

For: State and County Offices

2009 Through 2012 AGI Compliance Review and Reconciliation Activities

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

A Background

The average AGI provisions are applicable to most payments and benefits issued under the 2009 through 2013 commodity, price support, disaster assistance, and conservation programs administered by FSA and NRCS. Different forms, instructions, processes, and tools have been deployed since 2009 for producer certification, written consent to disclosure, referral to IRS for verification, and determination of a producer’s compliance with the average AGI provisions. With the new capabilities recently made available under the AGI Review and Compliance Tracking System (ARCT), all average AGI compliance review and reconciliation activities for 2009 through 2012 can now be initiated and accomplished at all State and County Offices.

B Purpose

This notice provides:

- an overview and instructions for State and County Office users on how to access ARCT for the following functions:
 - recording information for 2009 through 2012 AGI reconciliation and compliance review actions
 - generating reports to identify specific program participants by year, State, and recording County Office for 2009 through 2012 AGI reconciliation and compliance review activities
- instructions and information on:
 - the meaning of items now made visible in the different reports

Disposal Date	Distribution
April 1, 2014	State Offices; State Offices relay to County Offices and NRCS Offices

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1 Overview (Continued)

B Purpose (Continued)

- how to interface report content and available mail merge capability to issue written notifications and other mailings to identified participants
- other available tools proven to be useful for AGI reconciliation and compliance review activities.

2 ARCT

A Purposes and Uses

ARCT is a web-based tool designed for the following purposes and uses:

- record and track, by producer, all AGI reconciliation and compliance review activities
- source data for AGI reconciliation and compliance review reporting
- ensure that any participant in programs subject to AGI limitations and recipient of 2009 through 2012 payments and benefits complies with the applicable AGI limitations.

B Data Entry and Dependencies

AGI reconciliation and compliance records found in ARCT are dependent upon the information entered. Information found in ARCT is the combination of data entered from **only** the following sources:

- KC-ITSD – the results of merged data from IRS, FSA web-eligibility files, and SCIMS
- authorized State and County Office users – current status of actions completed for AGI reconciliation and compliance reviews.

C Updates and Availability

All entries and records for AGI reconciliation and compliance reviews are:

- preloaded in the database
- updated on a quarterly basis
- available at all times to authorized State and County Office users.

2 ARCT (Continued)

D Average AGI Calculation

An available worksheet:

- calculates the average AGI and other income amounts based on the amounts and number of years entered in which taxable income was present
- displays the results and potential eligibility and/or ineligibility for program payments
- includes a print option to allow the results to be used in the determination of AGI compliance or noncompliance
- intentionally does **not** reveal or include the identity of the participant.

E Interaction With Other FSA Files and Record Systems

ARCT is a database:

- exclusively owned and controlled by FSA
- specifically designed and intended for AGI reconciliation and compliance processes
- that does **not** interact or interface with any other FSA files or record systems.

3 ARCT and the AGI Reconciliation Process

A Meaning of AGI Reconciliation Process

The AGI reconciliation process matches or attempts to match **both** of the following:

- compliant values for AGI recorded in the producer web-eligibility files
- data received from IRS, **as only prompted by receiving the written consent to disclosure** and the subsequent AGI verification process.

An entry on the 2009, 2010, or 2011 AGI reconciliation report means the identified producer:

- has certified to compliance with 1 or more of the average AGI limitations
- failed to submit the required written consent to disclosure to IRS.

An entry on the 2012 AGI reconciliation report means the identified producer has certified to compliance with 1 or more of the average AGI limitations for 2012 (submitted CCC-931 to FSA) **and either** of the following applies:

- FSA has failed to refer CCC-931 to IRS for verification processing
- referred CCC-931 has been rejected and returned to FSA for follow-up actions.

3 ARCT and the AGI Reconciliation Process (Continued)

B ARCT and AGI Reconciliation

ARCT reconciliation provides the ability to do the following:

- view all records in the 2009 through 2012 AGI reconciliation reports
- record all actions taken for each identified participant for 2009 through 2012 reconciliation.

C Recording AGI Reconciliation Actions

ARCT allows users to record the following AGI reconciliation actions:

- acceptance of CCC-931 for the identified participant
- rejection of CCC-931 by IRS
- issuance of written notice of a determination of ineligibility
- the amount of receivable established
- withdrawal of CCC-931
- no further actions required.

Examples of the recording options and drop-down lists for AGI reconciliation actions are provided in 4-PL, paragraphs 511 through 513.

D AGI Reconciliation Reports Using ARCT

ARCT affords the capability to generate status reports by the following:

- county
- program year
- State
- new producer according to the selected quarterly period.

Examples of the report options and drop-down lists are provided in 4-PL, paragraph 514.

4 ARCT and the AGI Compliance Review Process

A AGI Compliance Reviews

AGI compliance reviews only include 2009 through 2012 program participants identified who meet **both** of the following conditions:

- certified as compliant with 1 or more of the applicable AGI limitations
- have incomes exceeding the thresholds for the applicable AGI limitations as indicated through the IRS verification process.

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4 ARCT and the AGI Compliance Review Process (Continued)

B Indicators and Flags

The results of the IRS verification process, prompted only by receiving the written consent to disclosure, return information to FSA with various indicators and flags attached.

The different flags mean the following tests, computations, and comparisons to each of the AGI limitations:

- 2a - meets \$500,000 nonfarm income criteria
- 2b - does not meet \$500,000 nonfarm income criteria
- 3a - meets \$750,000 farm income criteria
- 3b - does not meet \$750,000 farm income criteria
- 4a - meets \$1 million nonfarm income AGI criteria for conservation
- 4b - meets 66.66 percent test for conservation
- 4c - does not meet \$1 million nonfarm income AGI criteria for conservation
- 5a - legal entity only; less than or equal to \$500,000
- 5b - legal entity only; does not appear to have AGI less than or equal to \$500,000
- 6a - meets criteria for 2012 direct (\$1 million total AGI)
- 6b - does not appear to meet criteria for 2012 direct.

These values or what they represent are reflected on the ARCT Producer Information Screen under AGI compliance review as the AGI limitations that are questioned.

The following indicators disclosed each of the years of the applicable 3-year period for which tax data was available for the participant and the number of years used for the average AGI calculation:

- CY means crop year or program year for which benefits are requested
- CY-4 is crop year minus 4 years
- CY-3 is crop year minus 3 years
- CY-2 is crop year minus 2 years.

Together, this translates into the 3-year qualification period used for the calculations of average AGI. A “yes” in the “CY” column means tax information was available; “no” means tax information was **not** available for that year. The number of times “yes” displays dictates the number of years used for the average calculations.

This also translates into the number of years tax data was available as shown on the same ARCT Producer Information Screen under AGI compliance review.

C ARCT and AGI Compliance Review

ARCT provides the ability to do the following:

- view all records of 2009 through 2012 participants identified for reviews nationwide
- record all actions taken for each identified participant for 2009 through 2012.

4 ARCT and the AGI Compliance Review Process (Continued)

D Recording AGI Compliance Review Actions

ARCT allows users to record the following AGI compliance review actions:

- results of the completed review of the participant's documentation
- determination of compliance or noncompliance with each AGI limitation
- issuance of written notice of a determination of ineligibility
- amount of receivable established
- withdrawal of CCC-931
- removal from review.

Examples of the recording options and drop-down lists are provided in 4-PL, paragraph 528.

E AGI Compliance Review Reports Using ARCT

ARCT affords the capability to generate compliance review status and tracking reports by the following:

- county
- program year
- State
- new producer according to the selected quarterly period.

Examples of the report options and drop-down lists are provided in 4-PL, paragraph 529.

5 Other Available Tools

A Mail Merge, AGI Notifications, and IRS Tax Forms

On the AGI SharePoint site at

https://fsa.sc.egov.usda.gov/mgr/dafp/PECD/AGI_Compliance_Review/, the folder designated "2009-2012 AGI Compliance Materials" contains the following:

- examples of AGI notification letters (4-PL, paragraph 204)
- examples of CPA or attorney statements for AGI compliance (4-PL, paragraph 189)
- mail merge instructions
- examples of IRS tax forms that State Offices may receive on compliance reviews with items of interest highlighted.

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5 Other Available Tools (Continued)

B Research of Producer Payments

The following tools are available to identify payments issued both directly and indirectly to program participants identified for either AGI reconciliation or AGI compliance review:

- Payment Limitation Details Report (3-PL (Rev. 1), paragraph 143)
- Detailed Prior Payment Report (3-PL (Rev. 1), paragraph 144)
- Subsidiary Print Report (3-PL (Rev. 1), paragraph 303)
- Combined Producer Report (3-PL (Rev. 1) paragraph 305)
- Common Payment Reports (9-CM, Part 5, Sections 1 and 2)
- Payment History Reports (9-CM, paragraph 69)
- Financial Web Application Data Mart Reports (64-FI, Part 7)
- Financial Inquiries Web Site (1-FI, Part 6).

Note: Coordinate actions with NRCS for payment information for participants in programs administered by NRCS and subject to 2009 through 2012 AGI limitations.

6 Action

A State and County Office Action

State and County Offices shall:

- follow the contents of this notice
- timely record all actions completed for AGI reconciliation and compliance reviews
- record all receivables established
- update subsidiary files to match what is recorded in ARCT
- take actions, as appropriate, for submitted CCC-931's, appeals, tax information, and other supporting documentation provided by participants.