresse suivante:

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PLEASE READ THIS FIRST

As a participant of the NISA Program, please be aware that you are responsible for:

- meeting the requirements of the Program even if you are using the services of a third party;
- filing by Program deadlines when submitting applications, Deposit/Withdrawal Options Notices (DWON) responses and when making deposits, even if your account is "on hold" as a result of an audit. An application, withdrawal request, or deposit incorrectly completed or mishandled by a third party remains your responsibility; and
- maintaining all books and records to support your account information. This information must be retained for the same length of time as books and records maintained under Section 230 and Regulation 5800 of the *Income Tax Act*.

Mark these dates on your calendar

June 15, 2003	Application Deadline for **individuals** (including Special Individuals, Status Indians, and trusts)
June 30, 2003	Application Deadline for **corporations, cooperatives** and **communal organizations**
December 31, 2003	Final Application Deadline (with reduction in maximum deposit entitlements) Deposit / Withdrawal Deadline Deadline to request an Adjusted Stabilization Trigger

Important: The printing date of this edition of the NISA Handbook is May 2003.
Program changes made after this date are not reflected.

Agriculture and Agri-Food Canada
Farm Financial Programs Branch
Farm Income Programs Directorate
May 2003

Our Declaration of Quality Service

Dear Producer:

We are pleased to provide you with the latest edition of the NISA Handbook. This Handbook was developed and designed for you, as a participant of the Net Income Stabilization Account (NISA) Program, to help you understand the policies which govern the administration of the program.

At the NISA Administration, we are committed to delivering quality service by the most cost effective means. We respect your needs and strive to ensure your satisfaction. Based on feedback from participants, we have developed the following service standards:

We will make every reasonable effort to:

- process your application and send you a Deposit/Withdrawal Options Notice (DWON) within 60 days of receiving your properly completed application;
- process your DWON withdrawal requests within 30 days of receiving the request;
- respond to your telephone inquiries within 2 days and to your faxed or written inquiries within 15 days of receiving them;
- provide you with an Annual Account Statement by February 28 each year;
- continue to provide you with accurate and understandable information concerning your account and the NISA Program.

Note: Our failure to meet these commitments will not result in any basis for a claim.

Should you have any comments or suggestions for improvements to the NISA Handbook, or any area of service, please write to us at the following address:

Farm Income Programs Directorate
Program Analysis & Promotion
P.O. Box 6100
Winnipeg, Manitoba R3C 4N3

NISA Administration Staff

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Part 1 - The NISA program

1.1 Program Overview

Authorized by the Farm Income Protection Act (FIPA) and established under the Federal-Provincial Agreement, the Net Income Stabilization Account (NISA) Program is designed to help you achieve long-term income stability on your farm. The NISA Program allows you to deposit money annually into your individual NISA account and receive matching contributions from the federal and participating provincial governments. By allowing your account to build, you can withdraw funds in lower income years.

NISA is designed to stabilize the income of agricultural producers, regardless of the commodities they produce. In this way, we refer to the NISA Program as whole-farm. Generally, all primary agricultural commodities except those covered by supply management are covered by NISA.

Your NISA account has two components. The portion of your NISA account which holds your deposits is referred to as Fund 1 and is held in a participating financial institution of your choice. The Fund 2 portion of your NISA account, which is held in Canada's Consolidated Revenue Fund, holds the government matching contributions and all interest earned on both Fund 1 and Fund 2.

Fund 1	Fund 2
YOUR MATCHABLE DEPOSITS plus YOUR NON-MATCHABLE DEPOSITS	GOVERNMENT MATCHING CONTRIBUTIONS plus All INTEREST EARNED ON FUNDS 1 AND 2
• Fund 1 is held at a participating financial institution of your choice. • Deposits earn interest at a rate established by the financial institution. • All your deposits earn a 3% interest bonus. (All interest earned is transferred to Fund 2) • Withdrawals from Fund 1 are not taxable. • Withdrawals from Fund 1 are made only if Fund 2 has been depleted.	• Fund 2 is held in Canada's Consolidated Revenue Fund (CRF). • Fund 2 earns interest at a rate equal to 90% of the previous month's average three-month Treasury Bill rate. • Withdrawals from Fund 2 are taxable when withdrawn and must be reported as investment income for income tax purposes. • Withdrawals are taken from Fund 2 first.

Withdrawals are taken from Fund 2 first. Once Fund 2 has been depleted, the balance of your withdrawal request is drawn from Fund 1 to the extent that funds are available.

With NISA, you can annually deposit up to 3% of your Eligible Net Sales (ENS) into your NISA account and receive matching government contributions. ENS are the gross sales of qualifying commodities minus purchases of qualifying commodities. The maximum ENS limit for an individual is $250,000. You can also deposit an additional 20% of your Eligible Net Sales into your account. Although these deposits are not matched by governments, they still earn the 3% interest bonus over and above regular interest rates offered by your financial institution. Your account balance is limited to 1.5 times your average ENS in the most recent five years.

Example:

If you have $50,000 in Eligible Net Sales (ENS) and deposit $1,500 into your NISA account, the federal and provincial governments will together match this with $1,500. If the competitive interest rate is 4%, a total of 7% will be earned on this initial deposit (4% by your financial institution + 3% interest bonus).

Part 2 - Participating in NISA

2.1 Who is Eligible

Individuals *(including each participating member of a partnership)* must complete Form T1163 Statement A - NISA Account Information and Statement of Farming Activities for Individuals.

To be eligible to participate in NISA, you must:

- file a Canadian income tax return reporting farming business income (or loss); or
- meet the eligibility criteria for participating through an entity such as a corporation, cooperative, or communal organization which files a Canadian income tax return reporting farming business income/loss (see Entities, 2.1.5, page 8); and
- open a NISA account at a participating financial institution of your choice by the Deposit/Withdrawal Options Notice (DWON) deadline.

Note: Former federal public servants who are not in compliance with the Conflict of Interest and Post-Employment Code for the Public Service are not eligible to receive NISA benefits and should not apply to the Program.

2.1.1 Individuals

To participate in NISA as an individual (sole proprietor), you must complete Form T1163, Statement A - NISA Account Information and Statement of Farming Activities for Individuals found in the *Farming Income and NISA Joint Forms and Guide package.*

2.1.2 Landlords

Rental income from crop share is eligible only if the income received by the landlord results from sharing both price and yield risks with the tenant. If you are a landlord (sole proprietor) receiving rental income on a crop share basis, you can participate as an individual by completing Form T1163, Statement A - NISA Account Information and Statement of Farming Activities for Individuals found in the *Farming Income and NISA Joint Forms and Guide package*. If you are a landlord (entity) receiving rental income on a crop share basis, you can participate by completing a Corporate/Cooperative Statement A (available from NISA).

Crop share rental income received by a landlord entity, such as a corporation, cooperative or communal organization, is eligible to the extent of the entity's Eligible Net Sales limit and providing the entity eligibility criteria are met.

2.1.3 Status Indians

Status Indians farming on reserves who do not file a tax return should complete the *Special Individual* application.

Status Indians farming on reserves who do not file a tax return may also participate by completing the *Special - Individual application* available from NISA, and should disregard any references to Canada Customs and Revenue Agency or income tax in this Handbook. All source documents that may be required under the Income Tax Act, such as sales invoices, purchase vouchers, bank records, ledgers and journals, must be retained.

2.1.4 Partnerships

Partnerships:
Each participating member of the partnership must hold a separate NISA account and must submit Form T1163.

Each individual member of a partnership (sole proprietor) must submit Form T1163, *Statement A - NISA Account Information and Statement of Farming Activities for Individuals* found in the Farming Income and NISA Joint Forms and Guide package reporting 100% of the partnership's income and expenses.

Corporate/Cooperative partners must submit a Corporate/ Cooperative Statement A (available from NISA).

2.1.5 Entities

A farming business entity, such as a corporation, cooperative, or communal organization, holds a NISA account on behalf of its shareholders or members. An entity's annual Eligible Net Sales (ENS) limit is based on allocations from its eligible shareholders or members.

Corporations, cooperatives and communal organizations must complete the *Corporation/Co-operative* application.

To be able to allocate ENS, shareholders in a corporation must actively participate in the corporation's day-to-day farming operations and hold at least 10% of the corporation's outstanding common shares (voting and non-voting).

Where another entity, such as a holding company, is a shareholder, the qualifying individual shareholders of the holding company must trace their percentage of common shares through the holding company to the farming corporation.

Members of a cooperative organization must actively participate in the cooperative's day-to-day farming operations. A member may hold less than 10% of the members' equity of the cooperative.

A communal organization holds an account on behalf of its members who actively participate in the organization's day-to-day farming operations.

Trusts must complete the NISA Special Individual application.

2.1.6 Trusts

Trusts are treated as Individuals for NISA purposes, with an Eligible Net Sales limit of $250,000 and a minimum income threshold of $20,000. To participate in NISA, trusts must complete the Special - Individual application available from NISA.

2.2 Program Participation

To participate in NISA, you must annually submit a NISA application and open a NISA account at a financial institution by the deadline.

MISSING YOUR DWON?
If you have not received your DWON after 60 days from the day you mailed your application, contact the NISA Administration.

2.2.1 Steps in the Participation Process

Step 1: Complete and submit an annual application by the application deadline (see *Application Deadlines, 2.4.1*, page 16). Applications are available from the Canada Customs and Revenue Agency or NISA.

Step 2: NISA will calculate your benefits based on the financial information reported on your application and send you a Deposit/Withdrawal Options Notice (DWON) explaining the amounts you are entitled to deposit or withdraw.

Step 3: If you are a new or rejoining participant, you must open a NISA account at a participating financial institution by the DWON deadline date even if you are not planning on making a deposit. If you do not open a NISA account at a financial institution by the DWON deadline date, you will not be considered a NISA participant and will not be entitled to Program benefits (see *Opening a Financial Institution Account, 2.2.2*, page 10).

Step 4: Make a deposit and/or request a withdrawal by the DWON deadline date. All deposits must be made to your NISA account held in a participating financial institution by the DWON deadline date (see *Deposit/ Withdrawal Deadline, 2.4.2*, page 17, and *Making a Deposit, 3.1.3*, page 19).

To deem a deposit and/or request a withdrawal, you must complete and submit Part 2 of the DWON to NISA by the deadline date (see *Deposit/Withdrawal Deadline*, 2.4.2, page 17, *Deeming a Deposit*, 3.1.4, page 19, and *Requesting a Withdrawal*, 3.2.1, page 22).

Step 5: NISA will process your account and send you a *Confirmation Notice* or *Annual Account Statement* confirming your account transactions.

Missing the deposit / withdrawal deadline will result in a loss of benefits. See p.17, *2.4.2 Deposit/ Withdrawal Deadline.*

You must open a Fund 1 NISA account at a participating financial institution by the DWON deadline to be entitled to benefits, including deemed deposits and withdrawals.

2.2.2 Opening a Financial Institution Account

You must open a Fund 1 NISA account at a participating financial institution of your choice by the Deposit/Withdrawal Options Notice (DWON) deadline date to participate in the NISA Program and to be entitled to Program benefits. Without a Fund 1 account, you cannot make a deposit, deem a deposit or make a withdrawal. Participating financial institutions include most of the major chartered banks, credit unions and caisses populaires. For a list of participating financial institutions, see *Appendix A - Participating Financial Institutions*, page 40.

To open a Fund 1 account, simply visit one of the many participating financial institutions and complete a NISA Account Application before your DWON deadline date. Your financial institution will forward this application to NISA. All deposits made to your account are reported monthly by the financial institution to NISA. All withdrawals from your Fund 1 account must be authorized by NISA.

While you have until your DWON deadline date to open an account and exercise an account option, NISA recommends that you do so prior to your deadline date to ensure your account is activated and your deposit (if applicable) is posted on time.

Note: Financial institutions are responsible for the timely and accurate processing of deposits and withdrawals from your NISA account and are responsible for any lost benefits resulting from their errors. However, they are not responsible for providing you with Program information. If you have any questions on the NISA Program, including how to make a deposit or complete your Deposit / Withdrawal Options Notice (DWON) response, contact NISA directly.

If you decide to incorporate your individual farming operation, you must open a new NISA account at a participating financial institution for the corporation. (See *Transferring an Individual Account to a Corporation, 3.5.3*, page 31)

If you continue operating an individual operation in addition to the corporation, you can maintain two NISA accounts (one for each operation).

2.2.3 Transferring Your Account to Another Financial Institution

To transfer your account from one financial institution to another, contact the financial institution where you want your account to be moved and complete a *NISA Account Application*. Your new financial institution will request the transfer through NISA, who will authorize your previous financial institution to close your NISA account and move the funds to the new institution. Any service fees that your financial institution may charge you for transferring your account may not be withdrawn from your NISA account.

2.2.4 Rejoining the NISA Program

If you **voluntarily opted out** of the NISA Program, you may rejoin after not participating for one stabilization year if you open a new Fund 1 account at a participating financial institution and redeposit all funds which were paid to you as a result of opting out (see Example 1 below and *Opening A Financial Institution Account, 2.2.2*, page 10). Otherwise, you must wait two consecutive years before rejoining (see Example 2 below).

Example 1: If 2000 was the last stabilization year in which you submitted an application and your account was closed during the 2001 stabilization year upon written request, you can rejoin NISA in the 2002 stabilization year after having missed at least one year of participation, providing that you redeposit all funds which were withdrawn as a result of opting out.

Example 2: If 1999 was the last stabilization year in which you submitted an application and your account was closed during the 2000 stabilization year, you are eligible to rejoin NISA in the 2002 stabilization year after not participating for two consecutive years (i.e. 2000 and 2001).

If your account was closed as a result of a **mandatory opt out** (see *Mandatory Opt Out*, 3.6.2, page 33), you must miss two years of participation before you are eligible to rejoin the Program (this includes the one year missed before having your account closed). For example, if you missed filing an application for 2000 and you did not submit a 2001 application by the full entitlement deadline (June 15 for Individuals, June 30 for Entities), you would be eligible to rejoin the Program for the 2002 stabilization year.

2.2.5 Administrative Cost Share (ACS)

All NISA participants pay an Administrative Cost Share (ACS) to help cover their share of NISA's administrative costs. The annual cost to maintain your account is $55.00 per account and is charged for as long as the account is open (even if you do not submit an annual NISA application). Corporations, cooperatives and communal organizations also pay an additional $10.00 for each participating shareholder/member. The ACS is automatically deducted from your account. The ACS is a deductible expense for tax purposes.

2.2.6 Annual Account Statement and AGR-1

You will receive an annual Account Statement in February showing your deposits, matching government contributions, interest earned, withdrawals, Fund 1 and Fund 2 balances, adjustments, taxable amounts and your total account balance.

Agriculture and Agri-Food Canada will issue an *AGR-1 Supplementary - Statement of Farm Support Payments* tax information slip in February for taxable benefits over $100.00.

2.2.7 Keeping Your Records

Keep copies of the following information which may be required to complete a more detailed review of your account after the initial processing of your NISA application:

- for individuals, a copy of your NISA application;
- for entities, a copy of the NISA application and related documents, including the Statement of Farming Activities submitted to Canada Customs and Revenue Agency; and all income and expense records required by Canada Customs and Revenue Agency.

2.3 Completing the application

Application Deadlines

June 15, 2003
Individuals

June 30, 2003
Entities

Dec. 31, 2003
Final Deadline with reduction in deposit entitlements

Deposit / Withdrawal Deadline

December 31, 2003 or 60 days following DWON issue date, whichever is later.

2.3.1 Income

The income on your application is separated into qualifying and non-qualifying commodity sales and program payments, as well as income generated from other farming activities, such as agricultural contract work, machine rentals, etc. for two reasons:

- to determine the Eligible Net Sales used to calculate your maximum deposit entitlements (both matchable and non-matchable). For that, qualifying sales must be separated from non-qualifying sales.
- to calculate your current year Gross Margin in order to determine your Stabilization Trigger. For that, we need to calculate the net sales of all your agricultural commodities.

2.3.2 Expenses

The expenses on your application are broken down into three categories for the following reasons:

- **Commodity Purchases and Repayment of Program Benefits** are deducted from your gross commodity sales to determine your net sales of both qualifying and non-qualifying commodities. These calculations are required to determine your Eligible Net Sales and your Gross Margin.
- **Eligible Expenses** are the operating or input expenses used to produce your agricultural commodities. Eligible expenses are deducted from the net sales of all your agricultural commodities to determine your Gross Margin. Examples include salaries and wages, containers, twine, fertilizers, crop insurance premiums, pesticides, etc.
- **Non-Eligible Expenses** include interest and capital-related expenses such as machinery lease payments, land clearing, interest, property taxes and rent. These expenses are excluded from the Gross Margin calculation so that withdrawals are not triggered by increases in interest costs and capital cost allowance resulting from capital purchases.

For a complete list of eligible and non-eligible expenses, refer to the NISA application.

2.3.3 Point of Sale Guidelines

To be recognized as commodity income for NISA purposes, a commodity must meet all of the following conditions:

- it is separate and identifiable from other producers' commodities;
- you produced it on your farm;
- you bear full direct risk for it; and
- you have a separate billing or accounting transaction that clearly shows the commodity sales value and any deductions from that value.

You can report income generated from the use of commodities with commodity sales. For example, you can report income from pollination services with bee sales and stud fees with horse sales. However, income derived from selling commodities that you did not produce on your farm is not eligible for NISA purposes.

Commodity sales can include point of sale adjustments and value added providing they meet the aforementioned criteria. For a list of the most common qualifying point of sale adjustments, see *Appendix B*, page 41.

2.3.4 Inventory Adjustments

Optional and mandatory inventory adjustments reported under cash accounting for income tax purposes are not included in the calculation of net sales or Eligible Net Sales for NISA purposes. However, this information is used in the calculation of the Minimum Income Trigger.

2.3.5 Preferred Method of Accounting

You must use the same method of accounting (cash or accrual) as you would use for income tax purposes. However, if you maintain accrual financial records, prepare accrual financial statements (using Generally Accepted Accounting Principles) and file on the cash basis to Canada Customs and Revenue Agency, you can file to NISA on either the cash or accrual basis. You can change your method of accounting for Program purposes from cash to accrual following notification in writing to NISA. In the stabilization year you change your method of accounting, you will have to adjust the income and expenses reported to NISA by:

- including income and expenses previously recognized on the accrual basis and not yet recognized on the cash basis; and
- excluding income and expenses previously recognized on the cash basis and not yet recognized on the accrual basis.

Once you change your method of accounting from cash to accrual for NISA Program purposes, you must continue to report income and expenses on an accrual basis until the account is closed.

2.3.6 Consequences of Not Submitting an Application

If you miss filing an application for one year by the final filing deadline, you will:

- not be entitled to make a deposit or request a withdrawal for that stabilization year;
- not be entitled to the 3% interest bonus on your account for the year; and
- have your Eligible Net Sales and Gross Margin recorded as “0” for the year. This will reduce your Account Balance Limit and affect the calculation of future withdrawal entitlements (see *Account Balance Limit*, 3.1.9, page 21).

If you miss filing an application for one year and do not complete and submit an application for the following year by the full entitlement deadline (June 15 for individuals; June 30 for entities):

- your account will be closed automatically;
- your account balance (Fund 1 and Fund 2) will be paid out to you in full (see *How Withdrawals are Paid*, 3.2.2, page 22); and
- you will not be able to participate in NISA for two full years. (see *Mandatory Opt Out*, 3.6.2, page 33)

2.4 Deadlines

Applications postmarked after December 31 will not be accepted except where recommended by the Appeals Sub-Committee of the National NISA Committee. (see *Producer Appeals*, 4.4, page 36)

You are responsible for ensuring your application and Deposit/Withdrawal Options Notice (DWON) response are submitted (postmarked) by the deadline and received by NISA. An application or DWON response incorrectly completed or mishandled by a third party remains your responsibility.

NISA recommends you use registered mail, Xpresspost, or a private delivery service that offers proof of mailing to ensure your application and DWON response are received.

If you mail information close to the deadline date, please check with your local postal outlet to confirm collection times to ensure your submission is postmarked by the deadline date. Please note that due to the holiday season, some postal outlets may close early on December 31st. To reduce the risk of missing the deadline, mail your application or DWON response well before the deadline date.

2.4.1 Application Deadlines

June 15, 2003	Full entitlement application deadline for individuals (including trusts, Status Indians, and partners in a partnership).
June 30, 2003	Full entitlement application deadline for corporations, cooperatives and communal organizations.
Dec. 31, 2003	Final filing application deadline for all participants. Applications postmarked after the full entitlement deadline up to and including December 31 will be subject to a 5% per month reduction in deposit entitlements. Final deadline to request an Adjusted Stabilization Trigger.

When the application deadline falls on a Saturday, Sunday or a statutory holiday, applications will be accepted on the next business day.

2.4.2 Deposit/Withdrawal Deadline

Participants making a deposit or requesting a deemed deposit or a withdrawal must do so by December 31, 2003 or the DWON deadline date (sixty days following the DWON issue date), whichever is later (see *Making a Deposit*, 3.1.3, page 19, *Deeming a Deposit*, 3.1.4, page 19, and *Requesting a Withdrawal*, 3.2.1, page 22).

When the deposit/withdrawal deadline falls on a Saturday, Sunday or a statutory holiday, deposits and DWON responses will be accepted on the next business day.

2.4.3 Adjustment Deadline

If you change your address, you must notify both NISA and the Canada Customs and Revenue Agency immediately.

To adjust the financial information previously submitted on a NISA application, you must also adjust the financial information reported to the Canada Customs and Revenue Agency. This will ensure that the change is applied to your NISA account as well as to your income tax return.

For more information on adjusting the information on a current year application or an application from a previous stabilization year, see *Account Adjustments*, 3.4, page 29.

Current Year Adjustment:

- To adjust the information reported on your current year NISA application, complete an *Adjustment Request Form* (available from NISA)
- The deadline to submit an adjustment to a current year application is December 31, 2003 (postmarked) or your DWON deadline, whichever is later. Otherwise the adjustment will be considered a prior year adjustment.

Prior Year Adjustment:

Prior year adjustments are processed to ensure your historical data is correct. However, withdrawal payments will not be issued as a result of a prior year adjustment. Withdrawals are based on the current stabilization year only.

- To adjust the information reported on a prior year application, you must also complete an Adjustment Request Form. The deadline to make adjustments to the financial information on a prior year application is three years from:
    - the mailing date indicated on the notice sent confirming your deposit or withdrawal (e.g., Confirmation Notice); or
    - the date the application was received if it was not possible to determine your deposit or withdrawal options based on the information originally submitted.

Part 3 Managing your NISA account

3.1 Deposits

3.1.1 Eligible Net Sales

Your deposits are based on a percentage of your Eligible Net Sales (ENS). ENS are the net sales of qualifying commodities determined in accordance with the point of sale guidelines outlined on page 41.

For example:

	Gross sales of qualifying commodities	$ 55,000
less	Purchases of qualifying commodities	- $ 5,000
	(Includes seed, plants, livestock purchases)	
equals	**Eligible Net Sales (ENS)**	**$ 50,000**

Individuals are limited to ENS of $250,000 per year. An entity's ENS limit is based on allocations from its eligible shareholders or members to a maximum of $250,000 per shareholder/member.

If you participate in NISA through more than one account, your individual ENS limit may be allocated among the various accounts. To do this, contact NISA in writing specifying how you want your ENS limit divided among your accounts. Otherwise, the entire ENS limit will be allocated to the first application processed.

3.1.2 Matchable and Non-Matchable Deposits

Making large non-matchable deposits may cause your acount to exceed your account balance limit. This could limit your potential for making future matchable deposits and receiving matching government contributions. In addition, it may also result in a mandatory withdrawal from your NISA account. (see *Account Balance Limit*, 3.1.9, page 21)

You can make both matchable and non-matchable deposits to your NISA account based on your Eligible Net Sales (ENS) for the stabilization year.

Matchable Deposit - The base contribution rate allows you to deposit up to 3% of your ENS and receive matching contributions cost-shared by the federal and participating provincial governments. Some provinces may offer enhanced matching contribution rates over and above the base 3% on specified commodities under separate companion programs.

Non-Matchable Deposit - You can make additional deposits of up to 20% of your ENS. Although these deposits are not matched, they still earn the 3% interest bonus. Unused non-matchable deposit entitlements can be carried forward for five years.

3.1.3 Making a Deposit

It is your responsibility to make your NISA deposit at your financial institution by the deadline.

All deposits for the 2002 stabilization year must be made at your financial institution on or before the close of business on December 31, 2003 or your DWON deadline date, whichever is later. Please do not return Part 2 of the DWON to NISA if you are only making a deposit. Your financial institution will report your deposit to NISA.

Deposit cheques mailed to NISA will not be accepted and will be returned to you.

Deposit cheques mailed to NISA will not be accepted and will be returned to you. It is your responsibility to make your NISA deposit at your financial institution by the deadline. Late deposits will not be accepted.

You do not have to wait until you receive your DWON to make a deposit at your financial institution. Your deposit starts earning interest on the date it is credited to your account. The matching government contributions are credited to your Fund 2 on the date the application is received or the date of your deposit, whichever is later.

3.1.4 Deeming a Deposit

Deeming is a feature that allows you to use your withdrawal trigger to make all or part of your matchable deposit. By using all or part of your withdrawal trigger to deem a deposit, you receive matching government contributions without making a cash deposit.

Deemed matchable deposits credited to Fund 2, withdrawn, and transferred to Fund 1 at your financial institution are taxable in the year of the transaction.

If you use your withdrawal trigger to deem a deposit, government contributions are credited to Fund 2 and then withdrawn and transferred to Fund 1 to make the deposit. Money withdrawn from Fund 2 and transferred to Fund 1 to complete the deemed deposit transaction is taxable in the year processed (see *Taxable Income and Your NISA Account*, 3.7, page 34).

If your DWON indicates that you have a withdrawal trigger, you can use your trigger to deem a matchable deposit and receive government contributions.

- If your withdrawal trigger is greater than your matchable deposit, you can deem your entire matchable deposit and withdraw the remaining amount of your trigger up to your account balance.
- If your withdrawal trigger is less than your matchable deposit, you can deem up to the amount of the trigger and deposit the difference at your financial institution.

If you are concerned about the tax consequences of deeming and do not want NISA to automatically deem your deposit, you must notify NISA in writing by December 31.

3.1.5 Automatic Deeming

If you have a withdrawal trigger and do not make your full matchable deposit or respond to your Deposit/Withdrawal Options Notice (DWON) by the deadline, NISA will automatically use your withdrawal trigger to deem your matchable deposit (or part thereof).

3.1.6 Excess Deposits

Deposits received at your financial institution are always applied to your matchable deposit first. The remainder is applied to your non-matchable deposit. If you have deposited more than both your matchable and non-matchable entitlement, the excess will be refunded. The 3% interest bonus is not paid on the excess deposit.

3.1.7 Annual Deposit Limits for Individuals

The maximum amount you can deposit annually into your NISA account is based on your Eligible Net Sales (ENS). Individuals are limited to $250,000 of ENS annually. You will be allocated the full ENS limit unless you allocate part of this limit to another account.

The following example illustrates the maximum deposit based on a participant reporting ENS of $250,000:

Matchable deposit limit - 3% of ENS	$ 7,500
Non-matchable deposit limit - 20% of ENS	$50,000
Total deposits (Fund 1)	**$57,500**
Government Matching Contributions (Fund 2)	$ 7,500
Balance of Fund 1 and Fund 2	**$65,000**

3.1.8 Annual Deposit Limits for Entities

If you participate in NISA through other accounts, your individual Eligible Net Sales (ENS) limit for the stabilization year in question must be allocated among your individual account and any entities (e.g., corporations or cooperatives) through which you participate. An entity's annual ENS limit is based on allocations from its participating shareholders or members. These individuals must allocate their annual $250,000 ENS limit among their own individual accounts and any entities through which they participate.

The upper limit on the amount you can allocate to a corporation or cooperative is determined by calculating your percentage of common shares/membership equity times the entity's qualifying net sales (up to a maximum of $250,000) for the stabilization year in question.

Communal organizations are allowed one multiple of the $250,000 individual annual ENS limit for each member of the organization up to a limit of ten (10) members.

Cooperatives are limited to a maximum eligible net sales of $2.5 million that may be allocated by its members.

Your NISA Account Balance Limit is one and one-half (1.5) times your average Eligible Net Sales (ENS) in the most recent 5-year period.

If you are retiring from farming and will have declining Eligible Net Sales as a result, your account may exceed the Account Balance Limit and/or the amount of your Average Eligible Net Sales which could trigger mandatory withdrawals of funds from your account.

3.1.9 Account Balance Limit

Account balances, which include matchable and non-matchable deposits, government contributions, and earned interest, are limited to one and one-half (1.5) times the average Eligible Net Sales (ENS) in the most recent five-year period ending with the current year (or since the account was opened, if the account has been opened for less than five years).

The following example illustrates the account balance limit of a producer with average ENS of $100,000:

5 year average Eligible Net Sales	$ 100,000
multiplied by 1.5	x 1.5
equals the account balance limit	**$ 150,000**

Once your balance reaches the account balance limit, you will not be permitted to make deposits into your NISA account and, as a result, you will not receive matching government contributions. You will, however, continue to receive interest on funds in the account.

If your account exceeds the limit, the amount by which the limit is exceeded will be paid directly to you (see *How Withdrawals are Paid*, 3.2.2, page 22).

If you have a triggered withdrawal option, and you are not in a mandatory withdrawal position, you are entitled to make a withdrawal from your account which could bring the account balance below the limit. If you are in a mandatory withdrawal position, your triggered withdrawal will automatically be paid to you (see *Account Balance and Average Eligible Net Sales*, 3.1.10, below; and, *Refusing a Withdrawal*, 3.2.8, page 27).

If you are phasing out of the farming sector due to retirement or other reasons and will have declining Eligible Net Sales, your account may exceed the Account Balance limit and/or the amount of your Average Eligible Net Sales which could trigger mandatory withdrawals of monies from your account (see *Retirement*, 3.6.4, page 34).

3.1.10 Account Balance and Average Eligible Net Sales (refusing a withdrawal)

As long as your account balance is less than your average level of Eligible Net Sales (ENS), you can refuse a withdrawal. However, if your account balance exceeds your average level of ENS from your most recent five years (including the current year), you may refuse to withdraw your full withdrawal entitlement only once every five years (see *Refusing a Withdrawal*, 3.2.8, page 27).

3.2 Withdrawals

To deem a deposit or request a withdrawal, you must complete and submit Part 2 of the DWON to NISA by December 31, 2003 (or 60 days following DWON issue date, whichever is later).

3.2.1 Requesting a Withdrawal

If your Deposit/Withdrawal Options Notice (DWON) indicates that you are entitled to make a withdrawal, you can request the amount you want to withdraw (up to the lesser of your maximum withdrawal entitlement or account balance) on the DWON response and return it to NISA postmarked by the deadline date.

You can make more than one withdrawal in a stabilization year:

- If you make a deposit or deem a deposit early in the year, you can still use your remaining trigger to request a withdrawal(s) on or before your DWON deadline. The total of your withdrawals for the year is limited by the amount of the trigger or your account balance, whichever is less.

- If you request a withdrawal, later in the year you can still make or deem a deposit on or before the deadline date on your DWON. However, your deemed deposit plus the total of your withdrawal requests cannot exceed the amount of your trigger.

All withdrawals are issued from Fund 2 first. Amounts withdrawn from Fund 2 are taxable when withdrawn and must be reported as investment income for income tax purposes.

3.2.2 How Withdrawals are Paid

Once your Deposit/Withdrawal Options Notice (DWON) response has been received, NISA will issue a payment or authorize a withdrawal from your financial institution using a Withdrawal Authorization Notice (WAN). Financial institutions are not permitted to make withdrawals from your account without this authorization.

Withdrawals from your NISA account are paid in two steps:

Step 1: All withdrawals are issued from the Fund 2 portion of your account first. The Fund 2 taxable portion is paid by cheque from Canada's Consolidated Revenue Fund directly to you (see *Taxable Income and Your NISA Account*, 3.7, page 34).

Step 2: Withdrawals from Fund 1 are issued after Fund 2 has been depleted. The Fund 1 non-taxable portion is issued by the financial institution upon authorization from NISA.

3.2.3 Withdrawal Calculations

Two methods are used to calculate the maximum withdrawal entitlement for the year:

- the Stabilization Trigger; and
- the Minimum Income Trigger

If a payment is triggered under both the Stabilization and Minimum Income Triggers, the larger amount applies.

3.2.4 Stabilization Trigger

A withdrawal can be triggered from your NISA account when your farm's current year Gross Margin falls below the Gross Margin average from previous years (up to five). The Gross Margin is calculated by taking the net sales of all agricultural commodities, plus resales/rebates for eligible expenses and farming income from contract work and trucking, minus eligible expenses.

For example:

	Net commodity sales	$ 70,000
plus	Agricultural contract work income	9,000
plus	Resales/rebates for eligible expenses	1,000
less	Eligible expenses	- $ 60,000
	Equals Current Year Gross Margin	**$ 20,000**
	Previous Years Gross Margin Average (up to 5 years)	$35,000
less	Current year Gross Margin	- $20,000
	Triggered Withdrawal	**$15,000**

Because the Stabilization Trigger calculation requires at least two years of participation history, the Stabilization Trigger is not available until the second year for participants who have not established a retroactive gross margin history.

NISA participants may retroactively establish a historical gross margin average based on the previous years (up to five) if they have submitted a Canadian income tax return reporting farming income (loss) in the years before the first year of participation or for years that were not filed to NISA. To establish a historical gross margin, contact NISA for a *Retroactive Gross Margin Calculation Worksheet*.

3.2.5 Stabilization Trigger Adjustment for Expanding Operations

The Stabilization Trigger Adjustment for Expanding Operations is available upon request by contacting the NISA Administration.

In some cases, NISA participants who have expanded their farming operation have found they either did not trigger a withdrawal under the existing Stabilization Trigger, or the withdrawal they triggered was insufficient to meet their operational needs. This voluntary Program feature allows producers who have expanded their operation to better reflect their financial circumstances under the Stabilization Trigger.

With the adjusted Stabilization Trigger, participants whose current year eligible expenses exceed their average eligible expenses from previous years (up to five) by at least 15% may request to have their gross margin average increased proportionately.

The following example illustrates how this option would work in the case of a participant who has expanded their farming operation and cannot trigger a withdrawal with the existing Stabilization Trigger.

For the 2002 stabilization year, the participant's Gross Margin is $65,000, eligible expenses are $142,000, and the five-year average Gross Margin is $60,000. The participant's Gross Margins and eligible expenses from the previous five years are outlined in the table below. Although the participant's Gross Margin has dropped significantly in the 2002 stabilization year, the participant is not entitled to a withdrawal under the existing Stabilization Trigger because the current year Gross Margin is still higher than the average Gross Margin from the previous five years. However, this participant would be entitled to a withdrawal based on the trigger adjustment as shown in the following calculations:

	1997	1998	1999	2000	2001	5-year avg.
Gross Margin	$45,000	$50,000	$58,000	$67,000	$80,000	$60,000
Eligible Expenses	$70,000	$80,500	$92,500	$107,000	$123,000	$94,600

The current year eligible expenses exceed the average eligible expenses by 50%:

$142,000 - $94,600	=	$47,400
$47,400 ÷ $94,600	=	0.5 or 50%

The participant's average gross margin is indexed upwards by 50% and becomes $90,000:

50% x $60,000	=	$30,000
$30,000 + $60,000	=	$90,000

The participant would have a withdrawal option of $25,000:

$90,000 - $65,000	=	$25,000

If you qualify for a Stabilization Trigger adjustment, you will receive a message on your Deposit/Withdrawal Options Notice (DWON). This feature is optional and available on request only. You must contact NISA by the DWON deadline date to request an adjustment for each year you wish to exercise this option.

The adjusted gross margin average will not be used in the calculation of future stabilization triggers. In addition, if you are in an interim withdrawal overpayment situation and are also entitled to an adjustment to your stabilization trigger, NISA will use the adjusted trigger to calculate your interim withdrawal overpayment.

3.2.6 Minimum Income Trigger

A withdrawal can be triggered from your NISA account when your net income from all sources falls below a minimum income threshold plus your current year maximum matchable deposit. The minimum income threshold is $20,000 for an individual or $35,000 for a family.

For new participants, only the Minimum Income Trigger is available in the first year of participation since a gross margin history is not available to calculate the Stabilization Trigger. After this, both triggers are in effect.

For example:

	Net income threshold (individual)	$20,000
plus	Current year maximum matchable deposit	+ $ 1,000
less	Net Income (defined below)	- $ 6,000
equals	**Triggered withdrawal**	**$15,000**

The family threshold may be used if:

- your spouse and/or dependants are not participating in NISA for the stabilization year in question; and
- you do not participate in NISA through any other account.

Net income for individuals (including trusts) is the net income after removing the effects of inventory adjustments, plus net federal supplements, social assistance payments and workers' compensation payments that you have received, minus taxable capital gains relating to the foreclosure or forced sales of farmland.

Note: Net income for trusts is the net income prior to income allocations to beneficiaries.

Net income for families is the net income (as defined above) of the participating and non-participating spouse.

3.2.7 Minimum Income Trigger - Entities

If you apply as an entity (i.e., corporation, cooperative, or communal organization), the Minimum Income Trigger is based on the net income of the entity. Net income for entities is the net income after removing the effect of inventory adjustments, minus taxable capital gains relating to the foreclosure or forced sale of farmland.

Net income for corporations and cooperatives is the net income prior to the payment of dividends to shareholders/income allocations to members.

Individuals annually allocate their $20,000 individual minimum income threshold between their individual account and any other accounts through which they participate. The income threshold for entities is based on the allocation to the entity of individual thresholds from participating shareholders/members.

For communal and cooperative organizations, the maximum minimum income threshold that may be allocated to the organization by their members is $200,000.

You can still make deposits when your account balance exceeds your average level of eligible net sales up to your account balance limit.

3.2.8 Refusing a Withdrawal

You can refuse a withdrawal as long as your account balance is less than your average level of Eligible Net Sales (ENS). However, if your account balance exceeds your average level of ENS from your most recent five years (including the current year), you may refuse to withdraw your full withdrawal entitlement only once every five years (see *Account Balance and Average Eligible Net Sales*, 3.1.10, page 21).

A "refusal of a triggered withdrawal" occurs when your account balance has reached your average level of Eligible Net Sales and you do not take your full withdrawal entitlement but, instead, make a deposit, request a partial withdrawal or take no action with regard to your deposit/withdrawal options.

The first year that your account reaches this level and you have a valid trigger, you will receive a message on your Deposit/Withdrawal Options Notice (DWON). If you do not withdraw your full withdrawal entitlement, in a subsequent year in which you trigger a withdrawal and your account remains at or above this level, you will be issued a mandatory withdrawal from your account. This will apply for as long as your account balance is at or above this level.

If you have already refused part or all of a withdrawal and your account still exceeds your five-year average ENS, NISA will use your triggered withdrawal to automatically deem your deposit and pay out any remaining withdrawal entitlements for the year.

3.2.9 Debts Due to the Crown

Debts due to the Crown may be deducted from any monies paid out of your account and applied to the debt. You will be notified of these offsets. Receivables due to the NISA Program, such as the Administrative Cost Share, will be automatically deducted from your account.

3.3 Interest

3.3.1 Interest Sources

Interest accumulating in Fund 2 has three sources:

- interest paid by financial institutions on the deposits they hold;
- interest paid by Canada on monies held in the Consolidated Revenue Fund; and
- the 3% interest bonus.

3.3.2 Interest Rates

Interest rates on Fund 1 deposits held in financial institutions are set by negotiation between the participant and the financial institution. Interest on Fund 2 in the Consolidated Revenue Fund is calculated monthly based on the average monthly balance. The interest rate is set monthly at 90% of the previous month's average three-month Treasury Bill tender rates.

3.3.3 Interest Bonus

Deposits made to your Fund 1 account earn a 3% interest bonus in addition to the interest paid by your financial institution. This interest bonus is jointly funded by the federal and participating provincial governments and is paid in all years in which you submit a completed application reporting Eligible Net Sales. The interest bonus is calculated on the average monthly balance in Fund 1 and is credited annually on December 31.

3.4 Account Adjustments

You must be an active program participant to request an adjustment to the information previously submitted on your applications. Once your account has been closed, the Administration cannot process adjustments to your NISA applications.

3.4 Account Adjustments

The deadline to adjust the information on a current year application is December 31, 2003 or your Deposit/Withdrawal Options Notice (DWON) deadline, whichever is later. Otherwise the adjustment will be considered a prior year adjustment.

The deadline to adjust the information submitted on a prior year application is three years from the mailing date indicated on the notice sent confirming your deposit or withdrawal (e.g. Confirmation Notice) or, the date the application was received if it was not possible to determine your deposit or withdrawal options based on the information originally submitted.

To request an adjustment to the financial information reported on a current year application or a prior year submitted application, complete and submit an *Adjustment Request Form* to NISA by the deadline (see *Adjustment Deadline*, 2.4.3, page 17). Adjustment Request Forms are available from NISA.

Adjustments made to the information reported on your application must be material. If an adjustment results in an increase in your Eligible Net Sales (ENS) and your maximum matchable deposit, you may make an additional matchable deposit only if you initially maximized or made the full matchable deposit by the deadline for the stabilization year. Adjustments initiated by NISA that increase ENS are subject to the same requirement.

If an adjustment results in an increase in your withdrawal trigger, you will have the option of maximizing your deeming option, providing you initially used your entire triggered withdrawal to make your deemed deposit or if you already made your full deposit at your financial institution by the deadline for the stabilization year. Adjustments of this nature must be substantiated with appropriate documentation as specified by NISA.

A payment will not be issued as a result of an increase to a prior year triggered withdrawal. Withdrawal payments from your NISA account are based on the current stabilization year only. Prior year adjustments will be processed to ensure your historical Gross Margin average is correct. These adjustments will flow through to the current stabilization year calculation.

If you have been issued an amended Deposit/Withdrawal Options Notice (DWON) as a result of an account adjustment, you must complete and submit the DWON response (postmarked) to NISA or make any related deposits at your financial institution by the deadline date on the amended DWON.

3.5 Account Transfers

3.5.1 Legal Separation

In the event of divorce or separation, a NISA account may be divided into two individual accounts according to the terms of a formal separation agreement, a voluntary divorce settlement agreement or court ordered or approved divorce settlement. To divide a participant's account, NISA requires a written request and a copy of the separation agreement signed by both parties with the signatures witnessed.

NISA will divide the account proportionately from Fund 1 and Fund 2 based on a percentage or dollar amount stipulated in the separation agreement. The account history will remain in the original account. The resulting accounts are administered according to the established rules.

3.5.2 Estates

Upon the death of a participant, the NISA account may be transferred from the deceased participant to the surviving spouse. To transfer the account, the surviving spouse must open a NISA account at a participating financial institution under his/her name before the mandatory opt out deadline of the Estate account. (see *Opening a Financial Institution Account*, 2.2.2, page 10, *Mandatory Opt Out*, 3.6.2, page 33) The surviving spouse can then continue to participate as if the account had always been his/her own and is subject to all Program rules and eligibility requirements (e.g., report farming income/loss for tax purposes, file an annual NISA application, etc.). If the surviving spouse already has a NISA account, the two accounts will be merged.

To transfer the account to a spouse, the executor/executrix must also submit the following documentation to NISA by the mandatory opt out deadline of the Estate account:

- a written request to transfer the account to the surviving spouse signed by the executor/executrix or administrator, with a statement indicating the last year a NISA application will be submitted for the deceased participant;
- a copy of the probated will or letters of administration/probate; and
- a copy of the death certificate.

3.5.3 Transferring an Individual Account to a Corporation

If you incorporate your farming operation, you can transfer your individual account to the corporation. To do this you must:

- notify NISA in writing of your intention to transfer your individual account to a corporate account before the mandatory opt out deadline for the individual (see *Mandatory Opt Out*, 3.6.2, page 33);
- open an account at a participating financial institution for the corporation by the corporation's Deposit/Withdrawal Options Notice (DWON) deadline date; and
- submit documentation to NISA showing that a legal transfer of the account funds has taken place in accordance with the *Income Tax Act*.

You must also provide one of the following documents:

- a copy of the original contract (or relevant sections) between you and the corporation which identifies the assets being transferred and the related value. The Fund 2 portion of the NISA account must be listed as an asset which was transferred from the individual to the corporation. (This could include a Bill of Sale, or a Shareholder Agreement - the legal document indicating the disposition of the NISA Fund 2 account to the corporation); or,
- a written statement from you which includes the target corporation's Business Number and the transaction date with a signed declaration that you have filed an election under Section 85 of the *Income Tax Act* and that the Fund 2 account was included in this transfer; or,
- a signed and dated copy of a T2057/T2058 which clearly shows that the NISA Fund 2 was included in the Section 85 transaction.

Include with your documentation a written statement which indicates the last year you will submit a NISA application as an individual participant.

3.5.4 Communal Organization Transfers

A communal organization may transfer a portion of its account to a group of its members which is separating from the organization and establishing a separate communal organization. The portion of the account that is transferred is based on the percentage of the commune's equity being transferred to the group.

To transfer a portion of an account from one communal organization to another, NISA requires a written request, signed by a representative from each communal organization.

3.5.5 Other Transfers

The only other transfers permitted are to trusts, and only to the extent that such transfers do not allow the participation rules to be circumvented.

3.6 Closing your NISA account

If you are retiring from farming or wish to close your account for other reasons, you may do so at any time by notifying NISA in writing that you wish to opt out of the Program.

3.6.1 Voluntary Opt Out

You can close your account at any time by notifying NISA in writing that you wish to opt out of the Program. In your letter, you must include the following information:

- your name and address;
- your NISA Participant Identification Number (PIN);
- the current date;
- your signature as the participant (or your designated representative); and
- the manner in which you would like to have your entire account balance paid (in full or in annual instalments paid out over a period of up to five years).

In the case of estate accounts, the executor/executrix must submit the following documentation to NISA:

- a written request to close the account signed by the executor/ executrix or administrator;
- a copy of the probated will or letters of administration/probate; and
- a copy of the death certificate.

Your account will not be closed until you have exercised your current year deposit/withdrawal options unless you indicate that you do not wish to exercise those options and would like your account closed immediately. If you close your account before exercising your current year options, you will not be allowed to exercise those options at a later date.

Once the opt out payments have commenced, the opt out request cannot be reversed.

If you voluntarily close your account, you can have your entire account balance paid out in full or in annual instalments over a period of up to five years. Opt out payments are first issued from the Fund 2 portion of your account which holds the government contributions and interest (see *How Withdrawals are Paid*, 3.2.2, page 22).

If you request that your account be paid out in full, the payment may be deferred for up to six months from the date of your request. If you choose to have your account balance paid out in annual instalments:

- payments may start immediately or in the second year following the last year that you submitted a NISA application;
- annual payments must be at least 20% of your account balance and be for no less than $500.00;
- the entire account balance will be paid out if the balance remaining in your account is $600 or less;
- the Administrative Cost Share will be charged for every year that there is a balance in the account.

Accrued interest will be included from the date of your previous payment. Please note that the 3% bonus interest is not applicable for any year in which you do not submit an application reporting Eligible Net Sales (ENS).

When a NISA account is closed, the financial institution must submit the final interest payment on Fund 1 to NISA. As a result, the time required to process an opt out payment is greater than that of a regular Program withdrawal.

3.6.2 Mandatory Opt Out

If you do not complete and submit the annual NISA application for one year and miss filing the application for the following year by the full entitlement deadline (June 15 for Individuals, June 30 for Entities), your NISA account will be closed automatically.

If your account is closed as a result of a mandatory opt out, the balance of your NISA account (Fund 1 and Fund 2) is paid out to you in full (see *How Withdrawals are Paid*, 3.2.2, page 22) and you must miss two consecutive years of participation before you can rejoin the Program (see *Rejoining the NISA Program*, 2.2.4, page 11).

If you have received an interim withdrawal and do not submit your NISA application for the year to which it relates by the final application deadline (December 31), your NISA account will be closed automatically.

If you do not repay an interim withdrawal overpayment and overpayment charge in full within the 365 day period allowed under the terms and conditions, your account will be closed automatically.

3.6.3 Individuals Leaving Entities

This provision does not apply to communal organizations. Their accounts continue as long as the organization exists (see *Entities*, 2.1.5, page 8).

If you no longer qualify to participate through an entity, your share of the entity's account will be paid out to the entity. The share of the account that is attributable to you is based on your percentage of common shares in the case of a corporation and membership equity in the case of a cooperative for the last year of participation.

If you participate through a corporation, you will be allowed to continue participating through the corporation for three stabilization years even if your percentage of common shares falls below 10%. However, you must continue to hold common shares and actively participate in the day-to-day farming operations of the corporation. If you participate through a cooperative, you may continue to participate for as long as you are a member of the cooperative and continue to meet the active participation criteria.

3.6.4 Retirement

If you are planning to retire from farming, you may wish to explore your account closure options in advance of leaving the farming sector (see *Voluntary Opt Out*, 3.6.1, pages 32 and 33). During the time that you are phasing out of the farming sector, if you have declining Eligible Net Sales, your account may exceed the Account Balance Limit and/or the amount of your Average Eligible Net Sales which could trigger mandatory withdrawals of monies from your account (see Account Balance Limit, 3.1.9, page 21 and Account Balance and Average Eligible Net Sales (refusing a withdrawal), 3.1.10, page 21).

3.7 Taxable Income and your NISA account

Fund 2 withdrawals including money transferred to Fund 1 for a deemed deposit must be reported as **investment income**, not farming income, for tax purposes.

Based on Canada Customs and Revenue Agency tax guidelines:

- Withdrawals, including opt out payments, are first paid from the Fund 2 portion of your account which holds the government contributions and all the interest. Withdrawals from Fund 2 are taxable in the year the cheque is dated. Withdrawals from the Fund 1 portion of your account are not taxable.
- If your withdrawal trigger is used to deem a deposit, the government contribution is first credited to Fund 2, withdrawn and transferred to Fund 1 at your financial institution, and is taxable in the year of the transaction. Note: Deeming is a feature available to you in a lower income year that allows you to use all or part of your withdrawal trigger to deem a deposit and receive government matching contributions without making a cash deposit.
- The annual Administrative Cost Share (ACS) is deducted from Fund 2 and is taxable in the year it is withdrawn. The ACS may be reported as a business expense for tax purposes (see Administrative Cost Share (ACS), 2.2.5, page 12).
- Fund 2 withdrawals must be reported as investment income, not farming income, for tax purposes.
- Agriculture and Agri Food Canada will issue an AGR-1 Supplementary - Statement of Farm Support Payments tax information slip for taxable benefits over $100. Taxable benefits from NISA are also shown on your Confirmation Notice and Annual Account Statement.

Part 4 Program Management

4.1 Audits and Verification

Participant files may be audited on a random basis or selected as considered necessary to verify the accuracy of submitted information. This ensures consistent compliance with Program eligibility requirements.

By completing and submitting a NISA application, you consent to the disclosure of personal information required to administer your account. In doing so, you further consent to allow access to any information by the Minister of Agriculture and Agri-Food and the provincial Ministers of Agriculture for the purposes of audit, analysis, evaluation, program development and calculating and delivering separate program payments subject to the provisions of their respective Privacy Acts.

Audits may require the exchange of information between Agriculture and Agri-Food Canada and Canada Customs and Revenue Agency or the examination and verification of information by other appropriate means. You must maintain all books and records supporting your account information for the same length of time as books and records must be maintained under Section 230 and Regulation 5800 of the *Income Tax Act*.

Please note that providing false information or breaching any of the eligibility conditions may result in a loss of benefits or make you ineligible to hold an account. Any deposits made to Fund 1 may be returned along with earned interest. Any government contributions, interest bonus or other accumulated interest in Fund 2 may be returned to governments. The National NISA Committee reviews these cases and recommends the time period of ineligibility and how the funds are to be dispersed.

IMPORTANT: Participants whose accounts are on hold as a result of an audit must continue to meet Program deadlines for submission of applications, deposits and Deposit/ Withdrawal Options Notice (DWON) responses.

4.2 Privacy

The personal and financial information you provide to NISA will be used only for purposes of processing your NISA application, or as allowed by law (e.g., the *Farm Income Protection Act*, the *Income Tax Act* and the *Financial Administration Act*).

Once your NISA application is submitted, the information on it becomes confidential. Information will only be used as specified on the NISA application or as you instruct.

Personal information is protected under the *Privacy Act* and is stored in the Personal Informational Bank numbers AGR/P-PU-183 and RCT/P-PU-005. Information is protected from disclosure under Section 20 of the *Access to Information Act*.

4.3 No Legal Exemption

Accounts will be subject to the operation of laws relating to estates, bankruptcies, separations and divorces. Accounts will be paid out in the event of the death of a participant except in cases where the account is transferred to the surviving spouse. (see *Estates*, 3.5.2, page 30)

In the event of bankruptcy, the trustee in bankruptcy assumes responsibility for the participant's account.

4.4 Producer Appeals

If you believe you have been treated unfairly or are dissatisfied with NISA's interpretation or application of a program policy or deadline, you can have your case reviewed by the Appeals Sub-Committee of the National NISA Committee.

4.4.1 Appeals Sub-Committee

The Sub-Committee, which consists of producer and government representatives, meets regularly based on the volume of appeals and the availability of the producer representatives who, like all NISA participants, are actively farming themselves. Although NISA attends Sub-Committee meetings, their involvement is limited to providing factual information and secretariat services. NISA is not represented on the Sub-Committee.

Meetings of the Sub-Committee are closed to the public (including appellants and their representatives) to ensure that the producer (i.e. the appellant) remains anonymous to the members of the Sub-Committee. The anonymity of appellants is necessary to ensure appellants receive a fair and impartial review.

4.4.2 What Can You Appeal?

The Sub-Committee only reviews written submissions. After reviewing all of the factual information relevant to the case, the Sub-Committee recommends the acceptance or rejection of the appeal to NISA. The Sub-Committee makes recommendations in accordance with the agreements or legislation governing the NISA Program or with decisions made by the National NISA Committee.

Generally, appeals involving appellants who have not complied with clearly defined program rules will not be supported unless they involve exceptional circumstances. Appellants, including those who use the services of a third party (e.g., an accountant or a financial institution representative), are responsible for knowing and following program policies and deadlines.

The Sub-Committee may make exceptions on the basis of Force Majeure in cases involving exceptional circumstances, where the failure to meet the requirements of the NISA Program could not have been avoided by the exercise of due care by the producer or a third party acting on behalf of the producer. Some examples of Force Majeure include unscheduled surgery, the death or serious illness of the appellant or an immediate member of the appellant's family, or Acts of God such as flash floods. When reviewing cases involving Force Majeure, the Sub-Committee will consider the time frame of the events in relation to program deadlines.

4.4.3 Submitting an Appeal

You must submit your appeal in writing to the Appeals Sub-Committee, care of NISA. The letter must clearly identify the nature of the appeal and provide sufficient information and documentation to substantiate the appeal. For example, if you missed the application deadline due to serious illness, you must explain the illness, identify the time frame of the illness and provide supporting documentation from a physician. The details surrounding the situation must be verifiable for the appeal to be upheld.

4.4.4 The Appeal Process

Upon receipt of a written appeal request from an appellant or the appellant's representative, NISA will:

- review the request to ensure all of the necessary information is included for the Sub-Committee to make a decision;

- prepare an Appeal Brief for the Sub-Committee (the Appeal Brief contains the appeal number, the nature of the appeal, a summary of the appellant's letter, NISA's position and any other information relevant to the appeal);

- forward a copy of the Appeal Brief to the appellant or the appellant's representative and provide the appellant the opportunity to respond to the appeal brief and/or submit additional information;

- ensure the anonymity of the appellant by concealing all personal information on the request relating to the appellant or the appellant's representative (e.g., name, address, phone number, Social Insurance Number, Business Number, Participant Identification Number (PIN), names and locations of residences, businesses, financial institutions, hospitals and all other information that could potentially reveal the appellant's identity or province of residence); forward the Appeal Brief and a copy of the appellant's written submission (with personal information removed) to the Sub-Committee for review; and

- notify the appellant or the appellant's representative of the Sub-Committee's recommendation once the case has been reviewed.

4.4.5 If Your Appeal Is Denied

The Appeals Sub-Committee will rehear your case only if you submit new information that was not included in your original submission. If you do not agree with the recommendation of the Appeals Sub-Committee, you may wish to consult with your legal counsel to explore other options for reviewing the recommendation.

4.5 National NISA Committee (NNC)

As specified in Section 5(3) of the *Farm Income Protection Act* (FIPA), the National NISA Committee assists in the administration of the Program.

4.5.1 Structure

The National NISA Committee (NNC) includes a minimum of six and a maximum of ten producers appointed by the Minister of Agriculture and Agri-Food to represent commodity sectors and regions of Canada. Appointees directly or indirectly participate (or agree to participate) in the NISA Program. Producers are appointed for a maximum three year term.

Each participating province names one member to the NNC. Canada names four members to the NNC and names the chairperson of the NNC from those appointed. Each member has equal voting power.

4.5.2 Roles and Responsibilities

Subject to the general intent of FIPA and Agreement terms, the National NISA Committee advises the Minister on the following:

- eligibility for individual participation through an account held by a corporation or other entity;
- deadline and extension date changes and benefit adjustments in addition to those outlined in the Agreement;

- additional criteria for determining when and if an account should be closed and the money refunded;
- changes to the Administrative Cost Share;
- minimum dollar value of withdrawals to be authorized except upon account closure;
- the NISA Forms and Guide required for participation; and
- the impact of off-farm income on the Program (the NNC reviews the extent that participants in NISA have off-farm income and recommends to signatories methods of limiting participation by individuals with high levels of off-farm income).

The NNC may consider appeals from participants, recommend action and may establish and appoint any required sub-committees to assist in carrying out its responsibilities. NISA supplies secretariat services to the NNC.

Producer members of the Committee or sub-committees are paid for services, travel and living expenses incurred while absent from their ordinary place of residence in the manner determined by the Minister. All costs for provincial and federal members are borne by their respective governments.

Appendix A
Participating Financial Institutions

You must open a Fund 1 NISA account at one of the following financial institutions in order to participate in the NISA program and be eligible for Program benefits:

Alberta Credit Unions

Alberta Treasury Branches

Bank of Montreal

Bank of Nova Scotia

BC Credit Unions

Canadian Imperial Bank of Commerce

Capital City Savings and Credit Union Limited

Dundalk District Credit Union Limited

L'Alliance des caisses populaires de l'Ontario limitée

La Fédération des caisses populaires acadiennes limitée

La Fédération des caisses populaires du Manitoba

La Fédération des caisses populaires de l'Ontario

La Fédération des caisses populaires et d'économie Desjardins du Québec

Lambton Financial Credit Union Limited

Laurentian Bank of Canada

Manitoba Credit Unions

National Bank of Canada

Ontario Credit Unions

Prince Edward Island Credit Unions

Royal Bank

Saskatchewan Credit Unions

TD Canada Trust

Appendix B
Qualifying Point of Sale Adjustments

To be recognized as commodity income for NISA purposes, a commodity must meet all of the following conditions:

- the commodity is separate and identifiable from other producers' commodities;
- you produced the commodity on your farm;
- you bear full direct risk for the commodity; and
- you have a separate billing or accounting transaction clearly showing the commodity sales value and any deductions from the commodity sales value.

Below is a list of the most common qualifying point of sale adjustments:

Grains, Oilseeds, and Special Crops	**Horticulture**	**Livestock**
Association/commodity organization dues Custom Work (drying, field spraying, trucking related to production inputs,soil testing) Freight, elevation/handling (related to producer and agent-administered cars only) Fertilizer, pesticides and chemicals Grading and inspection Interest Farm supply accounts, excluding seeds and plants Marketing board, commission, agency, selling fees Research fees Storage	Advertising/promotion Association/Commodity organization dues Chemical application Co-operative charges Custom work (field spraying, harvesting, trucking related to production inputs, soil testing) Distribution/freight related to marketed product Export levies Fertilizers, pesticides and chemicals Field inspection Grading and inspection Interest Marketing board, commission, agency, selling fee Other farm supplies excluding seeds and plants Packing Research fees Sorting Storage Washing Waste Charge	Auction fees Association/Commodity organization dues Brand inspection Custom work (trucking related to production inputs) Export levies Freight related to marketed product Grading and inspection Handling Interest Marketing board, commission, agency, selling fees Medicine Other farm supplies Research fees Yardage Acreage measurement

Appendix C Definitions

Account: An account established within the Consolidated Revenue Fund and a financial institution for each participant.

Account Adjustment: Any adjustment to the financial information originally submitted by a participant that is used to calculate program entitlements.

Act: The Farm Income Protection Act (FIPA).

Active Participation in the Day-to-Day Farming Operation: Carrying out the physical work needed to produce and market agricultural commodities, including but not limited to machinery operation, maintenance and repairs; or participating in a wide variety of day-to-day management decisions required for the successful operation of a farming business, including but not limited to planting and harvesting, selecting crop rotations, spray schedules, rations for livestock, actions to deal with plant and livestock disease problems, maintenance schedules for machines, equipment and buildings, or the management of cash flow, taxation and financing.

Administrative Cost Share (ACS): The annual charge for Program participants covering a portion of NISA's administrative costs.

Allowance on Eligible Capital Expenditures: The income tax deduction allowed for intangible capital assets such as quotas, licenses or patents.

Application: The form prescribed or authorized by the Administration to be used by a participant to report financial information for Program purposes.

Capital Cost Allowance: The income tax deduction allowed for tangible capital assets such as machinery or buildings.

Commodity: The agricultural products (plant or animal) produced by a farming business.

Contract Work: Amounts earned or paid for services provided in a farming business such as custom combining.

Consolidated Revenue Fund: Funds on deposit with the Receiver General for Canada.

Crop Share Arrangement: A rental arrangement in which the landlord shares the risk of a crop's yield and price.

Deeming: Using a withdrawal trigger to make all or part of a matchable deposit, thereby allowing a participant to receive matching government contributions without making a deposit at a financial institution.

Dependant: A person who is related to a participant and is dependent on the participant for financial support during the stabilization year.

DWON Response: A participant's response to the Deposit/Withdrawal Options Notice (DWON), which is issued to the participant when the participant's application is processed.

Eligible Expenses: The operating or input expenses associated with producing agricultural commodities. They are deducted from net sales of agricultural commodities in calculating the NISA Gross Margin.

Eligible Net Sales (ENS): Calculated by taking sales of qualifying commodities minus purchases of qualifying commodities. Each individual participating in NISA is limited to an annual maximum of $250,000.

Entity: A NISA participant other than an individual such as a corporation, cooperative, or communal organization.

Farming Income: Income earned from soil tillage, livestock raising or showing, racehorse, poultry raising, fur farming, dairy farming, tree farming, fruit growing, beekeeping, cultivating crops in water or hydroponics, Christmas tree growing, operating a wild game reserve, operating a chicken hatchery, and running a feedlot. In certain circumstances, it may include market gardening and operating a nursery or greenhouse. It does not include income earned from working as an employee in a farming business, or from trapping.

Federal/Provincial Agreement: The agreement which established and governs the NISA Program.

Financial Institution: A Canadian bank, credit union, trust company, caisse populaire, other institution or agency which can legally hold a participant's NISA funds on deposit. They must have signed an agreement with the Government of Canada for this purpose.

Definitions *cont'd*

Government: The federal and provincial governments executing the Federal/Provincial Agreement.

Gross Farming Income: Gross farming income as calculated for income tax purposes.

Gross Margin: Net sales of all commodities minus eligible expenses, used in the calculation of the Stabilization Trigger.

Inventory: The tangible property of a farming business which is:

- held for sale (for example, harvested grain),
- used in the production of saleable goods (for example, seed, feed),
- or in the process of being produced (for example, standing crops, feeder livestock).

Inventory Adjustment (Mandatory): A mandatory adjustment to net loss for income tax purposes based on the value of purchased inventory on hand.

Inventory Adjustment (Optional): An inventory election adjusting net income (or loss) for income tax purposes. It is calculated on the difference between the fair market value of inventory and the mandatory inventory adjustment.

Matchable Deposits: Participant deposits based on a percentage of Eligible Net Sales up to an established maximum. These deposits are matched with government contributions.

Member: A person who is part of an organization which by law acts as an agent on behalf of its members and generally allows no member to have more than one vote in conducting its affairs.

National NISA Committee (NNC): The national committee established under the NISA Federal/ Provincial Agreement to assist in the administration of the Program.

Net Farming Income Before Adjustments: A farm business' profit/loss calculated before adjustments are made for income tax purposes.

Net Income: Net income as calculated for income tax purposes. For corporations, this is net income calculated prior to payment of dividends to shareholders. For cooperatives, this is net income calculated prior to income allocations to members and for trusts this is net income calculated prior to income allocations to beneficiaries.

Net Sales: A participant's sales (including related program payments) minus purchases of all agricultural products.

Non-Matchable Deposits: Participant deposits up to 20% of Eligible Net Sales that are not matched with government matching contributions.

Participant: The holder of a NISA account.

Payment-in-Kind: The value of a commodity given to or received from another party as payment instead of cash.

Qualifying Commodities: Agricultural commodities qualifying for the NISA Program.

Salaries: Salaries, wages, dividends, bonuses and other monetary transfers deductible in computing net farming income.

Spousal Trust: A trust created by a participant in which the spouse is entitled to receive the trust's income or capital.

Spouse: A person legally married to a participant or who has lived common-law with the participant for a period of 12 months or longer.

Stabilization Year: The period for which a participant files an income tax return.

Appendix D
Privacy and Confidentiality

The personal and financial information provided to the NISA Administration will be used only for purposes stated in this guide, or as allowed by law (*Farm Income Protection Act, the Income Tax Act* and *the Financial Administration Act*).

The information contained on your NISA application is confidential. Information will not be given to anyone outside the NISA Administration and the Canada Customs and Revenue Agency for verification purposes unless authorized by law or by you.

To ensure that the information remains confidential, the NISA Administration uses the following procedures:

- **If telephoning the NISA Administration to obtain information about your account, you will be asked:**
  - for your name, address, Social Insurance Number; and
  - specific questions about your NISA account.

  For example, you may be asked how much your net income was, or how much was deposited to the account.

- **If you visit the NISA Administration to obtain information about your account, you will be asked to provide:**
  - one piece of identification with your signature and picture; or
  - two pieces of identification with your signature along with a copy of one of the following: NISA Deposit/Withdrawal Options Notice, the Confirmation Notice, the NISA Annual Account Statement, a working copy of the NISA application, or specific details of the account.

- **If your representative visits the NISA Administration office seeking information about your account, your representative must show two pieces of identification and have authorization from you. The authorization can be the consent provided on your NISA application form or a signed letter of authorization. A letter of authorization must contain:**
  - your name;
  - your Social Insurance Number;
  - your representative's name;
  - year(s) the authorization applies to; and
  - your signature.

Account information will only be released once we verify the signature on the letter of authorization.

- **If a representative (including your spouse) telephones for information about your account, there must be authorization on file (consent on your NISA application form or a letter of authorization).** After we check that you have provided written authorization and ask specific questions about your account, your representative will be given the information. If there is no authorization on file, we will provide you with the information instead.

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IMPORTANT

If this package is not in the language of your choice, you may obtain a package in the other official language by writing to:

Net Income Stabilization Account (NISA) Administration
P.O. Box 6100
Winnipeg, MB
R3C 4N3

You may also call our toll-free telephone line at:

1-800-665-6472 (NISA)

or fax us at:

(204) 984-3717

Visit our website at:

www.agr.gc.ca/nisa

IMPORTANT

Si les documents ne vous sont pas présentés dans la langue de votre choix, vous pouvez les faire venir dans l'autre langue officielle en écrivant à :

Administration du Compte de stabilisation du revenu net (CSRN)
Case postale 6100
Winnipeg (Manitoba)
R3C 4N3

Vous pouvez également nous téléphoner sans frais au :

1 800-665-2776 (CSRN)

ou par télécopieur au :

204 984-3717

Visitez notre site Web au:

www.agr.gc.ca/csrn