Technical Information Circular # 5

STUB PERIODS

General Information

If the Program Year Margin or any of the Reference Margins represent less than 12 months of operation (a stub period), the income statement for the stub period may be combined with information from preceding statements until a minimum period of 12 months is available. The combined income and expenses will be prorated to reflect a 12 month period. Separate income statements for all combined periods must be reported.

Example 1 – Proprietorship transfers assets to a new corporation:

Producer A reported his taxes as a sole proprietor, with a year-end of December 31.
He transferred all or substantially all of the proprietorship assets to a new corporation (Company A) on October 1st, 2022. The following table demonstrates the stub treatment for Producer A and Company A for AgriStability purposes:

Producer A, Proprietorship				
Program Year	Fiscal Year End	Number of Months in Program Year	Stub Required?	Stub % for Income Statement (Tax) and Supplementary Forms
2021	December 31st	12	No	100%
2022	December 31st*	9 *(12 + 9 = 21)*	Yes	**Stub % = 12/21= 57.14%** (All information from 2021 & 2022 will be pro-rated to 57.14% for the 2022 Program Year information).
2023	N/A	N/A	N/A	No farm tax reported

Company A				
Program Year	Fiscal Year End	Number of Months in Program Year	Stub Required?	Stub % for Income Statement (Tax) and Supplementary Forms
2022	N/A	N/A	N/A	First fiscal year-end is in 2023
2023	September 30th	12	No	100%

Although the personal tax returns will likely report a fiscal year end of December 31 for 2022, the Administrator may only consider the 9 months ending September 30, 2022 into the stub calculation as the farming activity was transferred to the corporation on October 1, 2022.

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Example 2 – Change in fiscal year-end of a corporation:

In 2020, Company B changed its year-end from March 31st to September 30th.The corporation may file an AgriStability claim based on either of the 2022 year-end dates, but not both (i.e. it can only submit one claim per year). The following table demonstrates the stub treatment for Company B under both scenarios:

Company B				
Scenario 1: Use March Year-End for 20202Claim				
Program Year	**Fiscal Year End**	**Number of Months in Program Year**	**Stub Required?**	**Stub % for Income Statement (Tax) and Supplementary Forms**
2022	March 31st	12	No	100% **

** Note that March 2022 & Sept 2022 tax and supplementary information will be combined and pro-rated to 12/18 or 66.67% to create the 2022 reference year but neither the 2022 nor the 2023 Program Years will be stubbed.

Scenario 2: Use September Year-End for 2022 Claim				
Program Year	**Fiscal Year End**	**Number of Months in Program Year**	**Stub Required?**	**Stub % for Income Statement (Tax) and Supplementary Forms**
2022	September 30th	18	Yes	**Stub % = 12/18= 66.67%** (Tax and supplementary information from both March & Sept 2022 will be combined and pro-rated to 66.67% as the 2022 Program Year information).
2023	September 30th	12	No	100%

**The above examples are for demonstration purposes only**. As individual circumstances can widely vary, the AgriStability Program Administration (the Administration) will assess the correct stub treatment on a case by case basis.

In situations where a farming operation has a fiscal year of other than 12 months, the Administration _may_ consider the fiscal period(s) to constitute a normal fiscal year and apply a Structural Change adjustment to the Reference Margin.

Note: _Regardless of the fact that two (or more) fiscal periods may end in a given calendar year, only one **(1)** AgriStability claim/application is allowed per Program Year._

When calculating a stubbed margin, accrual adjustments (including accounts receivable, accounts payable, purchased inputs and hybrid inventories) are required in the calculation.

*See 4.6 page 30 of the Canadian Agricultural Partnership Guidelines

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