

For: State and County Offices

Using Taxpayer Identification (ID) Numbers

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

Inquiries have been received about producers that changed their farming operation from 1 type of business organization to another and request to continue using the same taxpayer ID number. In some situations IRS may allow for the same ID number to be used even though a new entity or joint venture is being created. An example is the change from a general partnership to a limited liability company.

Also noted are numerous system error conditions that occur when different entity types are found with the same ID number. The entity type may have been entered incorrectly. This error condition may also be due to failure of records to correctly merge in the duplicate resolution process in SCIMS. In all instances, using the same ID number for different entity and organizational types will result in problems with payment processing and payment limitation controls.

B Purpose

This notice provides information on current FSA rules on:

- when a new ID number is required
- controlling payment limitation when a new ID number is **not** required by IRS
- the process for correcting error conditions
- revising program contracts and applications for the new producer.

<p>Disposal Date</p> <p>April 1, 2005</p>	<p>Distribution</p> <p>State Offices; State Offices relay to County Offices</p>
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2 ID Numbers, Entity Codes, and Payment Limitation Control

A Background

All program benefits are issued, limited, and recorded by ID number, ID type, and entity type through subsidiary file and payment file processes. Payment limitation control is dependent upon the proper entity type and corresponding entity code being used with the appropriate ID number. Processing errors occur with mismatches between the codes assigned to the different entity types and associated ID numbers. The error of particular concern is when different entity types are entered in the same year with the same ID number.

B New ID Number Required by IRS

Situations where IRS requires a new ID number include, but are not limited to, the following:

- a corporation changes to a general partnership or sole proprietorship
- a sole proprietor changes to a corporation or a general partnership
- an individual dies and the estate takes over the business.

If IRS requires a new ID number as a result of a change in a farming operation both of the following apply:

- the new ID number must be used for the applicable program year
- program payments must be limited accordingly.

C Controlling Payment Limitation When New ID Number Is Not Required by IRS

There are situations where the entity type changes, but IRS does **not** require a new ID number. For example, IRS may not require a new ID number for a change from a general partnership to a limited liability company. However, the use for the same ID number for different entity types for the same program year may jeopardize adequate control of the payment limitation.

County Offices shall ensure that payments are correctly controlled and limited for the current program year, if a change in entity type results in a more restrictive “person” determination.

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3 Correcting Errors and Revising Program Contracts and Applications

A Correcting Errors

System errors caused by improper entity types and ID numbers for prior years are corrected through approval of the National Office and mainframe intervention.

The following information must be submitted to PECD, Common Provisions Branch:

- MABDIG(s) for the year(s) affected
- CCC-502(s) for applicable year(s)
- accounting summary print(s) for the producer
- if for 2002 and producer received PFC payments, all 2002 PFC and DCP direct payment PPH's
- information for all other program payments subject to 1-PL rules.

Provide complete information to the National Office through the respective State Offices as soon as possible for timely correction of error conditions.

B Revising Program Contracts and Applications

A change in the business structure or farming operation results in a different producer for program participation even though members may not have changed. All approved program contracts and applications for benefits must be revised to reflect the change of producer or program participant.

For revision of program contracts and applications:

- follow the succession-in-interest rules applicable to the respective program(s)
- obtain all certifications, forms, and documentation necessary for the payment eligibility and payment limitation determinations required before issuing any payments.

C State and County Offices Action

State and County Offices shall:

- follow contents of this notice
- immediately correct entity type errors
- continue to follow instructions in 1-PL and 2-PL.