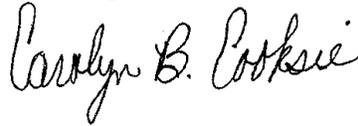


For: State and County Offices

**Processing Voluntary and Involuntary Backup Withholding in Financial Services and NPS**

Approved by: Associate Administrator for Operations and Management



**1 Overview**

**A Background**

Internal Revenue Code section 3402(p) (1) (C) offers voluntary withholding on certain payments to taxpayers identified by IRS with specified Federal payment.

When a payer receives CCC Marketing Assistance Loans, LDP's, or certain crop disaster payments under the Agricultural Act of 1949 or under Title II of the Disaster Assistance Act of 1988, they are not required to have Federal income tax withheld from these payments. However, program participants may enter voluntarily into an agreement with FSA to perform withholding at a rate of 7, 10, 15, or 25 percent of the payment.

Internal Revenue Code section 3406(a) (1) and IRS Publication 1281 mandates a 28 percent backup withholding on certain payments to taxpayers identified by IRS as subject to backup withholding. The current rate effective until December 31, 2012, is 28 percent. Payments subject to the withholding are those payments reported on IRS Forms 1099-INT, 1099-MISC, and/or 1099-OID.

**Note:** This notice does not apply to TTPP. Although involuntary backup withholding applies to the imputed interest portion of TTPP payments, separate procedures apply. See Notice FI-3084 for instructions.

Program participants, other than TTPP, required to have involuntary backup withholdings must be flagged in Financial Services. IRS will notify KC-FSC, who in turn will notify the State Office, when a program participant is required to have involuntary backup withholdings. The County Office must set the indicator in Financial Services for the 28 percent involuntary backup withholding to be withheld from the gross payment.

These processes will be implemented by setting voluntary and/or involuntary backup withholding flags in Financial Services.

<b>Disposal Date</b>	<b>Distribution</b>
January 1, 2013 6-11-12	State Offices; State Offices relay to County Offices

## Notice FI-3101

### 1 Overview (Continued)

#### B Purpose

This notice provides instructions for processing IRS voluntary and involuntary backup withholding in Financial Services.

#### C Contacts

If there are questions about this notice, State Offices shall contact the appropriate office as follows.

<b>Issue</b>	<b>Contact</b>
Software-related problems	Contact the National help Desk at 800-255-2434 or 816-926-1552.  <b>Note:</b> Select option 3 for hardware and application software.
Policies or procedures on Voluntary or Involuntary Backup Withholdings for Financial Services	Contact either of the following: <ul style="list-style-type: none"><li>• Yanira Sanabria by:<ul style="list-style-type: none"><li>• e-mail at <b>yanira.sanabria@wdc.usda.gov</b></li><li>• telephone at 202-772-6032</li></ul></li><li>• MarySue Tolle by:<ul style="list-style-type: none"><li>• e-mail at <b>MarySue.Tolle@kcc.usda.gov</b></li><li>• telephone at 816-926-5965.</li></ul></li></ul>
Policies or procedures on Voluntary or Involuntary Backup Withholdings for NPS	Contact either of the following: <ul style="list-style-type: none"><li>• Jackie Pickens by:<ul style="list-style-type: none"><li>• e-mail at <b>jackie.pickens@wdc.usda.gov</b></li><li>• telephone at 202-772-6027</li></ul></li><li>• Nancy Chapman by:<ul style="list-style-type: none"><li>• e-mail at <b>nancy.chapman@kcc.usda.gov</b></li><li>• telephone at 816-926-6971.</li></ul></li></ul>

## Notice FI-3101

### 1 Overview (Continued)

#### D Program Codes for Voluntary Withholding Election

IRS regulation states the following programs are eligible for voluntary withholding from payments received from CCC:

- CDP
- LDP
- MAL's
- SURE
- TAP.

### 2 Voluntary Withholding

#### A Setting the Voluntary Withholding Flag

Voluntary withholding must be set in Financial Services when the County Office receives a completed IRS Form W-4V. The County Office enters the voluntary withholding percentage as specified by the producer. Voluntary withholding must be reset when requested by the producer in writing to stop the voluntary withholding.

#### B IRS Form W-4V

Voluntary withholding should be requested from the recipient on IRS Form W-4V. The recipient must:

- complete items 1-4 with name, Social Security number, address, and claim of identification number, if applicable
- complete item 6 with percentage that recipient would like withheld
- complete item 7 if recipient wants to stop withholdings
- sign and date form.

#### C Changing Withholding

If the recipient would like to change the percentage of withholding, a new IRS Form W-4V must be completed and presented to the County Office for processing.

#### D Using IRS Form W-4V to Stop Withholding

If recipient would like to stop withholding, a new Form W-4V must be completed. The recipient must complete items 1-4 and 7. The form must also be signed and dated and presented to the County Office for processing.

## Notice FI-3101

### **3 Involuntary Backup Withholding for Programs Other Than TTPP**

#### **A Setting the Involuntary Backup Withholding Flag**

IRS will notify KC-FSC when involuntary backup withholding is applicable and will also notify the State Office. The State Office will notify the County Office. The County Office must set the flag in FSA Financial Services.

#### **B Stopping Withholding**

IRS will notify KC-FSC when involuntary backup withholdings are no longer required. The County Office must stop the involuntary backup withholding when notified by KC-FSC that IRS has removed the requirements. The County Office must immediately remove the involuntary backup withholding flag by:

- accessing the FSA Financial Services Main Menu
- removing the flag according to paragraph 6.

### **4 Setting Voluntary Withholding in Financial Services**

#### **A Accessing Financial Services**

For procedures on accessing Financial Services, see 63 FI, paragraph 4.

#### **B Creating Voluntary Withholding in Financial Services**

The option to create a voluntary withholding flag and to designate the percentage of the payment to be withheld for taxes may be found under the FSASF Menu.

## Notice FI-3101

### 4 Setting Voluntary Withholding in Financial Services (Continued)

#### B Creating Voluntary Withholding in Financial Services (Continued)

The following is an example of the Welcome to Financial Services Screen. To create a Voluntary Withholding for a payment, from the FSAFS Menu, under the Customer Profile option, CLICK “Voluntary Withholdings”.

The screenshot displays the USDA Financial Services web application. At the top left is the USDA logo and text: "United States Department of Agriculture Farm Service Agency". At the top right is the title "Financial Services". Below the header is a navigation bar with links: "FSAFS Home", "About FSAFS", "Help", "Contact Us", "Exit FSAFS", and "Logout of eAuth".

The main content area is divided into two sections. On the left is the "FSAFS Menu" with the following items:

- Welcome
- Pending Changes
- Back to Main Menu
- Assignments**
- Assignor View
- Assignee View
- Add Assignment
- Joint payments**
- View Joint Payment
- Add Joint Payment
- Direct Deposit**
- View Direct Deposit
- Add Direct Deposit
- Direct Deposit Waiver
- Customer Profile**
- Bankruptcy
- Other Agency Debt
- Voluntary Withholdings (indicated by a red arrow)
- Involuntary Withholdings
- Go To**
- NPS
- NRRS
- eFMS
- OLP
- E-Forms

The main content area on the right is titled "Financial Services" and includes a "Help" link. It displays the following information:

Work List: **MISSISSIPPI(20) - George** (039)  
Customer: **JAKE SMITH** - xxxxx.0000 S

Below this information is the text: "Welcome to Financial Services. Use the left navigation to begin."

At the bottom of the page, it says "FSAFS-WEB01, Last Modified on 11/21/2011" and a "Back To Top ^" link.

## Notice FI-3101

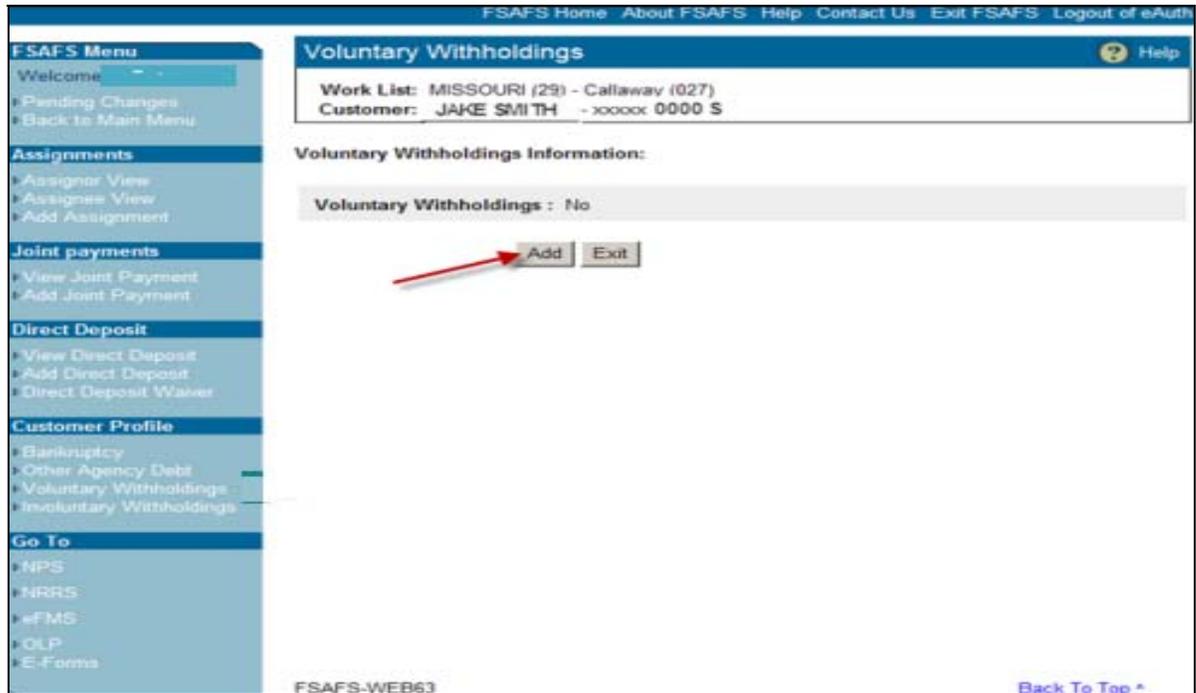
### 4 Setting Voluntary Withholding in Financial Services (Continued)

#### B Creating Voluntary Withholding in Financial Services (Continued)

The following is an example of the Voluntary Withholdings Screen.

Click either of the following:

- “**Add**” to view the Add Voluntary Withholdings Request Screen
- “**Exit**” to view the Pending Changes Screen.



## Notice FI-3101

### 4 Setting Voluntary Withholding in Financial Services (Continued)

#### B Creating Voluntary Withholding in Financial Services (Continued)

The following is an example of the Add Voluntary Withholdings Request Screen.

**FSAFS Menu**  
Welcome [User]  
‣ Pending Changes  
‣ Back to Main Menu

**Assignments**  
‣ Assignor View  
‣ Assignee View  
‣ Add Assignment

**Joint payments**  
‣ View Joint Payment  
‣ Add Joint Payment

**Direct Deposit**  
‣ View Direct Deposit  
‣ Add Direct Deposit  
‣ Direct Deposit Waiver

**Customer Profile**  
‣ Bankruptcy  
‣ Other Agency Debt  
‣ Voluntary Withholdings  
‣ Involuntary Withholdings

**Go To**  
‣ NPS  
‣ NRRS  
‣ eFMS  
‣ OLP  
‣ E-Forms

**Add Voluntary Withholdings Request** Help

Work List: MISSOURI (29) - Callaway (027)  
Customer: JAKE SMITH - xxxxxx 0000 S

**Informational:** As verification is required for changes to voluntary withholdings information, submitting this request will create an entry in "Pending Changes" for this customer.

**Voluntary Withholdings Data:**  
 Voluntary Withholdings status

Voluntary Withholdings Percentage: \* 7  
7  
10  
15  
25

FSAFS-WEB64 [Back To Top ^](#)

After accessing the Voluntary Withholdings Screen:

- check the “**Voluntary Withholdings Status**” box to activate the voluntary withholding status in Financial Services
- from the “**Voluntary Withholdings Percentage**” drop-down box, select the applicable voluntary withholdings percentage
- CLICK “**Continue**”
- CLICK “**Exit**” to view the Pending Changes Screen.

## Notice FI-3101

### 4 Setting Voluntary Withholding in Financial Services (Continued)

#### B Creating Voluntary Withholding in Financial Services (Continued)

The following is an example of the Add Voluntary Withholdings Request Screen.

Click 1 of the following:

- **“Submit”** to submit withholdings request for secondary approval
- **“Back”** to return user to the Add Voluntary Withholding Request Screen to change withholdings data
- **“Exit”** to return user to the Pending Change Screen.

**FSAFS Menu**

- Welcome
- ▶ Pending Changes
- ▶ Back to Main Menu

**Assignments**

- ▶ Assignor View
- ▶ Assignee View
- ▶ Add Assignment

**Joint payments**

- ▶ View Joint Payment
- ▶ Add Joint Payment

**Direct Deposit**

- ▶ View Direct Deposit
- ▶ Add Direct Deposit
- ▶ Direct Deposit Waiver

**Customer Profile**

- ▶ Bankruptcy
- ▶ Other Agency Debt
- ▶ Voluntary Withholdings
- ▶ Involuntary Withholdings

**Go To**

- ▶ NPS
- ▶ NRRS
- ▶ eFMS
- ▶ OLP
- ▶ E-Forms

**Add Voluntary Withholdings Request** Help

Work List: MISSOURI (29) - Callaway (027)  
Customer: JAKE SMITH - xxxxx 0000 S

Voluntary Withholdings information:

Voluntary Withholdings: Yes  
Voluntary Withholdings Percentage: 7

Submit Back Exit

FSAFS-WEB65 [Back To Top ^](#)

**Note:** Secondary verification is required for a withholding request. Request will remain in Pending Changes until secondary verification is complete.

4 Setting Voluntary Withholding in Financial Services (Continued)

C Modifying a Pending Voluntary Withholding

If the pending voluntary withholding is entered incorrectly, or the customer changes the form before secondary approval is entered, the County Office employee shall modify or delete the flag in Financial Services according to the following steps.

Step	Action
1	CLICK “ <b>Select Customer</b> ” from FSAFS main menu.
2	Enter “ <b>Tax ID and Type</b> ”.
3	CLICK “ <b>Search Customer</b> ”.
4	Under the Customer profile options, CLICK “ <b>Voluntary Withholding</b> ”.
5	CLICK “ <b>Modify Request</b> ” to change the percentage.
6	If the W-4 is withdrawn, CLICK “ <b>Delete Request</b> ”. The Voluntary Withholdings Information Screen will be displayed to enter the reason and confirm the deletion.
7	CLICK “ <b>Exit</b> ” to return to the Financial Service main menu without saving the data.

The following is an example of the Voluntary Withholdings Information Screen where users may modify or delete a request.

5 Second Party Verification for Voluntary Withholdings

A Second Party Verification for Voluntary Withholding Required

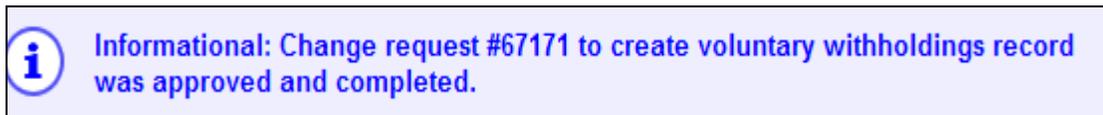
Second party verification is required by County Office employees. After selecting the Create Voluntary Withholding transaction from the Action Work List or the Pending Changes List, the Voluntary Withholdings Information Screen will be displayed. The second party verification will require users to enter the Voluntary Withholding Percentage and choose 1 of the following options:

- “Approve Request” to approve and save request
- ”Delete Request” to remove the request
- “Exit” to end without saving the changes.

The following is an example of the Voluntary Withholding Information Screen that will be displayed for secondary approval.

B Confirmation Message for Creation

The following message will be displayed after the request is approved.



## Notice FI-3101

### 6 Request to Change Approved Voluntary Withholdings to Increase, Decrease, or Cancel Percentage

#### A Updating the Voluntary Withholdings Percentage

When a producer request an increase or decrease to voluntary withholding, the County Office employee must enter the customer TIN and type on the FSASF Menu, and select Voluntary Withholding in Financial Services.

- CLICK “**Modify**” to change the percentage of voluntary withholding as specified by the customer and select the percentage from the drop-down box.
- CLICK “**Continue**”.
- The Pending Change Screen will be displayed.

#### B Canceling Approved Voluntary Withholdings

Cancellations may only be performed by a County Office employee when written consent is on file in the County Office authorizing the voluntary withholding cancellation.

After selecting the customer in Financial Services and selecting Voluntary Withholdings:

- CLICK “**Modify**”
- uncheck the “**Voluntary Withholdings status**” box
- CLICK “**Continue**” to cancel the existing voluntary withholdings
- CLICK “**Exit**” to end without saving the changes and return to the Pending Change Screen.

**Note:** A secondary approval is required to terminate Voluntary Withholding. Customer’s written consent is required to cancel voluntary withholdings.

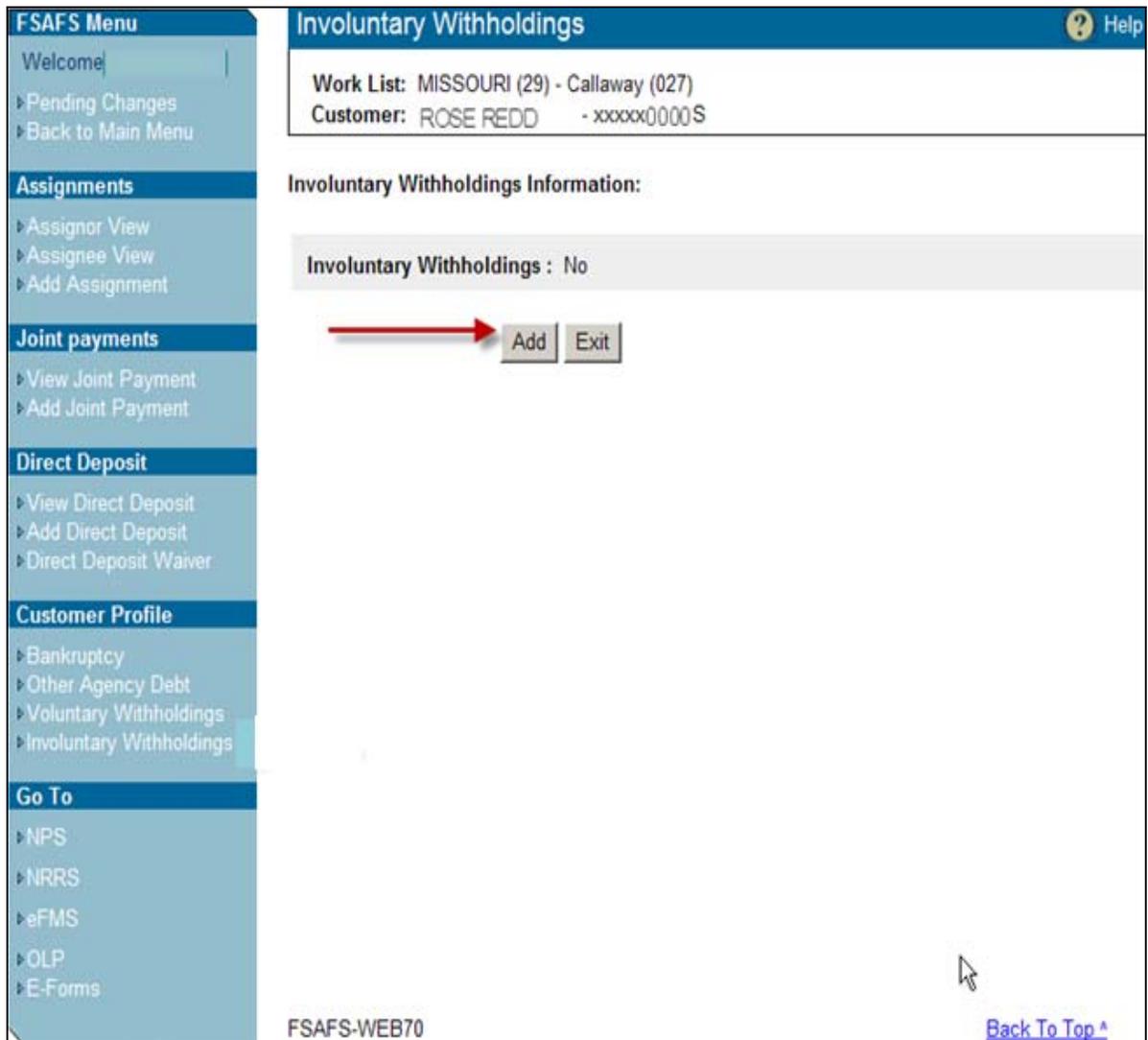
7 Entering Involuntary Backup Withholdings for Programs Other Than TTPP

A Creating an Involuntary Backup Withholding in Financial Services

To create an Involuntary Backup Withholding from the FSAFS Menu, CLICK “Involuntary Withholdings”.

Choose either of the following:

- “**Add**” to view the Add Involuntary Withholding Request Screen
- “**Exit**” to view the Pending Changes Screen.



## Notice FI-3101

### 7 Entering Involuntary Backup Withholdings for Programs Other Than TTPP (Continued)

#### A Creating an Involuntary Backup Withholding in Financial Services (Continued)

The following is an example of the Add Involuntary Withholdings Request Screen.

- Click the “**Involuntary Withholdings Status**” box to activate the flag in Financial Services.
- Enter the effective date in the “**Effective Date**” field in “mm/dd/yyyy” format to record the start date of the involuntary withholding.
- **CLICK “Continue”** and the Add Involuntary Withholdings Request Screen will be redisplayed with the effective date to verify before submitting request.

**FSAFS Menu**

- Welcome
- ▶ Pending Changes
- ▶ Back to Main Menu

**Assignments**

- ▶ Assignor View
- ▶ Assignee View
- ▶ Add Assignment

**Joint payments**

- ▶ View Joint Payment
- ▶ Add Joint Payment

**Direct Deposit**

- ▶ View Direct Deposit
- ▶ Add Direct Deposit
- ▶ Direct Deposit Waiver

**Customer Profile**

- ▶ Bankruptcy
- ▶ Other Agency Debt
- ▶ Voluntary Withholdings
- ▶ Involuntary Withholdings

**Go To**

- ▶ NPS
- ▶ NRRS
- ▶ eFMS
- ▶ OLP
- ▶ E-Forms

**Add Involuntary Withholdings Request** Help

Work List: MISSOURI (29) - Callaway (027)  
Customer: ROSE REDD - xxxxx0000S

**Informational:** As verification is required for changes to involuntary withholdings information, submitting this request will create an entry in "Pending Changes" for this customer.

**Involuntary Withholdings Data:**

Involuntary Withholdings status

Effective date (mm/dd/yyyy): \* 12/19/2011

Ineffective date (mm/dd/yyyy):

FSAFS-WEB71 [Back To Top ^](#)

7 Entering Involuntary Backup Withholdings for Programs Other Than TTPP (Continued)

A Creating an Involuntary Backup Withholding in Financial Services (Continued)

The following is an example of the Add Involuntary Withholdings Request Screen for verification.

If the displayed data is correct, then select “**Submit**”. The submitted request will remain in a pending status until secondary verification is complete.

The screenshot shows the 'Add Involuntary Withholdings Request' screen. The left sidebar is the 'FSAFS Menu' with categories: Welcome, Pending Changes, Assignments, Joint payments, Direct Deposit, Customer Profile, and Go To. The main content area has a blue header with the title and a 'Help' icon. Below the header, it displays 'Work List: MISSOURI (29) - Callaway (027)' and 'Customer: ROSE REDD - xxxxx 0000S'. A section titled 'Involuntary Withholdings information:' contains a grey box with 'Involuntary Withholdings: Yes' and 'Effective date: 12/19/2011'. At the bottom, there are three buttons: 'Submit', 'Back', and 'Exit'. A red arrow points to the 'Submit' button. The footer shows 'FSAFS-WEB72' and a 'Back To Top ^' link.

Click 1 of the following:

- “**Submit**” to submit withholdings request for secondary approval
- “**Back**” to return user to the Add Involuntary Withholding Request Screen to change withholding data
- “**Exit**” to view the Pending Changes Screen.

**Note:** The submitted request will remain in a pending status until secondary verification is complete.

**Notice FI-3101**

**7 Entering Involuntary Backup Withholdings for Programs Other Than TTPP (Continued)**

**B Terminating Involuntary Backup Withholdings**

When the County Office is provided notification that the involuntary backup withholding is no longer applicable, the County Office employee shall delete the flag in Financial Services and update the ineffective date according to the following table.

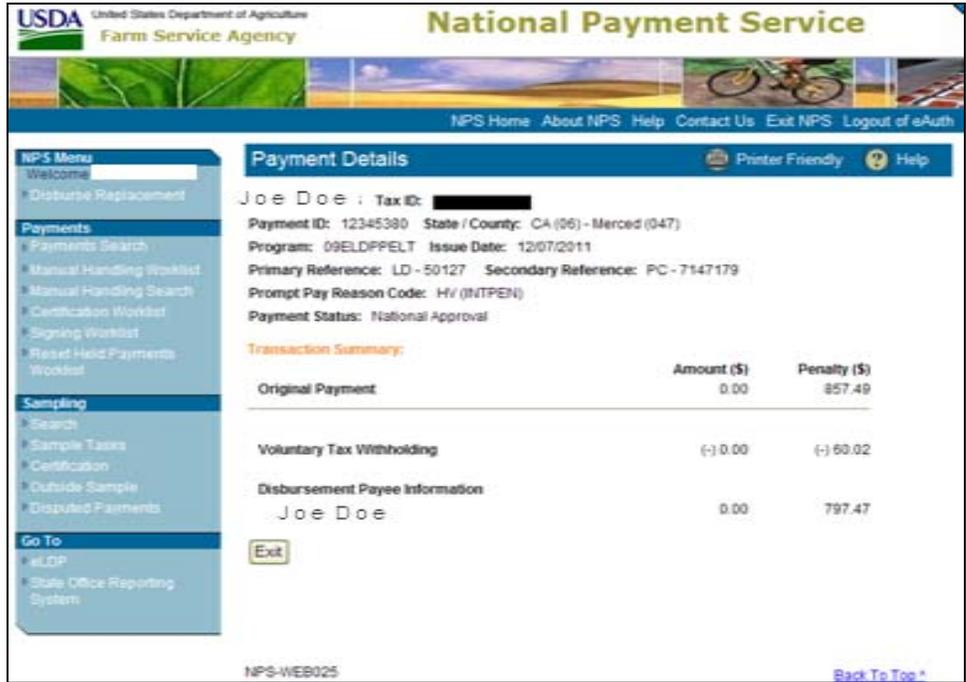
<b>Step</b>	<b>Action</b>
1	CLICK <b>“Select Customer”</b> from the FSAFS menu.
2	Enter <b>“Tax ID and Type”</b> .
3	CLICK <b>“Search Customer”</b> .
4	Under the Customer Profile options, select <b>“Involuntary Withholding”</b> .
5	CLICK <b>“Modify”</b> and the Involuntary Withholdings Data options will be displayed.
6	Uncheck the box for the <b>“Involuntary Withholdings Status”</b> box to change status, if the flag was entered by error.
7	Enter the <b>“Ineffective Date”</b> in <b>“mm/dd/yyyy”</b> format with the correct information and CLICK <b>“Continue”</b> .
8	CLICK <b>“Modify”</b> if the displayed data is correct. The Pending Changes Screen will be displayed.
9	CLICK <b>“Back”</b> to view the Modify Voluntary Withholdings Request Screen and modify the data entered.
10	CLICK <b>“Exit”</b> without saving the data and the Pending Changes Screen will be displayed.

**Note:** Secondary Approval is required for deleting requests previously approved.

8 NPS Certification Worklist

A NPS Certification Worklist Offset

The following is an example of the offset certification worklist in NPS for voluntary withholdings.



B Priority Offsetting for Voluntary and Involuntary Backup Withholding

The priority for manual handling is as follows:

- bankruptcy
- prompt pay
- foreign person withholding
- involuntary backup withholding
- receivables
- other agency
- assignments
- voluntary withholding.

**Note:** If foreign person withholding is taken from the payment, involuntary backup withholding will not be applied. One or the other can be applied, but not both.

C Changing Withholding in NPS

If the payment is not reflecting withholdings correctly, the County Office employee shall modify Financial Services and then reset payment processing in NPS to have the payment reflect the correct information.