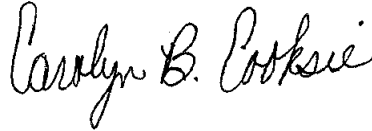


For: State and County Offices

Processing IRS Mandated Backup Withholding for TTPP Payments

Approved by: Associate Administrator for Operations and Management



1 Overview

A Background

Internal Revenue Code section 3403(a) (1) (C) mandates a 28 percent backup withholding on certain payments to taxpayers identified by IRS as subject to backup withholding. Payments subject to withholding are reported on IRS Form 1099-INT and/or IRS Form 1099-OID.

FSA must withhold 28 percent of the portion of payments currently reported on IRS Form 1099-INT and/or IRS Form 1099-OID when notified that a taxpayer is subject to withholding. Currently, the majority of payments affected by the IRS backup withholding are the imputed interest portion of TTPP payments made to quota holders.

The FSA Financial Services Web Application has been modified to include an “Involuntary Withholdings” indicator. However, the indicator cannot be used for TTPP since only the imputed interest of the payment is subject to withholding.

Withholding will be made by setting the “Other Agency” flag in Financial Services, and entering the backup tax withholding in NPS.

B Purpose

This notice provides instructions for:

- processing the IRS mandated backup withholding in NPS for TTPP using the Financial Services “Other Agency” flag
- notifying County Offices that backup with withholding is required.

Disposal Date	Distribution
January 1, 2013	State Offices; State Offices relay to County Offices

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1 Overview (Continued)

C Contacts

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

Issue	Contact
Software-related problems	Contact the National help Desk at 800-255-2434 or 819-926-1552. Note: Select option 3 for hardware and application software.
Policies or procedures on making IRS mandated backup withholdings in NPS	Contact either of the following: <ul style="list-style-type: none">• Jackie Pickens by:<ul style="list-style-type: none">• e-mail at jackie.pickens@wdc.usda.gov• telephone at 703-305-1310• Nancy Chapman by:<ul style="list-style-type: none">• e-mail at nancy.chapman@kcc.usda.gov• telephone at 816-926-6971.
Policy or procedures for IRS backup withholding notifications	Contact either of the following: <ul style="list-style-type: none">• Rhonda Anthony for TTPP by:<ul style="list-style-type: none">• e-mail at rhonda.anthony@kcc.usda.gov• telephone at 816-926-6251• Debbie Deane for other programs by:<ul style="list-style-type: none">• e-mail at debra.deane@kcc.usda.gov• telephone at 816-926-1613.

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2 Notification From Kansas City to Begin IRS Backup Withholding for TTPP

A State Office Notification

Kansas City will send notification to the State Offices by mail when action must be taken for the IRS mandated backup withholding. The producer's name and TIN will be listed on the notification. After notification has been received, the State Office shall notify the County Office who must set the "Other Agency" flag for the producer in Financial Services. After the flag has been set, a copy of the notification, indicating the "Other Agency" flag has been set, must be FAXed to 816-823-1871. These actions **must** occur **immediately upon receipt of notification**. See subparagraph C for an example of the notification letter.

Note: Copies of the notification letter will **not** be distributed to producers.

B County Office Notification of Backup Withholding Amount

Within 2 to 3 business days after the payments request has been sent to NPS, Kansas City will send notification to the State Offices by encrypted e-mail identifying the:

- TTPP contracts
- associated TIN
- the amount of backup withholding based on the imputed interest of the TTPP payments.

After this notification is received, the TTPP payments can be processed according to paragraph 4.


Note: The encrypted e-mail will have the subject line, "TTPP Backup Withholding Payment".

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2 Notification From Kansas City to Begin IRS Backup Withholding for TTPP (Continued)

C Example of Notification Letter

The following is an example of the notification letter that will be mailed to County Offices.



**United States
Department of
Agriculture**

Farm and Foreign
Agricultural Service

Farm Service
Agency

Office of Budget and
Finance

Financial
Management
Services

Financial Services
Center
PO Box 419205
Kansas City,
Missouri
64141-6205

TO: FSA Office

FROM: Payment Management Office,
Chief, Payment Reporting and Financing Group

SUBJECT: IRS Backup Withholding Notification

The Internal Revenue Service (IRS) has identified the producer named below is subject to backup withholding under Internal Revenue Code section 3406(a)(1)(C).


Please begin backup withholding at the rate of 28% on all applicable payments made to this producer.

Producer's name:
Producer's ID number:

These actions must be completed immediately after receiving this notice:

1. Set the Other Agency Offset Flag in Financial Services for this producer.
2. Fax (816-823-1871) a copy of this letter indicating the flag has been set and the action taken.

If you have any questions or need additional assistance, please contact Debbie Deane at 816-926-5988 or debra.deane@kcc.usda.gov or Rhonda Anthony for TTPP (Tobacco Transition Payment Program) related assistance at 816-926-6251 or rhonda.anthony@kcc.usda.gov.



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3 Accessing Financial Services to Set Flag

A Login to Financial Services

County Office employees:

- shall log into Financial Services to set the “Other Agency” flag for TTPP participants when notified about an IRS backup withholding
- must have a valid eAuthentication user ID and password to log into the FSA Financial Services web site at <https://pws.sc.egov.usda.gov/login/login.aspx/>.

Employees may log into the FSA Financial Services web site from the FSA Intranet Home Page according to the following:

- under “Resources”, CLICK “FSA Applications”
- under “Financial Services”, CLICK “Financial Applications.

The FSA Intranet Financial Applications Home Page will be displayed. CLICK “FSA Financial Services” and the USDA eAuthentication Warning Screen will be displayed. CLICK “I Agree” and the eAuthentication Login Screen will be displayed.

On the eAuthentication Login Screen, users have the option to enter a valid eAuthentication user ID and password or login with LincPass credentials. CLICK “Login”.

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3 Accessing Financial Services to Set Flag (Continued)

B Setting Other Agency Debt Flag

After selecting the State/County “Worklist” and “Customer”, CLICK “Other Agency Debt” located under the “Customer Profile” Menu.

The screenshot displays the USDA Financial Services web application. At the top, the USDA logo and "United States Department of Agriculture Farm Service Agency" are visible on the left, and "Financial Services" is on the right. A navigation bar contains links: "FSAFS Home", "About FSAFS", "Help", "Contact Us", "Exit FSAFS", and "Logout of eAuth".

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

- Work List:** MISSOURI (29) - Callaway (027)
- Customer:** Tom Dough - xxxxx S

Below this information, a message reads: "Welcome to Financial Services. Use the left navigation to begin." The left navigation menu is organized into several sections:

- FSAFS Menu:** Welcome D. Park, 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 (indicated by a red arrow), Voluntary Withholdings, Involuntary Withholdings
- Go To:** NPS, NRRS, eFMS, OLP, E-Forms

At the bottom of the page, the text "FSAFS-WEB01, Last Modified on 12/08/2011" is on the left, and a "Back To Top ^" link is on the right.

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3 Accessing Financial Services to Set Flag (Continued)

B Setting Other Agency Debt Flag (Continued)

Check the box under “Other Agency Debt”.

The screenshot displays the FSAFS (Farm Service Agency Financial Services) interface. At the top, the USDA logo and 'United States Department of Agriculture Farm Service Agency' are visible on the left, and 'Financial Services' is on the right. A navigation bar includes links for 'FSAFS Home', 'About FSAFS', 'Help', 'Contact Us', 'Exit FSAFS', and 'Logout of eAuth'. The main content area is divided into a left sidebar and a main panel. The sidebar, titled 'FSAFS Menu', contains sections for 'Welcome D. Park', 'Pending Changes', 'Back to Main Menu', 'Assignments', 'Joint payments', 'Direct Deposit', 'Customer Profile', and 'Go To'. The 'Customer Profile' section in the sidebar is highlighted with a red arrow pointing to the 'Other Agency Debt' option. The main panel, titled 'Customer Profile', shows the user's work list as 'MISSOURI (29) - Callaway (027)' and the customer as 'Tom Dough - xxxxx S'. Under the 'Other Agency Debt:' heading, there is a checked checkbox with the text 'Check if customer listed above has debt with an agency other than FSA.' Below this checkbox are two buttons: 'Modify Profile' and 'Exit'. At the bottom of the page, the text 'FSAFS-WEB53' and a 'Back To Top ^' link are visible.

Note: If the customer is a multi-county producer, the Administrative Office shall be the only office to modify this flag setting. The Administrative Office shall also notify all counties where the customer conducts business about this modification.

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3 Accessing Financial Services to Set Flag (Continued)

B Setting Other Agency Debt Flag (Continued)

Select either of the following:

- **“Modify Profile”** to activate the “Other Agency Debt” flag for the TTPP participant

Notes: This flag should be removed after the withholding is satisfied.

After the request has been approved, the user will receive an informational message stating the customer’s profile has been successfully updated.

- **“Exit”** to return to the Financial Services Main Screen without saving change.

The screenshot shows the USDA Financial Services web application interface. At the top, the USDA logo and 'United States Department of Agriculture Farm Service Agency' are on the left, and 'Financial Services' is on the right. A navigation bar contains links for 'FSAFS Home', 'About FSAFS', 'Help', 'Contact Us', 'Exit FSAFS', and 'Logout of eAuth'. The main content area is divided into a left sidebar and a right main panel. The sidebar includes sections for 'FSAFS Menu' (Welcome D. Park, 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), and 'Go To' (NPS, NRRS, eFMS, OLP, E-Forms). The main panel has a 'Customer Profile' header with a 'Help' icon. Below the header, it displays 'Work List: MISSOURI (29) - Callaway (027)' and 'Customer: Tom Dough - xxxxx S'. An informational message box states 'Informational: Customer profile update successful.' Below this, the 'Other Agency Debt' section has a checked checkbox and the text 'Check if customer listed above has debt with an agency other than FSA.' and 'Last changed 12/27/2011 in MISSOURI (29) - Callaway (027)'. At the bottom of this section are 'Modify Profile' and 'Exit' buttons. The footer of the page shows 'FSAFS-WEB53' and a 'Back To Top ^' link.

Note: The “Other Agency Offset” flag setting applies to all State/counties where the producer conducts business. No secondary approval is needed for this flag election.

4 Entering Offset Information in NPS

A Other Agency Offset on Manual Handling Worklist

When an “Other Agency Offset” payment is passed to NPS, it will appear on the Manual Handling Worklist. See 1-FI, paragraph 138 for Manual Handling Worklist procedures.

After the applicable payment is selected from the Manual Handling Worklist, select the “Other Agency Offset” link.

The screenshot displays the National Payment Service (NPS) interface. At the top, the USDA logo and 'National Payment Service' title are visible. A navigation bar includes links for 'NPS Home', 'About NPS', 'Help', 'Contact Us', 'Exit NPS', and 'Logout of eAuth'. The main content area is titled 'Manual Handling WorkList' and includes a 'Printer Friendly' and 'Help' option. A search summary states: 'Your Request: State / County = KS (20) - Sheridan (179), Issue Date = From 12/07/2010 to 12/07/2010, Payment Status = Other Agency Offset, Program Alpha Code = TTPP05TOBBQUO. Click [here](#) to change search parameters.' Below this, it indicates 'One item found. 1 [Refresh]'. The item details are: '1. Tom Dough Tax ID 111111111 S', 'Program: TTPP05TOBBQUO Reference: CT - 210451001254 Amount (\$): 50.00', 'Payment ID: 31723037 Issue Date: 12/07/2010 PPI Start Date: 12/17/2010', and 'State / County: KS (20) - Sheridan (179)'. A red arrow points to the 'Other Agency Offset' link, and a 'Reset Payment Processing' link is also present. A 'Back' button is located below the item details. The footer contains 'NPS-WEB009' and a 'Back To Top' link.

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4 Entering Offset Information in NPS (Continued)

B Entering Payee Information

When the “Other Agency Offset” is submitted in NPS for the IRS mandated backup withholdings, the County Office will use their County Office name and address for the check to be mailed to their office for deposit.

The following is an example of the Payment Processing - Other Agency Offset Screen.

NPS Menu
Welcome: John Doe
Disburse Replacement

Payments
Payments Search
Manual Handling Worklist
Manual Handling Search
Certification Worklist
Signing Worklist
Reset Held Payments Worklist

Go To
Financial Services
NRRS

Payment Processing - Other Agency Offset

Tom Dough Tax ID: 111111111 S
Program: TPP05TOBBPRO Reference: CT - 210451001254, PY - 2006
Payment ID: 31723037 Issue Date: 12/07/2010 PPI Start Date: 12/17/2010
State / County: KS (20) - Sheridan (179)
Last Updated by: MOKANSASC2DT38 on 12/07/2010
Original Payment Amount (\$): 50.00
Remaining Payment Amount (\$): 50.00

Add Other Agency Offset To Payment:

All required fields are denoted by an asterisk (*).

* Amount To Offset (\$):

* Other Agency Payee Name:

* Address 1:

Address 2:

* City:

* State:

* Zip:

Do not Apply Payment to Other Agency Offset

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4 Entering Offset Information in NPS (Continued)

B Entering Payee Information (Continued)

The County Office shall enter the required information on the Payment Processing - Other Agency Offset Screen.

- **Amount To Offset (\$)** - (28 percent of the imputed interest portion of the TTPP payment.

Note: This amount will be sent by an encrypted e-mail from Kansas City to the State Office. The State Office will notify the County Offices.

- **Other Agency Payee Name** - name of the FSA County Office submitting payment.
- **Address 1** - address of the county.

Note: To distinguish this is an IRS backup withholding, after the county address, this line should contain **“ref:IRS BWH”**.

- **Address 2** - additional address line (if applicable).
- **City** - city of county.
- **State** - State of county.
- **Zip** - ZIP Code of county.

Click either of the following:

- **“Add”** to have the other agency offset information entered applied against the payment request
- **“Clear”** to remove the other agency offset information from fields.

4 Entering Offset Information in NPS (Continued)

B Entering Payee Information (Continued)

The following is an example of the Payment Processing - Other Agency Offset Screen that will be displayed with the offset being applied against the payment request.

The screenshot displays the 'Payment Processing - Other Agency Offset' interface. At the top, it identifies the user as 'Tom Dough' with Tax ID '111111111 S'. The program is 'TTFPPOSTOBBDUO' with reference 'CT-210451001254'. The payment ID is '31723037', issued on '12/07/2010', with a PPI start date of '12/17/2010'. The state is 'KS (20) - Sheridan (179)'. The last update was by 'NPS:jobScheduler' on '10/28/2010'. The original payment amount is \$50.00, and the remaining amount is \$0.00. A table lists one offset entry: '1. Agency Name: Dyer County FSA' with an offset of \$14.00. The address is '70th Terr /ref: IRS BWH, 340 Bldg, Alder, MT 59710'. Below the table, there is a form to 'Add Other Agency Offset To Payment' with fields for amount, payee name, address, city, state, and zip, and buttons for 'Add', 'Clear', 'Save', and 'Exit'.

Click 1 of the following:

- “**Modify**”, to edit any of the other agency offset information that was entered
- “**Delete**”, to remove the other agency offset information
- “**Save**”, to apply the other agency offset against the payment
- “**Exit**”, to **not** apply the other agency offset against the payment.

After the treasury check is received in the County Office, the County Office will then record the receipt in NRRS. See paragraph 5.

5 Recording TTPP Participant's Backup Tax Withholdings in NRRS

A Login to NRRS

CLICK “FSA Applications” on the FSA Intranet Home Page to access NRRS. Under “Financial Services”, CLICK, “Financial Applications”. The FSA Intranet Financial Applications Home Page will be displayed. CLICK “National Receipts and Receivables System”. See 64-FI, paragraph 17 for instructions to log into NRRS.

B Recording the Backup Withholding Receipt

Record a new receipt in NRRS according to 64-FI, paragraph 33.

Enter the following on the Create New Receipt Screen:

- **Remittance Amount** - amount of check
- **Remitter Name** - producer’s name in which amount is being withheld
- **Remittance Type** - select “Check”
- **Check/Item Number** - the treasury check number
- **Collection Type** - select “Direct Sales”
- **Effective Date** - current date.

CLICK “Submit”.

The Enter Direct Sales Program Information Screen will be displayed.

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5 Recording TTPP Participant's Backup Tax Withholdings in NRRS (Continued)

B Recording the Backup Withholding Receipt (Continued)

To record the Direct Sales Program information:

- select the program code, “FEDTAXREQ”, from the drop-down menu
- select the applicable State/County from the drop-down menu
- CLICK “Submit”.

Prepare and verify the deposit according to 64-FI, paragraph 51.

The screenshot shows the USDA Farm Service Agency National Receipts & Receivables System interface. At the top left is the USDA logo and text: "United States Department of Agriculture" and "Farm Service Agency". At the top right is "National Receipts & Receivables System". A navigation bar contains links: Home, About USDA, About NRRS, Help, Contact Us, Exit NRRS, and Logout of eAuth. The main heading is "Enter Direct Sales Program Information". Below this, there are two dropdown menus: "Program Code:" with "FEDTAXREQ" selected and a help icon, and "Select State / County:" with "48 TX - 389 Reeves" selected and a help icon. Below the dropdowns are four buttons: Submit, Back, Reset, and Cancel. At the bottom center is the text "NRRS-Web-5.1.2". At the bottom of the page is a footer with links: Home, USDA Internet, USDA Intranet, FSA Internet, FSA Intranet, Site Map, FOIA, Accessibility Statement, Privacy, Non-Discrimination, Information Quality, Policies and Links, FirstGov, and White House.

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6 Completing CCC-44 for TTPP Participant's

A Sending CCC-44 to Kansas City

Counties must account for all IRS mandated backup withholdings. These withholdings must be reported to Kansas City on CCC-44 as soon as the backup withholdings are deposited. Prepare and FAX CCC-44 to Kansas City according to subparagraph B.

B Preparing CCC-44's

Prepare CCC-44 according to this table.

Item	Instructions
1	Enter the State name.
2	Enter County Office name.
3	Enter the County Office telephone number.
4A	Enter the payee's name.
4B	Enter the payee's address.
4C	Enter the payee's TIN.
4D	Check the box for the applicable TIN type.
5A	Enter the program/reference number. Example: "TTPP Contract SScccXXXXXXXX".
5B	Enter the program year.
5C	Enter the original payment amount.
5D	Enter the dollar amount withheld.
5E	Enter the total dollar amount withheld (total of amounts in column D).
6A	Enter the schedule number (schedule number of deposit for withholdings).
6B	Enter the schedule date (date of deposit).
6C	Enter signature of preparer (County Office preparer).
6D	Enter date signed by preparer.
6E	Enter signature of second party verifier (County Office employee who verified form information).
6F	Enter date signed by verifier.

County Offices shall FAX CCC-44 to Kansas City at 816-823-1871 with a cover sheet:
ATTENTION: Backup Withholding.

County Offices shall maintain CCC-44 in the County Office "FM" files. These records shall be retained for a period of 6 years, 3 months.

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6 Completing CCC-44 for TTPP Participant's (Continued)

C Example of CCC-44

The following is an example of CCC-44. County Office shall complete for every TTPP participant that has IRS mandated backup withholdings withheld from program payments.

<small>This form is available electronically.</small>			
CCC-44 <small>(01-05-11)</small>		U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation	
BACKUP WITHHOLDINGS OF COMMODITY CREDIT CORPORATION PAYMENTS			
PART A – GENERAL INFORMATION			
1. STATE NAME	2. Name of County Office		3. County Office Telephone Number <i>(Including Area Code)</i>
PART B – PAYEE INFORMATION			
4A. Payee's Name		4B. Payee's Address <i>(Including Zip Code)</i>	
4C. Payee's TIN		4D. TIN Type <i>(Check one below:)</i> SSN <input type="checkbox"/> EIN <input type="checkbox"/> IRS <input type="checkbox"/>	
PART C – WITHHOLDING PAYMENT INFORMATION			
5A. Program/Reference Number	5B. Program Year	5C. Original Payment Amount \$	5D. Dollar Amount Withheld \$
5E. Total Dollar Amount Withheld:			
PART D – CERTIFICATION OF WITHHOLDINGS			
6A. Schedule Number		6B. Schedule Date <i>(MM-DD-YYYY)</i>	
6C. County Office Employee Preparer's Signature		6D. Date <i>(MM-DD-YYYY)</i>	
6E. Second Party Verification Signature		6F. Date <i>(MM-DD-YYYY)</i>	
COUNTY OFFICE USE ONLY			
<i>County Office Instructions:</i>			
- Fax completed form to Kansas City at (816) 823-1871 with cover sheet: ATTENTION: Backup Withholding.			
- Maintain form in FM records.			
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<small>To file a complaint of discrimination, write to USDA, Assistant Secretary for Civil Rights, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, S.W., Stop 9410, Washington, DC 20250-9410, or call toll-free at (866) 632-9992 (English) or (800) 877-8339 (TDD) or (866) 377-8642 (English Federal-relay) or (800) 845-6136 (Spanish Federal-relay). USDA is an equal opportunity provider and employer.</small>			

Notice FI-3084

7 Discontinuing Backup Withholding

A Notification of Discontinuing Backup Withholding

Notification to discontinue withholdings will be sent to the county by encrypted e-mail when Kansas City receives notification from IRS that the producer is no longer subject to backup withholdings. The e-mail will be followed up with a copy mailed to the County Office.

If a producer receives notification from the IRS they are no longer subject to backup withholding, a copy of the notification must be FAXed to Kansas City at 816-823-1871 for verification. After Kansas City has verified the notification, concurring with IRS regulations, they will send the County Office notification to discontinue backup withholdings.

The County Office shall log into Financial Services and uncheck the “Other Agency Debt” box and select “Modify Profile”. This will remove the “Other Agency” flag from the producer’s profile.


After the flag has been removed, a copy of this notification indicating the “Other Agency” flag has been removed shall be FAXed to 816-823-1871. County Offices shall complete these actions **immediately on receipt of notification**.

Notice FI-3084

7 Discontinuing Backup Withholding (Continued)

B Example of Discontinuing Backup Withholding Notification Letter

The following is an example of the notification that will be sent to the County Office.



United States
Department of
Agriculture

Farm and Foreign
Agricultural Service

Farm Service
Agency

Office of Budget and
Finance

Financial
Management
Services

Financial Services
Center
PO Box 419205
Kansas City,
Missouri
64141-6205

TO: FSA Office

FROM: Payment Management Office,
Chief, Payment Reporting and Financing Group

SUBJECT: IRS Backup Withholding Notification

The producer named below is no longer subject to backup withholding under section 3406(a) (1) (C) of the Internal Revenue Code.


This is your notice to discontinue backup withholding on the payments that you make to this producer.

Producer's name:
Producer's ID number:

You are requested to take the following actions within 2 business days of receipt of this notice:

1. Remove the Other Agency Offset Flag in Financial Services for this producer.
2. Fax (816-823-1871) a copy of this letter indicating the flag has been removed.

If you have any questions or need additional assistance, please contact Debbie Deane at 816-926-5988 or debra.deane@kcc.usda.gov.



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