

**For:** State and County Offices

**Additional Guidance for Filing AD-1026 for FCIC Premium Subsidy**

**Approved by:** Deputy Administrator, Farm Programs



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**1 Overview**

**A Background**

Notice CP-707:

- provided information for certifications of conservation compliance for customers unique to RMA
- indicated additional guidance would be provided for the unique situations involving entities required to be formed by some sugar beet cooperatives.

In addition to the exemptions provided in Notice CP-707, subparagraph 4 C, FSA and RMA have agreed to provide an exemption involving sole proprietorship/individual mismatches between FSA and RMA databases.

**B Purpose**

This notice:

- provides an exemption for certification of conservation compliance involving sole proprietorships
- explains the unique situation involving some sugar beet cooperatives
- provides instructions for filing AD-1026 for FCIC for both situations.

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<b>Disposal Date</b>	<b>Distribution</b>
January 1, 2016 5-11-15	State Offices; State Offices relay to County Offices

## Notice CP-708

### 2 Sole Proprietorship/Individual Mismatches

#### A Explanation of Sole Proprietorship/Individual Mismatch

Some producers have EIN for a sole proprietorship because of hired labor and paying into Social Security taxes for that hired labor. The sole proprietorship may have the same name as the individual or a different name. RMA allows producers in this situation to insure their crops with either EIN or SSN. If the same producer conducts business with FSA as an individual using SSN and conducts business with RMA as a sole proprietorship using EIN, there is a mismatch.

**Note:** Past disaster programs considered individuals in this situation as meeting linkage.

#### B Exemption for Sole Proprietorships

If it can be verified through the Comprehensive Information Management System (CIMS) that an individual has filed AD-1026 as an individual using SSN, there is no need for the producer to file another AD-1026 in the name of the sole proprietorship using EIN. The individual and sole proprietorship are one and the same and, therefore, their conservation compliance is one and the same. Producers in this situation are not required to correct records with either FSA or RMA.

Verification for producers found to have sole proprietorship/individual mismatches between FSA and RMA can be obtained through CIMS as follows.

Step	Action
1	On the FSA Intranet, CLICK “FSA Applications”, “A-C”, and “Comprehensive Information Management Systems (CIMS)”.
2	Under “Management Reports”, CLICK “Producer/Crop Acreage”.
3	Search for the producer’s name by physical location State and county.
4	If the producer comes up with EIN identified as “Individual as Company” with RMA, they are verified.

#### C Filing and Recording AD-1026 for Sole Proprietorships

To communicate the conservation compliance certification to RMA for the sole proprietorship, the entity must be entered as “Individual Operating as a Small Business” into Business Partner using EIN of the sole proprietorship. The member of the sole proprietorship is the individual comprising the sole proprietorship. If there is AD-1026 on file for the individual comprising the sole proprietorship, conservation compliance can be validated as “Certified” for the sole proprietorship. The applicable affiliate box on the individual’s AD-1026 on file shall be notated with “Certification also applies to [Name] Sole Proprietorship” with the last 4 digits of EIN applicable to that sole proprietorship.

If there are not any FSA or NRCS benefits received by the sole proprietorship’s EIN, no further action is required. If FSA or NRCS benefits are received using EIN, all other applicable eligibility determinations apply to EIN just as they do to the individual.

## Notice CP-708

### 3 Sugar Beet Cooperatives

#### A Sugar Beet Cooperative Entities

Some members of sugar beet cooperative have shares that allow the member to plant a specific number of acres of sugar beets. These shares are specific to the member and cannot be leased to another producer. Instead, the cooperative requires the member (or estate when the member is deceased) to form a pool agreement, joint venture, or limited liability partnership with the producer planting the member's share. The cooperative further requires that the insurance policy be purchased under the individual grower of sugar beets or as this joint venture or limited liability partnership. These joint ventures and limited liability partnerships have IRS-recognized EIN's. The joint ventures or limited liability partnership may not represent the grower's entire operation. It may only represent the sugar beet portion of their operation.

The joint venture or limited liability partnership may purchase the crop insurance. FSA may not have any record of the entity, as it is formed for cooperative purposes only. The entity may:

- be comprised of some individuals in FSA records
- include individuals who are not in FSA records, both on the grower side and the shareholder side.

**Note:** FSA may have records for the grower, but not the shareholder.

#### B Filing AD-1026 for FCIC for Sugar Beet Cooperative Entities

If the joint venture or limited liability partnership insures the crop, it is the producer seeking a benefit that is subject to conservation compliance and is required to file AD-1026. If the entity is not seeking benefit from FSA, Notice CP-707, paragraph 5 is applicable.

The affiliated persons of the entity are the first level members of the entity (the shareholder and the grower). If the grower has a farming interest (owner, operator, or other producer) other than the sugar beet acreage, they are an affiliated person with a farming interest subject to conservation compliance. Most in this situation will already have AD-1026 on file.

If the shareholder, as an individual outside of the joint venture or limited liability partnership, has a farming interest (owner, operator, or other producer), they are an affiliated person subject to conservation compliance on their individual farming operation. Only affiliated persons subject to conservation compliance are to be entered in AD-1026, item 4.

## Notice CP-708

### 3 Sugar Beet Cooperatives (Continued)

#### B Filing AD-1026 for FCIC for Sugar Beet Cooperative Entities (Continued)

FSA and RMA do not consider entities formed because of this unique situation as mismatched entities for conservation compliance purposes. The entity that is subject to the reinsured crop insurance subsidy benefit shall be entered into Business Partner and AD-1026 indicated as "Certified" once filed. Farm records do not need to be established for the entity. The affiliated persons listed in AD-1026, item 4 (the members of the entity with farming interests who are subject to conservation compliance) will need full farm records if applicable and not already established.

### 4 Action

#### A State Office Action

State Offices shall ensure that County Offices are aware of the contents of this notice.

#### B County Office Action

County Offices shall review and follow the contents of this notice for situations involving RMA customers who are sole proprietorships or entities formed for sugar beet cooperatives.