

For: Tobacco State and County Offices

**Tobacco Transition Payment Program (TTPP)
Contract Transfer Frequently Asked Questions and Answers**

Approved by: Deputy Administrator, Farm Programs



1 TTPP Questions and Answers for Contract Transfers

A Background

FSA has received questions about the definition of “family member” and whether or not certain transfers can be approved. Notice TB-1209 provides authority to County Offices to accept contract transfers that are exempt from the maximum discount rate (MDR) on CCC-971.

A forthcoming software release will allow County Offices to process transfer requests.

B Purpose

This notice provides TTPP questions and answers about contract transfers (Exhibit 1).

| Disposal Date | Distribution |
|----------------------|---|
| July 1, 2007 | Tobacco State Offices; State Offices relay to applicable County Offices |

TTPP Questions and Answers Related to Contract Transfers

Q What is the definition of a family member?

A Family member means a parent; grandparent or other direct lineal ancestor; child or other direct lineal descendent, spouse; or sibling of a tobacco quota holder or tobacco producer.

Q Can a contract holder (mother) transfer her contract rights to her daughter-in-law if her son is deceased?

A No, the daughter-in-law is not considered a family member.

Q Quota holder contracts are in individual member names (brothers) of the Jones family as they are the “owners” of the farm. In this situation, the Jones brothers want to transfer their contracts to Jones Farm, Inc. (the brothers’ farming operation). Since 1 party is not an individual can this transfer be approved?

A No, Jones Farm, Inc. is not considered a family member.

Q Quota holder contract is in the name of a corporation (John Smith & Sons, Inc.). Can the contract holder transfer to Bob Smith, son of John Smith?

A No, the corporation is not considered to have family members.

Q Contract was enrolled under a partnership; the partnership has now been changed to a LLC. The contract holder wants contract payments to be made under the LLC taxpayer identification number. How is this handled?

A In the case of an entity dissolved after enrollment, the members will be considered the contract holders for future year payments. The base quota level (BQL) under contract should be divided among the members based on each member’s share of the entity at the time of dissolution. All parties must sign new contracts.

Q Can a contract holder (father) transfer his contract to his brother by CCC-971, and then the brother transfer it to his son by CCC-971 after the first transfer has been approved?

A Yes, because the definition of family member has been met for this transfer.

Q In 2002, 2003, and 2004, a partnership had 13 members. The partnership is still in existence using the same taxpayer identification number. For 2005, the number of members has been reduced to 2 (husband & wife). Should the payment be made to the partnership, since it has not been dissolved, or the members since the members have changed?

A Partnership. The partnership is responsible for the applicable distribution to members.

TTPP Questions and Answers Related to Contract Transfers (Continued)

- Q Quota holder (husband) died months before October 22, 2004, and there was a surviving spouse (wife) at the time of death. The farm on October 22, 2004, was listed under the estate's name. The estate had not been settled. TTPP contract was enrolled under the estate. The heirs of the estate are his children. The estate wants to transfer rights to the children. Will the contract transfer be disapproved based on the existence of the surviving spouse?**
- A** No, the estate may transfer the contract only to the heirs of the estate (the children).
- Q Is the manual CCC-971 being accepted going to be dataloaded and have a computer generated CCC-971 with new contract numbers or will a new CCC-955 or CCC-956 be generated with new contract numbers for signature?**
- A** CCC-971 will not be computer generated. New CCC-955 or CCC-956 contracts, as applicable, will be generated with new contract numbers that have their history linked to the original contract that will be cancelled when the new contracts are issued. The new contract number should be entered on the manual CCC-971 for cross-reference purposes.