



# Oregon

Theodore R. Kulongoski, Governor

## Department of Administrative Services

State Controller's Division

155 Cottage Street NE U60

Salem, OR 97301-3969

PHONE: (503) 373-0714

FAX: (503) 378-8940

### MEMORANDUM

**To:** 1099-MISC Contacts

**From:** Terry Polston, 1099-MISC Coordinator  
Statewide Financial Management System (SFMS)

**Date:** November 1, 2011

**Subject:** **2011 FILING OF 1099-MISC CHECKLIST**

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- \_\_\_\_\_ 1) Identify which vendors the agency uses that are 1099-Misc reportable.
- \_\_\_\_\_ 2) Review IRS regulations (or enclosed filing guideline) to become familiar with what type of taxpayer identification number is required for each type of entity and how to ask a payee for the correct number.
- \_\_\_\_\_ 3) Review 1099-MISC reportable vendors for possible changes in name, address, or entity type.
- \_\_\_\_\_ 4) Contact vendors with possible changes (from 2 above) to verify correct information on file, or to update information to be accurate for 2009 filing.
- \_\_\_\_\_ 5) Review vendor activity to verify 1099-MISC reportable sums are coded to correct expenditure objects.
- \_\_\_\_\_ 6) Review purchases or confer with other accounting staff, to verify 1099-MISC reportable activity has not been buried in capital outlay or other expenditure object not captured by accounting system as reportable.
- \_\_\_\_\_ 7) Verify adjustments made manually such as warrants returned for cancellation are reflected on the DAFR7940 report.
- \_\_\_\_\_ 8) Verify warrant cancel transactions that pertain to tax year 2008 warrants.
- \_\_\_\_\_ 9) Verify ACH payment transactions are reported in the correct year.



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### MEMORANDUM

**To:** 1099-MISC Contacts

**From:** Terry Polston, 1099 Coordinator  
Statewide Financial Management System (SFMS)

**Date:** November 1, 2011

**Subject:** **D10 Profile**

### D10 PROFILE 1099-REPORTABLE COMPTROLLER OBJECTS

COBJ	TITLE	IRS IND	DESCRIPTION
3126	PAYMENTS OF DECEASED EMPLOYEES WAGES/LV	3	Other Income
3226	SOCIAL SEC TAXES-WAGES OF DECEASED EMPL	3	Other Income
4002	DEATH BENEFITS	3	Other Income
4040	APPROPRIATION BOND COSTS	7	Non-Employee Compensation
4045	TAN COSTS	7	Non-Employee Compensation
4050	BOND COSTS	7	Non-Employee Compensation
4051	BOND RFD DBT PYM-ESCRW AGNT- AGENCY CASH	7	Non-Employee Compensation
4055	CERTIFICATE OF PARTICIPATION COSTS	7	Non-Employee Compensation
4056	COP RFND DBT PYM-ESCRW AGNT NT/FRM PRCDs	7	Non-Employee Compensation
4105	INSTATE MEALS-NO OVERNIGHT STAY	7	Non-Employee Compensation
4106	INSTATE LODGING	3	Other Income
4107	INSTATE AIR TRANSPORTATION	7	Non-Employee Compensation
4108	INSTATE GROUND TRANSPORTATION	7	Non-Employee Compensation
4149	OUT OF STATE MEAL-NO OVERNIGHT STAY	7	Non-Employee Compensation
4150	OUT-OF-STATE LODGING	3	Other Income
4159	OUT-OF-STATE AIR TRANSPORTATION	7	Non-Employee Compensation
4160	OUT-OF-STATE GROUND TRANSPORTATION	7	Non-Employee Compensation
4161	FOREIGN AIR TRANSPORTATION	7	Non-Employee Compensation
4201	OFFICE SERVICES	7	Non-Employee Compensation
4202	EQUIPMENT RENTAL	1	Rents
4250	DUES/MEMBERSHIPS	7	Non-Employee Compensation
4253	ADVERTISE, PUBLICITY, PUBLISH/PRINT SRVS	7	Non-Employee Compensation
4255	PRIZES AND AWARDS	3	Other Income
4302	TELECOM/VOICE EQUIP RENTAL	1	Rents
4303	TELECOM/VOICE MAINTENANCE	7	Non-Employee Compensation

4307	TELECOM/NETWORK SUPPORT	7	Non-Employee Compensation
4312	TELECOM/WIRELESS PS SUPPORT	7	Non-Employee Compensation
4317	TELECOM/TELECONFERENCE SUPPORT	7	Non-Employee Compensation
4355	COMPUTER TECH MAINFRAME EQUIP RENTAL	1	Rents
4357	COMPUTER TECHNOLOGY MAINFRAME SUPPORT	7	Non-Employee Compensation
4362	COMPUTER TECHNOLOGY SERVER SUPPORT	7	Non-Employee Compensation
4367	COMPUTER TECHNOLOGY PC SUPPORT	7	Non-Employee Compensation
4370	COMPUTER TECH PERIPHERAL EQUIP RENTAL	1	Rents
4371	COMPUTER TECHNOLOGY PERIPHERAL SUPPORT	7	Non-Employee Compensation
4401	TRAINING, EDUCATION OR INSTRUCTION SRVC	7	Non-Employee Compensation
4406	PROF DEV INSTATE TUITION/REGISTRATION	7	Non-Employee Compensation
4411	PROF DEV OUT-OF-STATE TUITION/REGIST	7	Non-Employee Compensation
4430	EMPLOYEE RECRUIT, WELLNESS & SAFETY	7	Non-Employee Compensation
4433	PROF DEV INSTATE LODGING	3	Other Income
4434	PROF DEV OUT-OF-STATE LODGING	3	Other Income
4435	PROF DEV INSTATE MEALS-NO OVERNIGHT STAY	7	Non-Employee Compensation
4436	PROFDEV OUTOFSTATE MEALS-NO OVERNIT STAY	7	Non-Employee Compensation
4437	PROF DEV DUES/MEMBERSHIP	7	Non-Employee Compensation
4438	PROF DEV INSTATE AIR TRANSPORTATION	7	Non-Employee Compensation
4439	PROF DEV INSTATE GROUND TRANSPORTATION	7	Non-Employee Compensation
4440	PROF DEV OUT-OF-STATE AIR TRANSPORTATION	7	Non-Employee Compensation
4441	PROF DEV OUT-OF-STATE GROUND TRANSPRTATN	7	Non-Employee Compensation
4442	PROF DEV FOREIGN AIR TRANSPORTATION	7	Non-Employee Compensation
4443	EMPLOYEE RECRUITMENT - LODGING	3	Other Income
4444	EMPLOYEE RECRUITMENT AIR TRANSPORTATION	7	Non-Employee Compensation
4445	EMPLOYEE RECRUITMENT GROUND TRANSPORTATN	7	Non-Employee Compensation
4500	PROFESSIONAL SERVICES NON-IT	7	Non-Employee Compensation
4505	PROFESSIONAL SERVICES NON-IT>\$75K	7	Non-Employee Compensation
4510	PROFESSIONAL SERVICES/NETWORK	7	Non-Employee Compensation
4511	PROFESSIONAL SERVICES WIRELESS PS	7	Non-Employee Compensation
4512	PROFESSIONAL SERVICES TELECONFERENCE	7	Non-Employee Compensation
4513	PROFESSIONAL SERVICES APPLICATION NEW	7	Non-Employee Compensation
4514	PROFESSIONAL SERVICES APPLICATION MOD	7	Non-Employee Compensation
4515	PROFESSIONAL SERVICES APPLICATION MAINT	7	Non-Employee Compensation
4516	PROFESSIONAL SERVICES SERVERS	7	Non-Employee Compensation
4517	PROFESSIONAL SERVICES IT SECURITY	7	Non-Employee Compensation
4518	PROFESSIONAL SERV/IT QUALITY ASSURANCE	7	Non-Employee Compensation
4519	PROFESSIONAL SERV/MANAGED SERV PROVIDER	7	Non-Employee Compensation
4520	PROFESSIONAL SERV/IT QUALITY CONTROL	7	Non-Employee Compensation
4526	DISPUTE RESOLUTION SERVICES	7	Non-Employee Compensation
4701	OTHER SERVICES	7	Non-Employee Compensation
4705	LAUNDRY SERVICES	7	Non-Employee Compensation
4725	COLLECTION FEES - PRIVATE COLLECT AGENT	7	Non-Employee Compensation
4730	MERCHANT FEES	7	Non-Employee Compensation
4740	INVESTMENT EXPENSE	7	Non-Employee Compensation
4800	FACILITIES RENT	1	Rents
4850	FACILITIES MAINTENANCE	7	Non-Employee Compensation
4901	MEDICAL SERVICES	6	Medical & Health Care pymts
4902	MEDICAL RENTALS	1	Rents

4950	OTHER CARE OF RESIDENTS/PATIENTS-SERVICE	7	Non-Employee Compensation
4952	TRANSITIONAL HOUSING	3	Other Income
4975	AGENCY PROGRAM RELATED SERVICES	7	Non-Employee Compensation
5105	INSTALLATION/FURNITURE & FIXTURES>\$5K	7	Non-Employee Compensation
5125	INSTALLATION/ART & HISTORICAL TREAS>\$5K	7	Non-Employee Compensation
5155	INSTALLATION/EQUIPMENT & MACHINERY>\$5K	7	Non-Employee Compensation
5175	ASSEMBLY/MOTOR VEHICLES>\$5K	7	Non-Employee Compensation
5205	TELECOM/INSTALLATION SERVICES>\$5K	7	Non-Employee Compensation
5255	INSTALLATION/TECHNICAL EQUIPMENT>\$5K	7	Non-Employee Compensation
5305	INFORMATION TECH SOFTWARE SERVICES	7	Non-Employee Compensation
5355	COMPUTER TECHNOLOGY INSTALL SERVICE>\$5K	7	Non-Employee Compensation
5405	INSTALL/HOUSEHLD/INSTITUTIONAL EQUIP>\$5K	7	Non-Employee Compensation
5455	INSTALLATION/INDUSTRIAL&HEAVY EQUIP>\$5K	7	Non-Employee Compensation
5505	ASSEMBLY/AIRCRAFT>\$5K	7	Non-Employee Compensation
5605	INSTALLATION/AGRIC EQUIP & MACHINERY>\$5K	7	Non-Employee Compensation
5705	LAND IMPROVEMENTS>\$5K	7	Non-Employee Compensation
5755	LEASEHOLD IMPROVEMENTS>\$5K	7	Non-Employee Compensation
5775	INSTALLATION/CAPITAL LEASED PROPERTY>\$5K	7	Non-Employee Compensation
5805	BUILDINGS & IMPROVEMENTS>\$5K	7	Non-Employee Compensation
5905	OTHER CAPITAL OUTLAY>\$5K	7	Non-Employee Compensation
5925	STATE HIGHWAYS>\$5K	7	Non-Employee Compensation
5935	OTHER ROADS>\$5K	7	Non-Employee Compensation
5945	TUNNELS AND BRIDGES>\$5K	7	Non-Employee Compensation
5955	AIRPORTS>\$5K	7	Non-Employee Compensation
5965	UTILITY SYSTEMS>\$5K	7	Non-Employee Compensation
5975	DOCKS, DIKES AND DAMS>\$5K	7	Non-Employee Compensation
6740	OTHER DISTRIBUTION TO TAXABLE SUBRECIP	7	Non-Employee Compensation
6805	CLIENT / BENEFIT PAYMENTS	3	Other Income
6808	DISTRIBUTIONS TO NON-EMPLOYEES	7	Non-Employee Compensation
6810	RENTAL ASSISTANCE	1	Rents
6900	OTHER SPECIAL PAYMENTS	7	Non-Employee Compensation
6905	LOAN REPAYMENT FOR GRANT SUBRECIPIENTS	3	Other Income
6910	DISTRIBUTION TO CONTRACT SVC PROVIDER	7	Non-Employee Compensation
6950	OTHER SPEC PAYMENTS-MEDICIAL SERVICES	6	Medical & Health Care pymts



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### MEMORANDUM

**To:** Agency 1099-MISC Contacts

**From:** Terry Polston, 1099 Coordinator  
Statewide Financial Management System (SFMS)

**Date:** November 1, 2011

**Subject:** **DAFRE099 Report**

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This is a report of state employees that received payments using reportable comptroller objects (D10-COBJ). Reportable payments that were made to employees that did not pertain to their job are reportable on form 1099-MISC.

i.e. an office employee provides custodial services after office hours. This service does not pertain to the employee state job and therefore would be reported as non-employee compensation.

Any payments to employees that do not pertain to their regular job must be paid using their SSN, not their employee ID number.

A 1099-MISC Change Request form is required if the total amount of the reportable payments are \$600.00 or more. If the payment is reportable, but is less than \$600.00, you do not need to complete a 1099-MISC Change Request Form.

Reimbursements for employee travel (on an accountable plan), fringe benefits, and awards are not reportable to the employee on form 1099-MISC. These payments are employee expenses and if reportable, would be included on the employee form W-2.

Please review the DAFRE099 report and verify that payments to employees were made as an employee expense.

If payments made (to an employee) were payments or reimbursements for employee expenses, do not request a form 1099-misc

If payments made for reportable, non-employee related expenses, but are not for more than \$600, do not request a form 1099-misc

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Do not request a form 1099-misc using an employee id number. The taxable vendor number must be a valid SSN.



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### MEMORANDUM

**To:** Agency 1099-MISC Contacts

**From:** Terry Polston, 1099-MISC Coordinator  
Statewide Financial Management System (SFMS)

**Date:** November 1, 2011

**Subject:** **2011 General Guidelines**

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### PAYMENTS SUBJECT TO 1099-MISC REPORTING

File **Form 1099-MISC**, miscellaneous Income, for each person to whom you have paid (1) at least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest; (2) at least \$600 in rents, services (including parts and materials), prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, or cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish, (3) any fishing boat proceeds; or (4) gross proceeds paid to an attorney.

Reportable payments are captured on the 1099-MISC form in boxes 1 through 14. Agencies will have until January 13, 2012 to make online changes or corrections to the amounts to be reported in each box on form 1099-MISC. Agencies will have until January 20, 2012 to request manual corrections to amounts to be reported in each box on form 1099-MISC. Following are descriptions of reportable expenditures by box for reporting on form 1099-MISC. Each vendor is reportable for aggregated amounts of \$600 or more from all state agencies in one calendar year (unless otherwise specified).

Form 1099-MISC is not required for:

1. Payments to a corporation, except medical and health care payments, payments of attorneys' fees and gross proceeds paid to attorneys
2. Payments for merchandise, telegrams, telephone, freight, storage, and similar payments
3. Payments of rent to real estate agents
4. Wages paid to employees (report of Form W-2)
5. Business travel allowances paid to employees (may be reportable on Form W-2)
6. Fees paid to informants for information about criminal activity
7. Scholarships or fellowship grants
8. Difficulty-of-care payments to foster-care providers
9. Canceled debt

Form 1099-MISC is required for:

1. Deceased employee's wages paid to estate or beneficiary (box 3)
2. Payments to an independent contractor (box 7)
3. Transit passes and parking for independent contractors if their value in any month is greater than \$21
4. Director's fees (box 7)
5. Commissions paid to lottery ticket sales agents (box 7)
6. Escrow agent construction project oversight payments (box 3)
7. Indian Gaming profits paid to members of Indian tribes (box 3)
8. State and local sales taxes (box 3)

See page 6 for a complete list of types of reportable payments.

**SCHOLARSHIPS:**

**Do Not** use Form 1099-MISC to report scholarship or fellowship grants. Scholarship or fellowship grants that are taxable to the recipient because they are paid for teaching, research, or other services as a condition for receiving the grant are considered wages and must be reported on Form W-2. Other taxable scholarship or fellowship payments (to a degree or non-degree candidate) are not required to be reported by you to the IRS on any form.

**CORPORATIONS:**

The following payments made to corporations generally must be reported on Form 1099-MISC:

1. Medical and health care payments (box 6)
2. Attorney fees (box 7)
3. Gross proceeds paid to an attorney (box 14)

**BOX 1 - RENTS** Reportable rents include payments made for real estate rentals paid for office space (except rentals paid to real estate agents), machine rentals, pasture rentals. If a machine rental is part of a contract that includes both the use of the machine and the operator, the rental should be prorated between the rent of the actual machine (box 1) and the services of the operator (box 7). Rents paid for coin-operated amusements. Public housing agencies must report in box 1 rental assistance payments to owners of housing projects.

**BOX 2 - ROYALTY PAYMENTS** The State of Oregon currently has no activity reportable in box 2.

**BOX 3 - OTHER INCOME** Income reportable on form 1099-MISC that should not be reported in one of the other boxes on the form.

- a) prizes and awards that are not for services performed and are paid to nonemployees
  - b) punitive damages paid in cases that do not involve physical injury or sickness or other taxable damages
  - c) compensatory damages for non-physical injuries or sickness (such as employment discrimination or emotional distress unless the emotional distress is attributable to a physical injury, or physical sickness)
  - d) payments to nonemployees specified in Rev. Rul. 65-18, 1965-1 C.B. 32, about payments to patients and members in VA hospitals and domiciliaries under the VA therapeutic or rehabilitative program
  - e) payments made to the estate or beneficiary of a deceased employee
  - f) Indian gaming profits, payments to tribal members
- note: taxable back pay damages may be wages and reportable on Form W-2

**BOX 4 - BACKUP WITHHOLDING** Backup Withholding is calculated by SFMS for vendors who have not furnished their TIN. Also enter any income tax withheld from payments to members of Indian

tribes from net revenues of gaming activities. See section VIII for more information on backup withholding.

**BOX 5 - FISHING BOAT PROCEEDS** The State of Oregon currently has no activity reportable in box 5.

**BOX 6 - MEDICAL/HEALTH CARE SERVICES** Payments made to each physician or other supplier or provider of **medical or health care services**. Include payments made by medical and health care insurers under health, accident, and sickness insurance programs. If payment is made to a corporation, list the corporation as the recipient rather than the individual providing the services. You are not required to report payments to pharmacies for prescription drugs. The exemption from issuing Form 1099-MISC to a corporation does not apply to payments for medical or health care services provided by corporations, including professional corporations. You are not required to report payments made to a tax-exempt or publicly owned hospital or extended care facility.

**BOX 7 - NONEMPLOYEE COMPENSATION** Includes fees, commissions, prizes and awards for services performed, or other forms of compensation for services by nonemployees. Include oil and gas payments for a working interest, whether or not services are performed. (This pertains only to oil wells where the vendor gets daily updates on operations.)

Payments to be reported in box 7 include:

- a) professional service fees (attorneys, accountants, architects)
- b) fees paid by one professional to another
- c) payments by attorneys to witnesses or experts in legal adjudication
- d) payments for services, including payment for parts or materials used to perform the service if supplying the parts or materials was incidental to providing the service
- e) commissions paid to nonemployee salespersons that are subject to repayment but not repaid during the calendar year
- f) a fee paid to a nonemployee and travel reimbursement for which the nonemployee did not account to the payer (if at least \$600)
- g) payments to nonemployee entertainers for services
- h) exchanges of services
- i) taxable fringe benefits for nonemployees
- j) gross oil and gas payments for a working interest
- k) payments to an insurance salesperson who is not your common law or statutory employee
- l) directors' fees
- m) commissions paid to licensed lottery ticket sales agents
- n) golden parachute payments

**BOX 8 - SUBSTITUTE DIVIDENDS/INTEREST** The State of Oregon currently has no activity reportable in box 8.

**BOX 9 - DIRECT SALE OF 5000** The State of Oregon currently has no activity reportable in box 9.

**BOX 10 - CROP INS** The State of Oregon currently has no activity reportable in box 10.

Boxes 11 and 12 Unused boxes

**Box 13 - EXCESS GOLDEN PARACHUTE PAYMENTS** The State of Oregon currently has no activity reportable in box 13.

Box 14 – *GROSS PROCEEDS PAID TO AN ATTORNEY* Report gross proceeds paid to an attorney in connection with legal services (regardless of whether the services are performed for the payer). Report payments to an attorney for Young vs. Oregon payments.

Box 15 – Blank box

Boxes 16 – 18 – *STATE INFORMATION* The State of Oregon does not currently use these boxes.

To determine which box a comptroller expenditure object reports to, agencies may look at the D10 Comptroller Object Profile. The values assigned to the **1099 IND** field determines which box to report in on the 1099-MISC form and the corresponding line on Screen 43M.

### **1099 REPORTABLE CHARGES FOR FIXED ASSETS**

Occasionally an agency will incur charges that are both 1099-MISC reportable and capitalizable as a fixed asset(s). Some examples include costs to prepare a site to receive a new piece of equipment, or costs to repair a capital asset if that repair will materially add to the value, life or functionality of the asset. Such costs may be charged to a capital outlay account and capitalized. If such costs are charged to service and supplies accounts and then capitalized please use the comptroller object that is 1099 reportable (5105 - 5905). This allows the costs to be captured for 1099-MISC reporting and capitalization. The accounts payable personnel responsible for 1099-MISC reporting should collaborate with the fixed asset accountant to verify that all reportable sums are captured for reporting.

### **PAYEES SUBJECT TO 1099-MISC REPORTING**

Payees subject to reporting are any payees that are not corporations, except for medical corporations, or non-profit organizations. Payments to companies, sole proprietorships, estates, trusts, partnerships, medical corporations, attorneys, or individuals are all reportable.

Generally, payments to payees who are independent contractors are reportable on form 1099-MISC. Internal Revenue Service Publication 937, Employment Taxes and Information Returns, describes in detail how to determine if someone is an independent contractor or an employee. Key points include:

- a) Control: Employees are subject to employer control which may cover when, where, and how they work. The number of hours required. Materials or tools used. Training required or administered on the job. Submission of reports to the employer.
- b) Integration: Employees' services tend to be integrated into the organization's operations. Employees perform their services personally on the employer's premises, and those services are generally an integral part of the employer's operations. An independent contractor may perform services personally, or may hire assistants who may perform part or all of the contracted services. A contractor's services may be performed onsite or offsite; also, while an employee tends to perform services continually for the same employer, an independent contractor offers services to the general public, and may perform services for numerous customers.
- c) Payment: Employees tend to be paid by the hour, week or month. Independent contractors are paid by the job or on commission. A contractor may make a profit or suffer a loss. They are responsible for their own costs of travel, materials waste or spoilage, or other costs associated with fulfilling the terms of the contract. An employee travels at the employer's direction and is reimbursed for related expenses. Employees do not supply materials nor are they financially responsible for waste or spoilage.
- d) Right to quit or fire: An employee may be fired by the employer, or may quit at their own discretion. An independent contractor may not be fired so long as they produce a result that meets the

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specifications of the contract. An independent contractor is bound by contract to perform specified services, and if the contractor quits before fulfilling the terms of the contract, they may be held legally liable for the balance of the contract.

<b>TYPE OF PAYMENT</b>	<b>BOX REPORTED IN</b>
Attorneys' Fees	7
Attorneys' Gross Proceeds	14
Auto reimbursements – Nonemployee	7
Awards – Nonemployee	3
Bonuses – Nonemployee	7
Car Expense – Nonemployee	7
Commissions – Nonemployee	7
Compensation – Nonemployee	7
Crop Insurance Proceeds	10 – no activity in Oregon
Damages	3
Direst Sales of Consumer Products for Resale	9 – no activity in Oregon
Director's Fees	7
Fees – Nonemployee	7
Fishing Boat Crew Members Proceeds	5 – no activity in Oregon
Fish Purchases for Cash	5 – no activity in Oregon
Golden Parachute – Nonemployee	13 – no activity in Oregon
Health Care Services	6
Indian Gaming Profits paid to Tribal Members	3
Medical Services	6
Mileage – Nonemployee	7
Nonemployee Compensation	7
Prizes – Nonemployee	3
Punitive Damages	3
Rents	1
Royalties	2 – no activity in Oregon
Substitute Payments in Lieu of Dividends or Tax-Exempt Interest	8 – no activity in Oregon
Vacation Allowance – Nonemployee	7



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### MEMORANDUM

**To:** Agency 1099-MISC Contacts

**From:** Terry Polston 1099-MISC Coordinator  
Statewide Financial Management System (SFMS)

**Date:** November 1

**Subject:** 1099 THINGS TO LOOK FOR – THINGS TO REMEMBER

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The 7940 report lists all payments made to vendors that are reportable (1099 IND on 52 screen = Y) regardless of whether or not the comptroller object (D10) used is reportable

Corporations (except Medical corporations) are not reportable, you should therefore question payments listed on the 7940 report that were made to a corporation with the following exceptions:

Corporations that provide either medical or health care services are reportable

Attorney-At-Law payments are also reportable

Partnerships (LLP and LLC) are reportable

State of Oregon employees are not reportable, you should therefore question payments listed on the 7940 report that were made to an employee

If payments were made to a reportable vendor with an incorrect non-reportable object  
Do a TC 415/416 transfer to the correct reportable D10 Comp Object

Payments made by VISA (SPOTS program)

Make sure the correct business is being reported. The transaction is reportable on the date the transaction occurred, not when the bill was paid to U.S. Bank.

If you have made payments that should have been reportable, but they are not on the 7940 report, then you will need to complete a Request for Central Change to Form 1099-Misc to request an add (i.e. reportable payments made to employees for services, including court reporters)

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All payments made to a single vendor will be rolled-up on the 43M screen. If more than one agency paid the vendor, the total amount on the IRS box will not match your payments. When requesting a change to the 43M screen, keep this in mind. You only want to make changes to the amounts paid by your agency.

No changes on either the 43M screen of the 7940 report are required if the comptroller object is not reportable or if the vendor is not reportable



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### MEMORANDUM

**To:** Agency 1099-MISC Contacts

**From:** Terry Polston 1099-MISC Coordinator  
Statewide Financial Management System (SFMS)

**Date:** November 3, 2011

**Subject:** **1099-MISC RESPONSIBILITIES**

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### RESPONSIBILITIES-

1. DAS-SFMS
  - a. Federal Filing
  - b. Printing and mailing of original and correction 1099-MISC forms
  - c. Why this function is centralized
    - i. Statewide payment system
    - ii. \$600 minimum
2. AGENCIES
  - a. All information reported on the 1099-MISC form
  - b. All other 1099 forms required by their business transactions (i.e. grant filing)

### DEFINITION OF A 1099-MISC-

1. Who receives a 1099-MISC
  - a. All persons or businesses, medical corporations, attorneys, (except non-medical corporations) who have received payments for services with an aggregate total of at least \$600
  - b. All 1099-MISC information is reportable to the legal tax name, address and TIN on the 52 screen in R\*STARS
2. Where does the information come from
  - a. D10 comptroller objects that do not have a value of 'N' in the 1099 IND field
  - b. Vendors who have a value of 'Y' in the 1099 IND field on the 52 profile
3. How do I correct a 1099-MISC
  - a. If the incorrect comp object was used to make the payment, do at T/Code 415/416 transfer into the correct COBJ (D10)
  - b. If the payment was made to an incorrect vendor you cannot make a correction. The payment is reportable to the entity that received and redeemed the payment.
    - i. SPOTS card payments are reportable to the business, not to U.S. Bank

**CHANGE REQUEST PROCESS-**

1. Fill out a separate change request form for each change/vendor requested
  - a. Include your name, agency, phone number, fax number, authorized signature
  - b. Include the payment year, vendor name and vendor number
  - c. DO NOT include any information in the Reference Number field
2. Do not double side this form
3. The amount in the CHANGE FROM column will be the amount listed on your DAFR7940 report
  - a. It is helpful if the amount of the change is reflected in the explanation area on the change request form
4. The amount in the CHANGE TO column will be the correct reportable amount.
  - a. If the amount to be reported is 0.00, you must write 0.00 in the Change To column
5. Make changes to the amounts paid by your agency only
  - a. Do not use the reportable amount from the 43M screen, use the reportable amount from your DAFR7940 report

**PURCHASE CARD-**

1. Purchases using the state Purchase Card are reportable at the time the purchase is made
2. Purchases are reportable to the business, not to U.S. Bank
  - a. T/Code 415/416 transfers need to be processed to move the payment from U.S. Bank to the appropriate vendor



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155 Cottage Street NE U60  
Salem, OR 97301-3969  
PHONE: (503) 373-0714  
FAX: (503) 378-8940

### MEMORANDUM

**To:** Agency 1099-MISC Contacts

**From:** Terry Polston, 1099-MISC Coordinator  
Statewide Financial Management System (SFMS)

**Date:** November 3, 2011

**Subject:** 1099-MISC TIPS

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#### MEDICAL PAYMENTS

- All medical/health care services provided are reportable. Medical services include (but are not limited to):
  - counseling services
  - physical and rehabilitation therapy
  - mental health and drug/alcohol treatment
  - diagnostic or therapeutic services.
- You are not required to send a 1099-MISC to a tax exempt hospital(non-profit), an extended care facility or a facility owned and operated by a State, Federal, or Local government.

#### LODGING

- Payments made to lodging facilities are reportable to the lodging business regardless of the person who benefits from the lodging.
  - If this person is a state employee, then the payment is not reportable to the employee.
  - If lodging is paid for a contractor/consultant, then the payment is reportable to them. This is part of the compensation for performing a service (non-employee compensation). This compensation can be offset as a business expense for the consultant.

#### MEALS

- Payments made to employees, vendors, or volunteers for meals are 1099-MISC reportable unless it is necessary for the payee to be away from home overnight.

### 1099-MISC FORM and SCREEN 43M

- Any individual box on the 1099-MISC form can reflect less than \$600.00. If the total payments, for all boxes, is \$600.00 or more, then a 1099-MISC will be generated.

### CHANGE REQUESTS

- When completing 1099-MISC change request forms
  - Include amounts in both the Change From and Change To columns. Even if the amount is changing to \$0.00
  - DO NOT double side print the form to send to SFMS.

### DUAL PAYEES

- Payments made to dual payees are not allowed if the payment is made with a reportable comptroller object (D10)
  - Payments are to be made only to the entity providing the service
    - If the service is performed by a third party, the original entity is responsible for generating a 1099-MISC for the third party. (IRS agent # 4314640)

### USEFUL CONTACTS

- IRS website
  - [WWW.IRS.GOV](http://WWW.IRS.GOV)
- IRS Telephone number
  - 1-800-829-1040