

Cost Share, 1099's, CPDS, Shellfish & Non-Shellfish Training

WA State Conservation Commission
Finance Department

November 25, 2013

- Review Shellfish and Non-Shellfish Programmatic Issues and Requirements
- Comments on Cost Share and Role of 100% coverage
- CPDS Information and Reports
- 1099's for cost share payments

Agenda

ADDENDUM 14-04-SH
SHELLFISH PROGRAM
Whatcom CONSERVATION DISTRICT

The agency cost share rate policy was approved in March 2013. This policy allows each conservation district to set their own reimbursement rate someplace between 0 and 100%. If the district's decision is not received by July 1, 2013, the default rate will be 50% until such time as the conservation district's decision is received.

Category 3 Policy – effective for funding on July 1, 2013

1. Maximum cost share per land owner per fiscal year is \$50,000.

2. All Practices must meet NRCS standards and specifications, be in compliance with cost share policies and the management practice implementation guidance policy adopted by the Conservation Commission in 2013.
 - a. **Engineering services** are in addition with a maximum of **5% of cost share value awarded.**
 - b. **Technical assistance** of conservation district staff is in addition with a **maximum of 10% of cost share value awarded.**
 - c. **Travel costs** are in addition with a maximum of **2.5% of cost share value awarded.**
 - d. **Cultural Resources** investigations are in addition to the cost share value awarded. Several options are being investigated to reduce the costs. Until some resolution to other options, Conservation districts are encouraged to reach out to NRCS and/or the local tribes to assist with these investigations. Conservation districts are encouraged to provide the tribal representatives the list of investigations needed, well in advance of the timeframe to begin moving dirt for an eligible practice.
 - e. **Overhead** allowance can be charged against the salaries and benefits within the limits identified in (a) and (b) of the staff working on the project to a maximum of 25% (the allowable rate).
 - f. Education and Outreach expenses are not allowed to be funded under Category 3 funds.

Landowner (Outcome): Wally Conserve

Cost Share total amount in CPDS for all projects: \$65,000

Maximum total approval amount per landowner: \$50,000

Engineering 5% of total cost share: \$2,500

Technical Assistance (Salaries) 10% of total cost share: \$5,000

Travel 2.5% of total cost share: \$1,250

Overhead is 25% of Eng+TA: \$1,875

Total Award: \$60,625

Funding per landowner

ADDENDUM FACE SHEET **14-04-SH**

SHELLFISH PROGRAM

District CONSERVATION DISTRICT

****Implementation Project Funds (engineering, TA, Travel & Overhead costs) assigned to a project cannot be moved between projects.**

****CPDS--MUST be updated quarterly with costs, match, and BMPs. Please be sure to include completion date.**

When vouchering under this program, all information must be updated in the CPDS system regarding practice costs, other fund sources, landowner match, and implementation measures. Payments cannot be made by SCC until the practice information is updated and the before and after photos are available.

Intermediate Outcome					SCC Financial Services							Date		
Priority #		Landowner	BMP Practice Code	\$50,000 Maximum allowed			5% of Cost Share Awarded		2.5% of Cost Share Awarded					
I.O. #	P#	Amendment #	Project Name	Practice	District Cost Share Rate	Cost Share Awarded	Engineering Services	Technical Assistance	Travel	Project Overhead	Total Award	Award Date	Commence Work By Date	Project Completion No Later Date
1					100%	\$50,000	\$2,500	\$5,000	\$1,250	\$1,875	\$60,625	11/18/2013	2/18/2014	5/18/2015
					100%									

10% of Cost Share Awarded

25% Overhead of Engineering & TA Amount Awarded



Washington State
Conservation Commission

COMMISSION USE ONLY

Cost Share # _____
 Completed Partial Payment

COST SHARING ASSISTANCE APPLICATION AND AGREEMENT

DISTRICT NAME: _____ Commission Program _____

Landowner referral by regulatory agency **TYPE** _____
Please include a copy of the referral from the regulatory agency

Type of Facility & Number of Animals

Dairy # _____ Heifer # _____ Pigs # _____ Chicken # _____
 Horses # _____ Beef - Pasture # _____ Beef - Feedlot # _____
 Other # _____

Section 1. Cooperator

Cooperator Name _____ Farm Name _____
 Cooperator Address _____ City _____ State _____ ZIP _____
 Farm Address _____ City _____ State _____ ZIP _____
 Phone _____ **WRIA #** _____

Section 2. Background

- A. Is this landowner a current district employee, or an associate supervisor? Yes No
- B. Has your local conservation district prepared a conservation plan for your operation? Yes No
- C. If so, does your plan represent your present operation? Yes No

APPENDIX A

**Washington State Conservation Commission
COST-SHARE APPLICATION BMP WORKSHEET**

Prepared for: _____
(Applicant)

INSTRUCTIONS: Prepare a worksheet for each practice and attach it to the application.

1. BEST MANAGEMENT PRACTICE _____

2. NRCS PRACTICE CODE *(from FOTG)* _____ DESIGN LIFE _____

3. LIST NUMBER OF FEET OF FENCE OR PIPE etc. _____

4. LIST BMP COSTS *(i.e. labor, materials, etc.)*

_____	\$	_____
_____	\$	_____
_____	\$	_____
_____	\$	_____
_____	\$	_____

**XXX Conservation District
COST SHARE RECEIPT DETAIL**

APPENDIX B

Grant Funding Source:

Grant Description:

Grant Number:

Cost Share Detail for:

(Landowner Name)

BMP Practice Code, Project Name

Number of units installed (i.e. feet of fencing or pipe etc.)

Labor

Name	Month	Hours	Rate	Total
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -

Materials

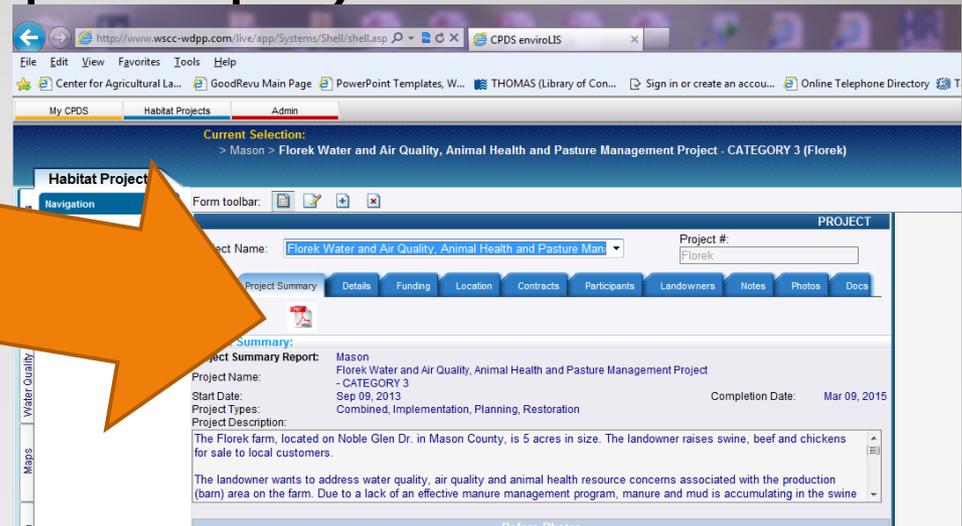
Description	Vendor	Date	Receipt # or Invoice #	Total Goods Inc. Shipping	Sales Tax	Total
						\$ -
						\$ -
						\$ -
						\$ -
						\$ -
						\$ -
						\$ -
						\$ -
						\$ -

\$ -

Paid to Cooperator:	\$ -	% Charged	=	Grand Total of Expenditures:	\$ -
Match:	\$ -	100%	=	\$ -	\$ -

\$ -

- CPDS Practices must be updated when voucher is submitted. Make sure it is for the right practice. Please enter all the sources of funding used for this practice.
- This report will be printed on our end to provide the backup for payment.



Role of CPDS

MORE CPDS

Project Description:

The Florek farm, located on Noble Glen Dr. in Mason County, is 5 acres in size. The landowner raises swine, beef and chickens for sale to local customers.

The landowner wants to address water quality, air quality and animal health resource concerns associated with the production (barn) area on the farm. Due to a lack of an effective manure management program, manure and mud is accumulating in the swine farrowing structure. As manure accumulates during the rainy fall, winter and early spring months when the manure cannot be spread on the fields, it has the potential to contaminate surface and groundwater resources. The landowner wants to construct a dedicated cement pad heavy use area and install a formed cement manure transfer trough leading to a liquid manure waste storage facility. This will allow him to periodically wash the accumulated manure and contaminated bedding material from the HUA into the liquid manure storage tank where it can be stored until the weather will permit proper application on the pasture areas. Implementation of these practices will improve and protect water quality by providing a means of collecting and storing manure which has the potential to contaminate surface and groundwater resources and will improve air quality by reducing nitrogen volatilization created by the composting manure. Additionally, odors currently drifting to the neighboring property owners downwind of the farming operation will be reduced by providing an enclosed manure storage facility. Implementation of these practices will also protect animal health by providing the ability clean the farrowing structure on a more regular basis.

The landowner also wants to address pasture forage resource concerns with the installation of cross fencing in the pasture areas. While the Florek property has been perimeter fenced and some cross fencing has been installed he, the installation of additional cross fencing will allow him to implement a more effective rotational grazing program designed to maintain proper stubble heights and provide options to exclude livestock from certain areas of the fields when they are wet and vulnerable to winter damage. Implementation of this practice will also improve and protect hay and pasture forage quality and quantity.

PLUS

Environmental Benefits – detailed!

PLUS

Practice descriptions and benefits – detailed!

- DO NOT enter a completion date until it is actually completed. Completion dates show up at the Project & Practice level. Based on how information is pulled, you risk not having an eligible project included if there is a completion date included.
- Be as detailed as possible in the funding tab. i.e. Landowner match, Category 3, ECY, FW, etc.
- The more detail included in these fields, the less we have to ask for at the end of the year.
- Quick tip to keep track of projects and make it easy to locate on a long list.

Add Project

- A - COMPLETE Rain Garden Midland
- A - COMPLETE Rain Garden Olson
- A - COMPLETE Rain Garden Orrick
- A - COMPLETE Rain Garden Patterson
- A - COMPLETE Rain Garden Pergakis
- A - COMPLETE Rain Garden Perkerewicz
- A - COMPLETE Rain Garden PUD #1
- A - COMPLETE Rain Garden Sabatka
- A - COMPLETE Rain Garden Sabatka #2
- A - COMPLETE Rain Garden Saenz
- A - COMPLETE Rain Garden Shandera
- A - COMPLETE Rain Garden Silverdale Dog Park
- A - COMPLETE Rain Garden Silverwood School
- A - COMPLETE Rain Garden Sinclair
- A - COMPLETE Rain Garden Singh
- A - COMPLETE Rain Garden Snider
- A - COMPLETE Rain Garden Starbuck
- A - COMPLETE Rain Garden Stewart
- A - COMPLETE Rain Garden Strand
- A - COMPLETE Rain Garden Struckhoff
- A - COMPLETE Rain Garden Thixton
- A - COMPLETE Rain Garden Village Greens
- A - COMPLETE Rain Garden Wakeman
- A - COMPLETE Rain Garden Warner
- A - COMPLETE Rain Garden West Hills Academy
- A - COMPLETE Rain Garden Weygand
- A - COMPLETE Rain Garden Williamson
- A - COMPLETE Teves fencing - lottery
- A - INACTIVE Cartwright
- A - INACTIVE LaFave
- A - INACTIVE Muller
- A - INACTIVE Petty-Denning
- A - INACTIVE Smith
- A - INACTIVE VanFossen
- A - INACTIVE Vos
- A - INACTIVE Willis
- Bilodeau - Category 3
- Boundy Farm - Category 3
- Bumbalough - Noxious Weed Removal
- Cole - Category 3
- Collins - Category 3
- Conrad
- Fernwood Creamery
- Fleming-Fish Ladder- Category 3
- Gates - Heavy Use Area Protection Category 3 V2

- A - COMPLETE Rain Garden West Hills Academy
 - A - COMPLETE Runoff Management - Rain Garden

Mark them COMPLETE or INACTIVE
It helps all of us. 😊

- Melissa will be providing each Regional Manager a copy of your projects from the CPDS system. This will allow you to have a printed copy for use to update, edit, ensure accurate data, present to your Board, etc.
- Your Regional Manager will be able to review the list with you, answer any questions, or point out some opportunities to include additional data.
- Continually enter new projects and practices in the system. Do not assume data pulls will not happen. The legislature is coming to town, supplemental budget talks are in process, other entities may have needs, etc.

More.... CPDS 😊

- Issues cost share and the allowance for 100%
- All previous paperwork requirements still apply, regardless of %.
- Cost Share is a reimbursable program.
- No exceptions.

Cost Share @ 100% & paperwork

- 1099's are required for any entity who receives more than \$600 in income per year from one entity.
- Many years ago, SACS provided guidance to the agency indicating 1099's were not required for cost-share recipients and did not need to be issued by the conservation districts to the landowners who receive cost share assistance in excess of \$600. This was because it fell within the definitions of a state authorized program for restoration.

1099's for financial assistance recipients

- Two issues have caused me to conduct research and evaluate whether or not the long-standing guidance from SACS, remains the case today.
- First – a change to 100% cost share.
- Second – the number of small reimbursements to landowners for non-traditional “commercial” agriculture.
- Rather than define what “commercial” is and causing unnecessary confusion, the recommendation and basis for the recommendation is as follows:

- My recommendation is that conservation districts “should” issue 1099’s to landowners who receive more than \$600 per year in cost share payments from the conservation district – regardless of the source of funds.
- *There are certain elements of an individual’s tax situation unknown to SCC and conservation district staff when issuing cost share reimbursements to evaluate if, and when, a 1099 should be issued. These tax liability issues are only going to be known to the recipient of the cost share and the person doing his or her taxes. Neither SCC or conservation district staff are in a position to determine anyone’s particular tax liability and whether or not cost share reimbursements are to be considered taxable income.*

- Do not try and provide tax advice, but do be sure and notify the landowner will be receiving the 1099 at the end of the calendar year.
- These are required to be issued by the conservation district by January 31, 2014.
- The conservation district is also required to file the 1099's with the IRS.
- The originating source of funds does not matter, if the combined reimbursement exceeds \$600, a 1099 should be issued.

Business of Farming

For purposes of soil and water conservation expenses, you are in the business of farming if you cultivate, operate, or manage a farm for profit, either as an owner or a tenant. You are not in the business of farming if you cultivate or operate a farm for recreation or pleasure, rather than for profit. You are not farming if you are engaged only in forestry or the growing of timber.

Farm defined. A farm includes livestock, dairy, poultry, fish, fruit, and truck farms. It also includes plantations, ranches, ranges, and orchards. A fish farm is an area where fish and other marine animals are grown or raised and artificially fed, protected, etc. It does not include an area where they are merely caught or harvested. A plant nursery is a farm for purposes of deducting soil and water conservation expenses.

You can deduct soil and water conservation expenses only if they are consistent with a plan approved by the Natural Resources Conservation Service (NRCS) of the Department of Agriculture. If no such plan exists, the expenses must be consistent with a soil conservation plan of a comparable state agency. Keep a copy of the plan with your books and records to support your deductions.

Some of the definitions in the farmers tax guide, publication 225, 2013.

Conservation plan. A conservation plan includes the farming conservation practices approved for the area where your farmland is located. There are three types of approved plans.

NRCS individual site plans. These plans are issued individually to farmers who request assistance from NRCS to develop a conservation plan designed specifically for their farmland.

NRCS county plans. These plans include a listing of farm conservation practices approved for the county where the farmland is located. You can deduct expenses for conservation practices not included on the NRCS county plans only if the practice is a part of an individual site plan.

Comparable state agency plans. These plans are approved by state agencies and can be approved individual site plans or county plans.

You cannot deduct expenses to drain or fill wetlands, or to prepare land for center pivot irrigation systems, as soil and water conservation expenses. These expenses are added to the basis of the land.

You must include in income most government payments, such as those for approved conservation practices, direct payments, and countercyclical payments, whether you receive them in cash, materials, services, or commodity certificates.

However, you can exclude from income some payments you receive under certain cost-sharing conservation programs.

Cost-Sharing Exclusion (Improvements)

You can exclude from your income part or all of a payment you receive under certain federal or state cost sharing conservation, reclamation, and restoration programs. A payment is any economic benefit you get as a result of an improvement. Qualifying programs: **Any program of a state**, possession of the United States, **a political subdivision** of any of these, or of the District of Columbia under which payments are made to individuals primarily for conserving soil, protecting or restoring the environment, improving forests, or providing a habitat for wildlife.

- **Farmers Tax Guide**

- <http://www.irs.gov/pub/irs-pdf/p225.pdf>

- **Center for Agricultural Law and Taxation**

- <http://www.calt.iastate.edu/index.html>

- **A couple of other tidbits**

- An exclusion of Conservation Reserve Program Payments from SECA tax for individuals receiving Social Security retirement or disability payments. *Sec. 15301 of the Act, amending I.R.C. §1402(a)*. Effective for payments made after December 31, 2007. *(we do not issue these payments, but wanted to share this)*
 - **U.S. Tax Court Says Non-Farmer's CRP Income is Subject to Self-Employment Tax** The U.S. Tax Court's decision is the first court opinion holding that a non-farmer's CRP income is subject to self-employment tax simply by virtue of signing a CRP contract. <http://www.calt.iastate.edu/briefs/CALT%20Legal%20Brief%20-%20CRP%20Payments.pdf>

Tax Information Resources

- Shellfish Districts—cannot move forward until official notification.
- Shellfish & Non-Shellfish---Overhead is 25% of TA & Engineering only, DO NOT ADD THE PERCENTAGES TOGETHER
- Cost Share – 100% cost share rate does not replace paperwork requirements
- CPDS – enter good data, delete completion dates
- 1099's conservation districts should issue 1099's to all cooperators receiving in excess of \$600.

Recap



Questions?

Shellfish

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