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USDA & IRS to end payments to ineligible program participants

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Acting on last October's Government Accountability Office (GAO) report which estimated that ineligible people have been paid \$50 million a year in farm program payments, the Agriculture and Treasury Departments announced new rules on Thursday to end these payments.

Treasury Secretary Tim Geithner said that "This cooperation between the Treasury Department and USDA will implement reforms from the 2008 Farm Bill to ensure payments go only to those who need them and are supposed to receive them. The goal is to limit excessive payments while providing for fairness to family farmers." Agriculture Secretary Tom Vilsack explained that "One of the goals of this administration is to make certain that USDA payments are not issued to individuals and entities that exceed income eligibility limits established by law. Once this verification system is fully operational, high-income individuals and entities will be identified by USDA before farm program payments are actually disbursed to them."

The immediate change affecting farmers is that USDA has announced that "Beginning with the 2009 crop year and for successive years, in order to be eligible for USDA payments all recipients will be required to sign a separate form which grants IRS the authority to provide income information to USDA for verification purposes." To protect confidentiality, "The Farm Service Agency will not receive actual tax data for the producers. All disclosure and Privacy Act provisions will be adhered to by the Farm Service Agency."

The GAO report found that of the 1.8 million individuals receiving farm payments over a three year period from 2003 to 2006, more than 2,500 had an average adjusted gross income (AGI) that made them ineligible for farm payments. Yet because of the inability of USDA to verify income, more than \$49 million was paid to ineligible individuals according to the report.

Under the 2008 Farm Bill, recipients of many Farm Bill payments, including direct payments, are not eligible for these payments if their gross nonfarm income average for the previous three taxable years is greater than \$500,000. Additionally, direct payments cannot be paid to participants whose average adjusted gross farm income for the three-year period exceeds \$750,000. Participants are ineligible for conservation payments if

their nonfarm average gross income for the three-year period exceeds \$1 million, unless at least two-thirds of their total average adjusted gross income is derived from farming.

#30