

## INTERVIEW CHECKLIST FOR FARMER FOOD STAMP APPLICATIONS AND RECERTIFICATIONS

1. Is your farming operation incorporated in whole or in part?  Yes  No
  - ◆ If yes, remember recipient's share of the corporation's net value is a resource. This client is not self-employed if employed by the corporation.
2. EXPLAIN: We are trying to determine what the income will be for this calendar year. Usually we use the most current income tax return as a guide and assume this is indicative of the current year's income.
3. Is last year's tax return a good indication of this year's income?  Yes  No
  - Examples indicating a no answer:
    - ◆ Switching from grain farming to livestock.
    - ◆ Farming more or less land.
    - ◆ Switching to a different crop, when a change in profit or loss is expected.
    - ◆ Doubling up of income (sale of grain sealed or stored for more than one year, change in livestock marketing pattern).
    - ◆ Any foreclosure actions.
4. Have any bankruptcy actions been filed?  Yes  No
  - ◆ If Chapter VII, at the point the papers are filed the operation has ceased.
  - ◆ If Chapter XI, is there a reorganization plan?  Yes  No
    - If yes, this is probably the best guide to anticipate income.
    - Is a change anticipated in the profit or loss?  Yes  No
    - If yes, income must be anticipated.
    - If no, use the current tax return.
5. IRS Schedule F (Income and Deductions).
  - ◆ Were there any sealed grain sales forfeitures last year?  Yes  No
  - ◆ Are any anticipated this year?  Yes  No
  - ◆ If crop insurance appears as income, can a like amount of income be reasonably anticipated from grain sales this year?  Yes  No
    - If yes, use the income tax amount and document why the crop insurance amount was used.
    - If no, document the different amount.
  - ◆ If crop insurance appears as income, can less expense be reasonably anticipated for feed expense?  Yes  No
    - If yes, document the different amount.
    - If no, use the income tax amount and document why the feed expense was used.
  - ◆ Is there a gas tax credit or refund showing as income?  Yes  No
    - If yes, subtract this figure from income.

**Note:** This may be included in "other income" on the Schedule F. The amount used can be found on Form 4136 of the previous year's tax return.

- ◆ Is any income claimed for animals slaughtered for home consumption?
  - If yes, subtract this figure from income.
- ◆ Are patronage dividends claimed?  Yes  No
  - If yes, determine if the dividends were paid in cash.
  - If yes, consider as income.
  - If given as shares of stock, do not count as income.
- ◆ Deductions.
  - Disregard depreciation as a business expense.
  - If there are labor expenses, is any of the money paid to household members?  Yes  No
  - If yes, do not allow this as an expense.

**Note:** Some farmers showing a loss for IRS purposes may have additional paid business expenses that were not claimed on the tax return. Consider these as a cost of doing business. Obtain the principal cost of capital assets and use it as a deduction if interest on these payments is claimed on the tax return. Both the principal and interest portions of the payment are a cost of doing business.

6. IRS Form 4797 and Schedule D

- ◆ Does the gain showing on equipment represent a normal part of the farm operation (equipment turnover)?  Yes  No
  - If yes, consider the 100% figure as income.
- ◆ Does the gain on livestock represent a normal part of the operation (replacement of breeding stock etc)?  Yes  No
  - If yes, consider the 100% of the gain will be included as income.

**Reminder:** Don't offset any gains with losses. After determining the capital gains on Form 4797, check Schedule D for gains not addressed on the 4797. Add in "Ordinary Gains" from form 4797 related to the self-employed. Do not consider recaptured depreciation as income. This figure is on Form 4797 and is transferred to Schedule F under "other income". Subtract this from gross income.

7. Explain even and uneven proration to the client. Clients may choose either even or uneven proration. Uneven proration can apply to losses as well as profits.

8. Shelter Deductions

- ◆ If all of the interest and tax expense for the farm is shown on the Schedule F then ask:

Does This Household Itemize?	
YES	NO
Determine the percentage of mortgage and taxes on personal property.	Determine the percentage of principal payment that is for personal shelter.
Allow this percentage as the personal food stamp shelter amount.	Allow only this percentage as the personal food stamp shelter amount.
The remainder is allowed as a business deduction.	The remainder is allowed as a business deduction.

To determine personal vs. business mortgage and taxes portion of payments:

- ◆ Contact the county assessor’s office.
- ◆ Have the client provide a copy of the record of assessed valuation.

Example:

<u>Assessed Value</u>		<u>Dwelling</u>	
Land	\$ 75,000	Dwelling	= \$ 15,000 =15%
Buildings	10,000	Total	\$100,000
Dwelling	<u>15,000</u>	15% x \$10,000 (total mortgage payment) = \$1500 (shelter) ÷ 12 =	
Total	\$100,000	\$125 per month for shelter deduction.	
		\$10,000 (total mortgage payment) – \$1500 (shelter) = \$8,500 annual business deduction.	

9. Reporting Changes.

- ◆ If a new tax return will be filed during the certification period, ask the client to provide you with a copy **and** notify you of any changes. After you receive the new tax form, arrange to discuss it with the client.
- ◆ Example of change in income during the certification period. In February, \$6,000 in net income is anticipated for the year. On July 15th, due to hail damage, only \$3,000 annual net income is anticipated and is reported. The lower income figure is used to determine benefit level for August.
- ◆ Changes to be reported include:
  - Off-farm income received by any household member that starts or ends.
  - Capital gains realized in excess of the amount anticipated or a decrease in capital gains.
  - Foreclosure, bankruptcy, or forced sale of income producing property and any resultant change to anticipated income.
  - Any change in the nature of the business (what they’re doing) or the scope of the business (how much they’re doing).

10. Possible Sources of Collateral Contact (remember to obtain releases)

- ◆ ASCS (Agriculture Stabilization Conservation Service) may help with CCC loans, sealed grain (when it is to be released), and the grain base.
- ◆ SCS (Soil Conservation Service) may help with conservation related government programs i.e. tiling, strip cropping, and terracing.
- ◆ County Extension Service may help with land value information, beginning operation information, and projecting income and expenses.
- ◆ Lending institutions may help with substantial change verification, foreclosures, resources, and mortgage payments.
- ◆ Tax preparer or attorney may help with questions on the tax return.
- ◆ Landlord or farm manager.
- ◆ County assessor’s office

11. ABC Reminders

- ◆ Use the farmer code of 1 on the TD02 FSI (food stamp indicator) field.
- ◆ Enter the farm loss even if there are no current off-farm earnings to be offset. Enter this on the BCW2 in the DEDUCT 1 field.