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, 2018. 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**
2017	December 31st	12	No	100%
2018	December 31st*	9 *(12 + 9 = 21)*	Yes	**Stub % = 12/21= 57.14%** (All information from 2017 & 2018 will be pro-rated to 57.14% for the 2013
2019	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**
2018	N/A	N/A	N/A	First fiscal year-end is in 2019
2019	September 30th	12	No	100%

**Although the personal tax returns will likely report a fiscal year end of December 31 for 2018, the Administrator may only consider the 9 months ending September 30, 2018 into the stub calculation as the farming activity was transferred to the corporation on October 1, 2018.*

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

In 2018, Company B changed its year-end from March 31st to September 30th.The corporation may file an AgriStability claim based on either of the 2018 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 2018 Claim				
Program Year	**Fiscal Year End**	**Number of Months in Program Year**	**Stub Required?**	**Stub % for Income Statement (Tax) and Supplementary Forms**
2018	March 31st	12	No	100% **
** Note that March 2018 & Sept 2018 tax and supplementary information will be combined and pro-rated to 12/18 or 66.67% to create the 2018 reference year but neither the 2018 nor the 2019 Program Years will be stubbed.				

Scenario 2: Use September Year-End for 2018 Claim				
Program Year	**Fiscal Year End**	**Number of Months in Program Year**	**Stub Required?**	**Stub % for Income Statement (Tax) and Supplementary Forms**
2018	September 30th	18	Yes	**Stub % = 12/18= 66.67%** (Tax and supplementary information from both March & Sept 2018 will be combined and pro-rated to 66.67% as the 2018 Program Year information.
2019	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