Date of Application: _____

Section 3. Income Replacement Grant

Commercial farms that have stopped selling some or all products due to PFAS contamination may apply to DACF for a grant for up to a total of 24 months of lost income, adjusted for inflation. Income Replacement is governed by rule 01-001 CMR c. 401 (2026).

Questions about Income Replacement Grants may be directed to Beth Valentine, PFAS Fund Director, at Beth.Valentine@maine.gov or (207) 313-0962.

Eligibility

The baseline eligibility requirements found in the *Eligibility and Instructions* Section of this Master Application must be met. As further defined therein, the farm must be a commercial farm operating in Maine with confirmed PFAS contamination, and it must collaborate with and grant DACF staff access to the farm. Additionally, the farm must have a demonstrated loss of income due to stopping or reducing sales of farm products at the order, written recommendation, or with the consent of DACF because of PFAS contamination.

Also, farms that (1) have a history of land application of residuals or other reasonable expectation that their farm product(s) contain elevated levels of PFAS and (2) have pulled their products from the market while test results are pending, may apply for income replacement.

Required Documentation – Section 3

The following information must be attached and submitted with this Section of the application:

A. Section 1. Applicant General Information with all specified attachments;

B. A statement, one-page or less, describing how the farm's income has been impacted by PFAS and what steps the farm is exploring to regain/reestablish income.

C. Complete copy of the applicant's federal income tax return(s) for the year(s) associated with the calculation of gross income as described in this application;

D. Profit and loss statements by month for all relevant time periods;

E. Copy of application(s) for USDA Dairy Indemnity Payment Program (DIPP) payments or other federal assistance programs, if applicable;

F. Other relevant documentation demonstrating loss of sales and current financial situation, which may include federal income tax return(s) for all relevant time periods;

G. Documentation by month of all financial payments received, including payments related to PFAS assistance from state, federal, private, and non-profit entities, including by/from USDA, insurance companies, and Maine-based nonprofit organizations.

DACF reserves the right to waive the requirement for certain documents for good cause.

Additional Information Requested – Section 3

Gross Income

There are a few options for calculating the farm's gross income; a commercial farm may use the option that is most advantageous. DACF can help to determine the best option for you.

DACF will rely primarily on Internal Revenue Service (IRS) Schedule F (Profit or Loss from Farming), Schedule C (Profit or Loss from Business), and/or Schedule E (Supplemental Income and Loss) to determine gross farm income. Gross farm income typically does not include long-term capital gains such as those reported on IRS Form 8949. Gross farm income may include sales of business property reported on IRS Form 4797 when the sale is part of routine farm operations (e.g., sales of dairy cows).

Please choose which option to apply:

☐ The gross income of the year PFAS was discovered, as documented on a filed federal income tax return;

☐ The gross income of the year immediately preceding the year PFAS was discovered, as documented on a filed federal income tax return;

☐ The average of the top three grossing years out of the five years that include the year PFAS was discovered and the four years immediately preceding the year PFAS was discovered, as documented on filed federal income tax returns; or

☐ The average of the top three grossing years out of the five years immediately preceding the year PFAS was discovered, as documented on filed federal income tax returns.

Please choose from the following:

If this application for Income Replacement is approved, and the commercial farm continues to produce any farm product with the intent that the farm product be sold or otherwise disposed of to generate income, one of the following options may be selected:

☐ DACF will issue an initial payment of 30 percent of the established baseline income plus the inflationary factor. DACF will issue subsequent payments based on documentation of actual losses; or

☐ DACF will not make an upfront payment. Instead, the commercial farm will submit documentation of actual losses and DACF will make corresponding payments.

☐ Where a third-party entity has made income replacement payments to a commercial farm because of PFAS contamination and DACF has an existing reimbursement agreement with that third-party entity, DACF is authorized to reimburse the third-party entity according to the same terms as if the payment was made directly to the commercial farm. The amount of the payment to the third-party entity will be counted toward the commercial farm's maximum payment.

Application Review and Limitations - Section 3

The PFAS Fund Director will establish an application review panel comprised of DACF staff and at least one external member familiar with agricultural accounting and tax filings. The role of the application

review panel is to review applications, verify baseline income calculations, advise DACF on the sufficiency of the supporting documentation, and recommend the schedule of payments for each farm.

DACF reserves the right to consult with external persons with relevant expertise as part of the process.

DACF reserves the right to limit the amount of funding for all requests based on available resources.

Method of Calculating Income Replacement Payments

Baseline Income. DACF will calculate baseline income by subtracting an amount equal to any non-revenue payments received by the farm from the farm's gross income. For instance, DACF will subtract any "irregular" (or one-time) payments, such as prior state or federal grant awards reported in the farm's tax filing(s), from the farm's gross income.

Inflationary Factor. DACF will account for inflation by referencing the Consumer Price Index (CPI-U, CUUR0000SA0) as published by the U.S. Bureau of Labor Statistics. In January of each year, DACF will calculate the average annual CPI-U percentage increase of the prior five most recent years. This average will be the inflationary factor for all income replacement applications processed within that calendar year.

DACF will calculate income replacement payments using the following formulas:

Baseline Income – Current Income = Lost Income

Lost Income + (Inflationary Factor x Lost Income) = Income Replacement Amount

Maximum Payments. Payments are limited to actual losses adjusted for inflation as calculated above. Current income is income generated by the farm during the relevant time period through the sale of products or services not impacted by PFAS and other income received in the relevant time period, including but not limited to DIPP payments, gifts and donations above the federal gift tax exclusion, and income replacement payments made by another entity. Current income excludes any "irregular" (or one-time) payments, such as prior state or federal grant awards. An applicant may apply for up to 24 months of income replacement payments. The 24 months do not need to be consecutive. The initial baseline income will be used for any subsequent applications.

Overpayments. If income replacement payments exceed a commercial farm's documented losses from the impacts of PFAS, the commercial farm shall reimburse DACF an amount equal to the overpayment.

Limitations

No farm is eligible for more than 24 months of income replacement payments, calculated as described above. A commercial farm that permanently ceases operation within 12 months of the discovery of PFAS is eligible for the receipt of one year's lost income. A commercial farm that permanently ceases operation more than 12 months but less than 24 months after the discovery of PFAS is limited to receipt of lost income corresponding to the timeframe during which it remained in operation.

Elimination of Herd. If a commercial farm produces one primary product from a herd of livestock and then depopulates or depurates and sells the herd because of PFAS contamination, and the farm has not initiated a plan that is satisfactory to DACF to transition to a new form or type of production within 180 days of depopulation or sale, the commercial farm will be deemed to have ceased operations on the date the majority of the herd was depopulated or sold. When determining whether a plan is satisfactory, DACF

will consider factors such as whether the farm is working with a business planner or other service provider and the degree of cooperation with DACF staff.

Confirmation in Writing. A commercial farm will be deemed to have ceased operations when the farm confirms in writing that it no longer produces any farm product with the intent that the farm product be sold or otherwise disposed of to generate income presently or in the future.

Not Economically Viable. DACF reserves the right to determine that a farm has ceased operations when analysis conducted by DACF in conjunction with a service provider with a degree or professional experience in business planning indicates that continued operation is not economically viable.

Signature Block – Section 3

I certify that the information given in this Income Replacement application is correct and complete to the best of my knowledge. I acknowledge that payments may represent reportable income for tax purposes.

Applicant's Signature	Date
Applicant's Name (printed)	Title
Applicant's Signature	Date
Applicant's Name (printed)	Title

Please complete if someone assisted the applicant to complete this form:

Preparer Name (If not applicant)	Preparer's relationship to applicant

Permission to discuss application with Preparer: ☐ YES ☐ NO