

SFMS Training
Tax Year 2020 1099-MISC
Tax Year 2020 1099-NEC

Karlene Hancock

Karlene.Hancock@Oregon.gov

TABLE OF CONTENTS

- DOR Reporting (5)
- Tax Year 2020 (6)
- Responsibilities- SFMS and Agencies (8)
- Where does the information come from (15)
- Who is and is not reportable (17)
- What is reportable (22)
- 1099 Box Explanation (23)
- 1099 Reportable Charges/Fixed Assets (35)

TABLE OF CONTENTS

(2 of 3)

- Payments that do not require 1099 (36)
- Information on the DAFR7940 and DAFRNE40 (38)
- How to make changes
 - Before Jan 15, 2021 (45)
 - Vendor Changes (50)
 - How to make changes to reporting (59)
- Vendor Address & Undeliverable 1099's (63)
- 1099-Change Request Form (64)

TABLE OF CONTENTS

(3 of 3)

- Current/Prior Year Correction Requests (68)
- Volunteer payments (71)
- E099 Report (74)
- Employee as vendor (78)
- Employee vs contractor (79)
- Checklist/Helpful Information (82)
- 2020 1099-MISC Timeline (86)
- Backup Withholding (92)
- FAQ (93)

GENERAL HOUSEKEEPING (DOR REPORTING)

Dept of Administrative Services does not process or maintain a system for entities to file 1099 forms with the State or Oregon.

Please see Dept of Revenue websites for information regarding filing 1099 forms with the State of Oregon.

TAX YEAR 2020

1099-MISC forms issued through SFMA will be filed with the IRS by March 31, 2021.

Updates for 1099-MISC for attorney payments in box 10 and Risk Mgmt claim payments need to be received before January 22, 2021. Final acceptance March 25, 2021.

TAX YEAR 2020 (2 of 3)

1099-NEC forms issued through SFMA will be filed with the IRS by January 31, 2020.

TAX YEAR 2020 (3 of 3)

If your agency files 1099-MISC forms for payments issued through a sub-system your agency is responsible for filing these by March 31, 2021.

If your agency files 1099-NEC forms for payments issued through a sub-system your agency is responsible for filing these by January 31, 2021.

SFMS RESPONSIBILITIES

- Federal Filing.
- State Filing - Dept of Revenue.
- Printing and mailing of original and correction 1099-MISC forms.
- Printing and mailing of original and correction 1099-NEC forms.

WHY IS THIS FUNCTION CENTRALIZED?

Statewide payment system

Multiple agencies can pay a single vendor.

\$600 aggregate minimum

Other than box 4 (no minimum)

AGENCIES RESPONSIBILITIES

Accuracy of all information reported on the 1099-MISC and 1099-NEC form.

Vendor name, address, reporting amount, reporting box.

All payments issued through agency sub-systems.

AGENCIES RESPONSIBILITIES

(2 of 2)

The following 1099 Forms:

- Scholarships.
 - Qualified Tuition Program Payments (1099-Q).
- Grant Payments.
 - Report on Form 1099-G.
- Bad Debt.
 - Write-off of A/R >\$600 (1099-C).

PENALTIES

Penalty charges if assessed:

- Payee statement not generated by the due date of January 31(NEC) and March 31, 2021 (MISC).
\$250 per statement

PENALTIES (2 of 3)

- Incorrect reporting on 1099-MISC form and 1099-NEC form.
- If you fail to provide correct payee statements and you cannot show reasonable cause, you may be subject to a penalty.
 - Reporting in the correct box
 - Reporting the correct amounts
 - \$30-100 per statement

PENALTIES (3 of 3)

- **Intentional disregard of payee statement requirements.**

If any failure to provide a correct payee statement is due to intentional disregard of the requirements to furnish a correct payee statement, the penalty is at least \$530 per payee statement with no maximum penalty.

WHERE DOES THE INFORMATION COME FROM?

Transactions on the Cumulative Payment table with an effective date between 1/1/20 - 12/31/20.

- Warrants
- Direct Deposits (12/28/19-12/27/20)
- Transfers
- Cancellations
- Stop Payments
- Backup Withholding

WHERE DOES THE INFORMATION COME FROM? (2 of 2)

Vendors who have a value of 'Y' in the 1099 IND field on the 52 profile.

AND

D10 comptroller objects that have a value other than 'N' in the 1099 IND field.

The number in this field determines which box, Form Field determines what 1099 it will be reported on. M=1099MISC & N=1099NEC

Both of these conditions must be met.

WHO IS REPORTABLE?

- Medical Services (MD, PhD, DC, LPT, LCSW, RNS, etc).
- Attorney At Law Corporations (AAL, PC).
- Partnerships (LLC, LLP).
- Individuals/Sole Proprietors.
- Trusts.

WHO IS REPORTABLE? (2 of 2)

Any vendor with a 'Y' in the 1099 indicator field on the 52 profile.

- ▶ Vendors who have not returned a valid Form W-9.

Vendor type = '8' or '9'

- ▶ Non-profits who have not returned a certificate of non-profit status.

EXAMPLE

```
S052 UC: 02 STATE OF OREGON 12/03/19 02:56 PM
LINK TO: _____ SYSTEMWIDE VENDOR PROFILE PROD
VENDOR NO: 1930093052 NAME CONTROL: MILT
VENDOR NAME: MILTON FREEWATER AMERICAN LEGION POST #24
SEARCH NAMES: MILTON FREEWATER AMERICAN MILTO 97862
ALT VENDOR/FID: _____ 1099 IND: Y FEI/SSN IND: E REASON CODE: ADD
VENDOR TYPE: 9 OWNRSHP CD: I TIN MATCH: 7 TIN: 930093052
ADDRESS: P O BOX 261
CITY: MILTON FREEWATER ST: OR ZIP: 97862 CNTRY: _____
VENDOR CONTACT: _____ TAX OFFSET EXMPT: N
TELEPHONE: _____ EXT: _____ FAX: _____ HOLD RSN: _____
PDT: MA EMAIL: _____ PNI: _____
AGY: 100 CONTACT: CHERYLYN CURHTS PHONE: 503 945 6872
UPDATED BY: DAFJ459 DIR DEP DATE: _____
ABA NUMBER: _____ ACCT NO/TYPE: _____ FORMAT: _____
W9 REQUEST DATE: 07012019 BU/WH EFF DATE: _____ STATUS CODE: I
EFF START DATE: 06272019 EFF END DATE: _____ LAST PROC DATE: 08052019
Z06 RECORD SUCCESSFULLY RECALLED
```

WHO IS NOT REPORTABLE?

Corporations

No corporate exemption for medical corporations or attorneys

Not for Profit Organizations

Exemption certificate required/Verified via IRS.GOV

State/Local/Federal Governments

Employees

Dummy Vendors (9#####)

Foreign Vendors (2#####)

WHO IS NOT REPORTABLE? (2 of 2)

Vendors with aggregate payments <\$600 are not required to be reported on 1099-MISC

This is the threshold for our reporting obligation as the payer.

Not all taxable miscellaneous income is reportable by the payer.

WHAT IS REPORTABLE?

All conditions must be met for vendor to receive 1099-MISC:

- Reportable vendors (52).
- Reportable payments (D10).
- Aggregate amount \geq \$600.

WHAT IS REPORTABLE? (2 of 2)

All conditions must be met for vendor to receive 1099-NEC

- Reportable vendors (52).
- Reportable payments (D10) 1, N.
- Aggregate amount \geq \$600.

1099-MISC EXAMPLE

<input type="checkbox"/> CORRECTED (if checked)				OMB No. 1545-0115		Miscellaneous Income
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents	2020			
		\$ _____				
		2 Royalties			Form 1099-MISC	
		\$ _____	3 Other income	4 Federal income tax withheld	Copy B For Recipient This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.	
PAYER'S TIN		5 Fishing boat proceeds	6 Medical and health care payments			
RECIPIENT'S TIN		\$ _____	\$ _____			
RECIPIENT'S name		7 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	8 Substitute payments in lieu of dividends or interest			
Street address (including apt. no.)		\$ _____	\$ _____			
City or town, state or province, country, and ZIP or foreign postal code		9 Crop insurance proceeds	10 Gross proceeds paid to an attorney			
Account number (see instructions)		\$ _____	\$ _____			
FATCA filing requirement <input type="checkbox"/>		11	12 Section 409A deferrals			
		\$ _____	\$ _____			
		13 Excess golden parachute payments	14 Nonqualified deferred compensation			
		\$ _____	\$ _____			
		15 State tax withheld	16 State/Payer's state no.	17 State income		
		\$ _____		\$ _____		
		\$ _____		\$ _____		

Form **1099-MISC** (keep for your records) www.irs.gov/Form1099MISC Department of the Treasury - Internal Revenue Service

1099 BOX 1 EXPLANATION

Box 1 - Rent

- Real estate rental - unless paid to a real estate agent.
- Machinery & equipment rental.

If machine rental is part of a contract, includes both the use of the machine and the operator, the rental should be pro-rated between the rent of the machine Box 1 of 1099-MISC form. The operator's charge is now Box 1 of 1099-NEC form. Same Box 2 different forms!

1099 BOX 1 EXPLANATION (2 of 2)

Box 1 - Rent

- Pasture Rentals.
- Operating Leases.
- Coin operated amusements.
- Rental assistance payments made to owners of housing projects.

1099 BOX 3 EXPLANATION

Box 3 - Other Income

- Prizes and Awards - Only when no service was performed to receive the prize/award.
- Deceased Employee Wages.
- Punitive Damages.
- Claimant settlement payments.
Report the gross amount of the payment.
The vendor must work with their attorney for the attorney fees related to their claim.
- Payments to dependent care providers.
If only providing care for a relative.

1099 BOX 3 EXPLANATION (2 of 2)

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 on a 1099-MISC form.
- If lodging is paid for a contractor/consultant, the payment is reportable to them on form 1099-NEC. 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.

1099 BOX 4 EXPLANATION

Box 4 - Federal Income Tax Withheld

Backup Withholding Amounts

- 24% of the payment.
- Bu/Wh amount is included in the 'gross amount' of the payment reported to a vendor.

Example: \$1000 payment with bu/wh

Report \$1000 in box (per D10)

Report \$240 in box 4

1099 BOX 6 EXPLANATION

Box 6 - Medical and Health Care Payments

NO CORPORATE EXEMPTION for this box

- Physician or other supplier or provider of **medical or health care services**.
- Physical therapists, massage therapists, psychotherapists, mental health counselors, acupuncturists, employee assistance, executive physicals, etc.
- Pre-employment physicals, drug screening, or expert testimony.
- Counseling, mental health and drug/alcohol treatment, diagnostic or therapeutic services.

1099 BOX 6 EXPLANATION (2 of 3)

Box 6 - Medical and Health Care Payments

- Health care services that include charges for injections, drugs, dentures, and similar items.
In these cases the entire payment is subject to information reporting.
- Payments made by medical & health care insurers under health, accident, and sickness insurance programs.

1099 BOX 6 EXPLANATION (3 of 3)

Box 6 - Medical and Health Care Payments

- 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.
- Do NOT include payments for prescription drugs with no service.

1099 BOX 10 EXPLANATION

Box 10 - Gross Proceeds Paid to an Attorney

- Payments to an attorney AND Joe Public.
- Attorney performed services for someone else.
 - i.e. settlements
- No corporate exemption.

This box is unique in that the payment will be reported twice for 1099-MISC filing.

- For the Attorney in box 10.
- For the vendor in box 3.

1099 REPORTABLE CHARGES FOR FIXED ASSETS

Occasionally charges can be both 1099-MISC reportable and capitalized as a fixed asset(s).

- Costs to prepare a site to receive a new piece of equipment.
- Costs to repair a capital asset if that repair will materially add to the value, life or functionality of the asset.

Costs may be charged to a capital outlay account and capitalized.

If costs are charged to service and supplies accounts and then capitalized please use the comptroller object that is 1099 reportable (5105 - 5905).

1099 REPORTABLE CHARGES FOR FIXED ASSETS (2 of 2)

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.

PAYMENTS THAT DO NOT REQUIRE A 1099-MISC

- Payments to a corporation.
Exceptions:
 - Medical and health care payments.
 - Payments of attorney fees.
 - Gross proceeds paid to attorneys.
- Payments for merchandise, utilities, freight, storage, and similar payments.

PAYMENTS THAT DO NOT REQUIRE A 1099-MISC (2 of 2)

- Wages paid to employees (reportable on Form W-2).
- Business travel allowances paid to employees - may be reportable on Form W-2 (E099 Rpt).
- Fees paid to informants for information about criminal activity.
- Scholarships or fellowship grants.
- Difficulty-of-care payments to foster-care providers.
- Canceled debt.

1099-NEC EXAMPLE

The completed Form 1099-NEC illustrates the following example. Z Builders is a contractor that subcontracts drywall work to Ronald Green, a sole proprietor who does business as Y Drywall. During the year, Z Builders pays Mr. Green \$5,500. Z Builders must file Form 1099-NEC because they paid Mr. Green \$600.00 or more in the course of their trade or business, and Mr. Green is not a corporation.

7171 VOID CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. Z Builders 123 Maple Avenue Oaktown, AL 00000 555-555-1212		OMB No. 1545-0116 2020 Form 1099-NEC		Nonemployee Compensation	
PAYER'S TIN 10-9999999		RECIPIENT'S TIN 123-00-6789			
RECIPIENT'S name Ronald Green dba/ Y Drywall		1 Nonemployee compensation \$ 5500.00		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2020 General Instructions for Certain Information Returns.	
Street address (including apt. no.) 456 Flower Lane		2			
City or town, state or province, country, and ZIP or foreign postal code Oaktown, AL 00000		3			
FATCA filing requirement <input type="checkbox"/>		4 Federal income tax withheld \$			
Account number (see instructions)	2nd TIN not. <input type="checkbox"/>	5 State tax withheld \$	6 State/Payer's state no.	7 State income \$	

Form **1099-NEC** Cat. No. 72590N www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service
Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

1099-NEC BOX 1 EXPLANATION

Box 1 - Non-employee Compensation

- Payment to someone who is not your employee;
- Payment for services in the course of your trade or business;
- Payment to an individual, partnership, estate, or, in some cases, a corporation; and
- Payments to the payee of at least \$600 during the year.

1099-NEC BOX 1 EXPLANATION

(2 of 3)

Box 1 - Non-employee Compensation

- Any payment for services (not medical).
Include parts/material used to provide the service.
- Professional service fees (including attorney fees).
- Fee paid to a non-employee.
Independent contractor or volunteer.
- Payments to care providers who care for persons other than relatives.
- Operator charge included with machinery rental.

1099-NEC BOX 1 EXPLANATION

(2 of 2)

Box 1 - Non-employee Compensation

- Fees paid by one professional to another.
- Payments for witnesses or expert in legal adjudication.
- Payments to nonemployee entertainers.
- Exchange of services.
- Taxable fringe benefits for nonemployees.
 - Amounts in excess of 14 cents per mile paid to volunteer drivers.
- Meals.
 - Payments made to vendors, or volunteers for meals are 1099-MISC reportable unless it is necessary for the payee to be away from home overnight.

INFORMATION ON THE DAFR7940 AND DAFRNE40

DAFR7940 and DARNE40 reports can be distributed in any format.

- Electronically (preferred method).
The final copy in January should be printed or saved by the agency.
- On an agency remote printer.
If your DAFR7940 or DAFRNE40 is large, this option is not recommended.

INFORMATION ON THE DAFR7940 AND DAFRNE40 (2 of 10)

DAFR7940 063 CNTL 01		***** REASE/XPRS INTERFACE				*****AGCY NUMBER		063		
11/13/20 (18.41) CYCLE 1434		R*STARS	1099-M VENDOR WORKSHEET	REPORT	AGCY PAGE	1				
					****RUN PAGE	1				
AGENCY	VENDOR	IRS BOX	COBJ	ROBJ	TRANSACTION AMOUNT	CUR DOC NO	SFX	REF DOC NO	SFX	VENDOR SUMMARY AMT
NUMBER	NUMBER					OBJECT SUMMARY AMT		IRS BOX SUMMRY AMT		
063	1010952650	N	6800	8870	2,981.70	ZE00402R	001	VX289956	001	
063	1010952650	N	6800	8870	1,453.36	ZE00402R	001	VX289956	002	
*	TOTAL PAYMENTS FOR SUBOBJECT 6800						4,435.06			
**	TOTAL PAYMENTS FOR IRS BOX NO N							4,435.06		
***	TOTAL PAYMENTS FOR VENDOR 1010952650 HANIL ALIK									4,435.06
063	1043468852	N	6800	8152	5.33-	EX057579	205			
063	1043468852	N	6800	8152	12.13-	EX057579	206			
063	1043468852	N	6800	8152	2.23-	EX057579	207			
063	1043468852	N	6800	8152	5.09-	EX057579	208			
063	1043468852	N	6800	8152	14.30-	EX057579	209			
063	1043468852	N	6800	8152	6.00-	EX057579	210			
063	1043468852	N	6800	8152	0.10-	EX057579	211			
063	1043468852	N	6800	8152	0.04-	EX057579	212			
063	1043468852	N	6800	8152	0.40-	EX057579	213			
063	1043468852	N	6800	8152	2.96-	EX057579	214			
063	1043468852	N	6800	8152	0.16-	EX057579	215			
063	1043468852	N	6800	8152	1.24-	EX057579	216			

INFORMATION ON THE DAFR7940 AND DAFRNE40 (3 of 10)

DAFRNE40 063 CNTL 01		***** REBASE/XPRS INTERFACE				*****AGCY NUMBER 063		
11/13/20 (18.41) CYCLE 1434		R*STARS	1099-NEC VENDOR WORKSHEET		REPORT	AGCY PAGE 1		****RUN PAGE 1
AGENCY VENDOR NUMBER	IRS BOX COBJ AOBJ	TRANSACTION AMOUNT	CUR DOC NO SFX	REF DOC NO SFX	VENDOR SUMMARY AMT			
-----	-----	-----	-----	-----	-----	-----	-----	-----
063 1010952650	N 6800 8870	2,981.70	ZE00402R 001	VX289956 001				
063 1010952650	N 6800 8870	1,453.36	ZE00402R 001	VX289956 002				
* TOTAL PAYMENTS FOR SUBOBJECT 6800			4,435.06					
** TOTAL PAYMENTS FOR IRS BOX NO N				4,435.06				
*** TOTAL PAYMENTS FOR VENDOR 1010952650		HANIL ALIK					4,435.06	
063 1043468852	N 6800 8152	5.33-	BX057579 205					
063 1043468852	N 6800 8152	12.13-	BX057579 206					
063 1043468852	N 6800 8152	2.23-	BX057579 207					
063 1043468852	N 6800 8152	5.09-	BX057579 208					
063 1043468852	N 6800 8152	14.30-	BX057579 209					
063 1043468852	N 6800 8152	6.00-	BX057579 210					
063 1043468852	N 6800 8152	0.10-	BX057579 211					
063 1043468852	N 6800 8152	0.04-	BX057579 212					
063 1043468852	N 6800 8152	0.40-	BX057579 213					
063 1043468852	N 6800 8152	2.96-	BX057579 214					
063 1043468852	N 6800 8152	0.16-	BX057579 215					
063 1043468852	N 6800 8152	1.24-	BX057579 216					
063 1043468852	N 6800 8152	0.59-	BX057579 217					
063 1043468852	N 6800 8152	7.89-	BX057579 218					
063 1043468852	N 6800 8152	0.25-	BX057579 219					

INFORMATION ON THE DAFR7940 AND DAFRNE40 (4 of 10)

Vendor Number

IRS Box

- 01, 03, 04, 06,10 (reportable)
- 'N' (not reportable)

All payments to the vendor will be listed but only those payments that are reportable will be reflected on the 43M screen.

COBJ and AOBJ

D10 and D11 profiles

INFORMATION ON THE DAFR7940 AND DAFRNE40 (5 of 10)

Payment Amounts

Totals by COBJ, IRS Box, & Vendor Number

Change requests 'FROM' amount
should be the IRS BOX total for the
vendor

INFORMATION ON THE DAFR7940 AND DAFRNE40 (6 of 10)

Cur Document Number/sfx

ZE documents (liquidation)

- The ZE document number contains the payment date.

ZE00402R

This document number is 2020/04/02
Regular cycle.

- This may be helpful when reviewing payments issued since the last DAFR7940.

INFORMATION ON THE DAFR7940 AND DAFRNE40 (7 of 10)

Ref Document Number/sfx

Total Payments

- By COBJ
- By IRS Box number
- By Vendor Number

Vendor Name

When correcting the reportable amount always use the Total Payments by **IRS Box Number** as the **'CHANGE FROM'** amount.

INFORMATION ON THE DAFR7940 AND DAFRNE40 (8 of 10)

DAFR7940 Report will include all payment transactions to vendors with a 'Y' in the 1099-IND field on the 52 screen.

- All D10 reportable payments, and
- All D10 non-reportable payments.

Payments to non-reportable vendors are not included.

INFORMATION ON THE DAFR7940 AND DAFRNE40 (9 of 10)

VENDOR NAME - Appears not to be reportable

Includes CORP or INC

- Vendors who have not returned a valid Form W-9 are considered reportable entities and will be included on DAFR7940.
- These are noted on 52 Vendor Profile screen with Vendor Type '8' or '9'.
- The vendor profile cannot be updated without a W-9 Form.
- These vendors will be included on the DAFR7940.

INFORMATION ON THE DAFR7940 AND DAFRNE40 (10 of 10)

If a vendor is not listed on the DAFR7940/DAFRNE40 report:

No 1099-MISC or 1099-NEC will be generated.

A 1099-MISC or 1099-NEC change request form is required to add a reporting amount for a vendor that is not included on the DAFR7940/DAFRNE40.

- After the vendor has been profiled on the 52 screen.
- The reporting will be manually added to the appropriate 43 screen from the information on your change request.

HOW TO MAKE CHANGES BEFORE JAN 15, 2021

COBJ/AOBJ

If an incorrect comptroller object (COBJ - D10) was used on an expenditure:

- Use T/C 415/416 to Process a Transfer to Correct COBJ/AOBJ.
- Include the vendor number on the reclass transaction so the change will be reflected on the next DAFR7940 or DAFRNE40.

HOW TO MAKE CHANGES BEFORE JAN 15, 2021 (2 of 3)

CAUTION

ALL Tcode 415/416 transactions with a 2021 effective date will be included on NEXT years DAFR7940 and DARNE40 report.

Effective date must be no later than **December 31, 2020.**

HOW TO MAKE CHANGES BEFORE JAN 15, 2021 (3 of 3)

COBJ (D10)/AOBJ (D11) changes for 2020 1099 reporting can only be processed before December month-end close on **1/15/2021**.

- ▶ Transactions entered January 2 through January 15, 2021 must have a **December 2020 EFFECTIVE Date.**
- ▶ DO NOT process a t/code 415/416 transfer for a 2020 transaction after this date as it will effect 2021 1099-MISC reporting.

HOW TO MAKE CHANGES AFTER JAN 15, 2021

Form: http://www.oregon.gov/das/Financial/AcctgSys/Documents/CHG_REQ.pdf

Use a 1099-MISC Change Request form for:

- Changing a payment amount.
- Adding a payment amount.
- Removing payment amount.
- Moving payment amounts to a different box.
- Change in Vendor TIN

Email Karlene.Hancock@Oregon.gov

HOW TO MAKE CHANGES AFTER JAN 15, 2021 (2 of 2)

Form: http://www.oregon.gov/das/Financial/AcctgSys/Documents/CHG_REQ.pdf

Use a 1099-NEC Change Request form for:

- Changing a payment amount
- Adding a payment amount
- Removing payment amount
- Moving payment amounts to a different box
- Change in Vendor TIN

Email Karlene.Hancock@Oregon.gov

VENDOR CHANGES

For vendor changes:

Tammy Lyons

Email SFMS1.Vendor@Oregon.gov

Please use a Vendor Change Request Form for all vendor changes/updates.

VENDOR CHANGES (2 of 5)

VENDOR NAME

- If you have information that the vendor name is incorrect
 - All TIN numbers must have a valid match with the vendor name on the IRS TIN Match website
- If the vendor TIN Number changed during the year
 - Report on the vendor number that was paid
- TIN Number changed in a previous year but did not get updated
 - Cross-referenced vendor numbers will automatically roll payments into the current, valid vendor number

VENDOR CHANGES (3 of 5)

Vendor/TIN number

- Payment was made to the wrong vendor.
 - A correction cannot be processed. The payment is reportable to the vendor that received and redeemed the payment.
- Payment was made to the right vendor but the wrong vendor number.
 - Before January 15, 2021
 - Process a Tcode 415/416 transfer.
 - After January 15, 2021
 - Request a manual 1099-MISC or 1099-NEC correction.

VENDOR CHANGES

Example #1

Vendor changes TIN mid-year:

- Linus VanPelt was established as a vendor with an SSN in 2014.
- He established a partnership with an FEIN on 5/1/20 but did not inform the paying agency of the change until 9/30/2020.
- Linus VanPelt was paid \$800 on 3/14/20 with his SSN.
- Linus VanPelt was paid \$900 on 12/15/20 with his FEIN.
- Linus VanPelt had two reportable payments for 2020.
 - \$800 to his SSN which was valid prior to 5/1/20.
 - \$900 to his FEIN which is valid from 5/1/2020 forward.

VENDOR CHANGES

Example #2

Vendor informs agency the TIN changed in a prior year:

- Sally Brown is established on the vendor profile with an algorithm (SSN) in 2017.
Sally Brown receives a payment for \$500 3/15/20 using her algorithm number.
- Sally Brown notifies the paying agency on 4/15/20 that her tax identification number changed in February 2019.
Sally Brown receives a \$600 payment in October 2020 using her FEIN vendor number.

VENDOR CHANGES

Example #2 Cont'd.

- The new FEIN was activated on 4/15/20 with a note that it replaces Sally's SSN as of 2/1/2019.
- The SSN is inactivated.
 - The new FEIN was added to the profile in the ALT VENDOR/FID: field (because this is a prior year change).
 - This tells the system to combine the payments issued to the SSN with the payments issued to the FEIN for 1099-MISC reporting.
- Sally Brown will receive one 1099-MISC form for both payments aggregated to the tax identification number that was valid for 2020.

\$1,100 to the FEIN

VENDOR CHANGES (4 of 5)

VENDOR CODING

- If the vendor appears to have incorrect coding on the 52 profile verify the following:
 - A Corporation or Non-Profit that is reportable.
 - If the vendor has not returned a valid Form W-9, they will still be coded as reportable.
 - No Vendor coding change is necessary.
- Attorney coded incorrectly as not reportable.
Send a Vendor Change Request form to request a correction prior to 1-22-21.

VENDOR CHANGES (5 of 5)

Remember:

- Changes on the vendor profile may require revised 1099-MISC and 1099-NEC forms to be generated.
 - Vendor name updates.
 - Vendor organization type updates.
 - Vendor Change Request form required.
- A 1099-MISC and 1099-NEC Change Request form is required for all reporting changes after 1/15/21.

HOW TO MAKE CHANGES TO REPORTING

Remove reporting for vendor after 1/15/21.

If a vendor has received a 1099-MISC for a payment that is not reportable:

- Submit a 1099-MISC Change Form request.
- Change FROM \$\$\$ TO 0.00 or the reduced amount.
 - The amount of the change will be determined by the difference between the FROM amount listed and the TO amount for your agency.
 - Use the IRS BOX number total for the CHANGE FROM amount.

HOW TO MAKE CHANGES TO REPORTING (2 of 4)

If the change is due to a vendor organizational change:

The vendor will be required to submit documentation of their non-reportable status before reporting is removed.

- Including date of incorporation.
- Valid W-9 Form.

HOW TO MAKE CHANGES TO REPORTING (3 of 4)

Add reporting for vendor after 1-15-21.

If a vendor payment needs to be included for 1099-MISC or 1099-NEC reporting but was not:

- Verify that the vendor is included on the 52 profile.
 - If not, add the vendor.
- Submit a change request form.
- Change FROM 0.00 TO \$\$\$.

HOW TO MAKE CHANGES TO REPORTING (4 of 4)

Change Vendor number for reporting AFTER 1/15/21

- Requires two Change Request Forms.
- One with the incorrect Vendor number.
 - Change FROM \$\$\$ TO 0.00.
- One with the correct Vendor Number.
 - Change FROM 0.00 TO \$\$\$ or
 - Change FROM \$\$\$ TO \$\$\$.
 - Add all reportable payments from both Vendor numbers.
 - These two forms should be sent together.
- **DO NOT** process Tcode 415/416 to move the payment to the correct vendor number.

HOW TO MAKE CHANGES - SUMMARY

- After December month-end close ALL changes to 1099-MISC and 1099-NEC filing must be made manually by SFMS.
- Complete a 1099-MISC or 1099-NEC Change Request Form:
 - To move amounts between boxes or potentially forms.
 - To change reportable amount to the correct TIN number.
 - To remove a reportable amount.
 - To add reporting for a vendor not already on file.

UNDELIVERABLE 1099S

VENDOR ADDRESS

- 1099-MISC and 1099-NEC forms will be mailed to the name and address on the vendor 52 profile (mail code 000).

Regardless of the mail code on the actual payment.

Keep this in mind if a 1099 form is returned undeliverable.

- If a 1099-MISC or 1099-NEC form is returned undeliverable:
 - SFMS will contact the paying agency to obtain a corrected address.
 - SFMS will update the vendor profile and mail the original 1099-MISC form to the vendor.

1099-CHANGE REQUEST FORM

Fill out a separate change request form for each change/vendor requested.

- Include your name, agency, phone number, authorized signature.
- Include the payment year, vendor name and Vendor TIN number.
 - SSN's are not required.
- DO NOT include any information in the Reference Number field.
- Do not double side this form.

If you have a large number of the same type of changes, they may be submitted on a spreadsheet.

Contact me prior to creating the spreadsheet for details.

1099-CHANGE REQUEST FORM (2 of 4)

CHANGE FROM column.

The amount listed on your agency DAFR7940 or DAFRNE40 report.

- It is helpful if the amount of the change is reflected in the explanation area on the change request form.
Ex. Move \$600 from box 6 to box 7.
- If the amount on the DAFR7940 or DARNE40 report is 0.00, you must write 0.00 in the Change From column.

CHANGE TO column.

The correct reportable amount.

If the amount to be reported is 0.00, you must write 0.00 in the Change To column.

1099-CHANGE REQUEST FORM (3 of 4)

Make changes to the amounts paid by your agency only.

- Do not use the reportable amount from the 43M or 43N screen, this amount may include other agency payments.
- Use the Total Payment Amount for the specific box number listed on the DAFR7940 or DAFRNE 40 report for your agency.

The change request form is available at:

<http://www.oregon.gov/das/Financial/AcctgSys/Pages/forms.aspx>
Select 1099 Change Request at the bottom of the page

1099-CHANGE REQUEST FORM (4 of 4)

All payments made to a single vendor will be rolled-up on the appropriate 43M or 43N screen.

If more than one agency paid the vendor, the total amount on the IRS box will not match the total listed on your DAFR7940 or DAFRNE40.

CURRENT YEAR CORRECTIONS

If you determine that a corrected Form 1099-MISC or 1099-NEC is needed:

Send a 1099-MISC or 1099-NEC change request form as soon as the error is discovered.

Corrected forms will be mailed according to the 1099-MISC or 1099-NEC print schedule.

PRIOR YEAR CORRECTIONS

If you determine that a corrected Form 1099-MISC is needed for a prior year:

- Send a 1099-MISC change request form.
 - Specify and highlight the tax year.
- Prior year corrections cannot be processed until the current year has finished processing in April.

COPIES

If a vendor requests a copy of Form 1099-MISC or 1099-NEC:

- Send the request for a copy via email include the following information:
 - Vendor number - FEIN or algorithm number.
 - Vendor name.
 - **Tax year requested.**
 - Verification that the address on the 52 vendor profile is correct.
- 1099-MISC forms and 1099-NEC are held on-site for 4 tax years.

VOLUNTEER PAYMENTS

Meals are reportable to volunteers but not if there is an overnight stay.

Volunteer drivers are NOT medical transport.

Volunteers do not provide medical services.

VOLUNTEER PAYMENTS (2 of 3)

Non-Reportable Travel COBJ's for Volunteers and Board Members when agencies do not want to split out meals and lodging on a reimbursement basis:

- 4104 - Instate Travel Miscellaneous Expense
- 4111 - Instate Mileage Reimbursement-Volunteers
- 4112 - Instate Mileage Reimbursement-Nonemployee
- 4154 - Out-Of-State Travel Misc Expense

VOLUNTEER PAYMENTS (3 of 3)

- 4164 - Out-of-state Mileage Reimb-Volunteers
- 4165 - Out-of-state Mileage Reimb-Nonemployee
- 4446 - Employee Recruit Travel Reimb

You may re-class payments to volunteers or Board Members to these non-reportable COBJ's before December month-end close.

E099 REPORT

- This is a report of state employees that received payments using reportable comptroller objects (D10-COBJ).
- No1099-NEC will be issued to an OR#.

No SSN or algorithm number payments should be listed on the DAFRE099 report.

E099 REPORT (2 of 4)

- If there are reportable payments that were made to employees that **did not pertain to their job**, these payments are reportable on form 1099-NEC.
 - i.e. an employee provides taxidermy services through their established business.
- Complete a 1099-NEC Change Request form to ADD the reporting.

E099 REPORT (3 of 4)

10/29/20 DAFRE099

PAGE 1

EMPLOYEE VENDORS WITH REPORTABLE COMP OBJECT PAYMENTS
 TRANSACTION YEAR 2020

AGENCY VENDOR NO	NAME	COMP #	D10 COMP # TITLE	DOC#	SFX WW DATE	AMOUNT
248 10R0162024	MIKE KERN	4685	LIABILITY EXPENDITURE-ATTORNEY	VP248045	001 20201013	109.00
	MIKE KERN	4500	PROFESSIONAL SERVICES NON-IT	VP248044	001 20201013	107.00
	MIKE KERN	4901	MEDICAL SERVICES	VP248043	001 20201013	105.00
	MIKE KERN	4255	PRIZES AND AWARDS	VP248042	001 20201013	103.00
	MIKE KERN	4800	FACILITIES RENT	VP248041	001 20201013	100.00
248 10R0162024						524.00
248						524.00

E099 REPORT (4 of 4)

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.

EMPLOYEES AS VENDORS

- ALL reportable payments made to employees should be processed with the employee SSN not the employee ID number.
- Employees will NOT be listed on your DAFR7940 or DARNE40 report.

1OR#####

EMPLOYEE VS CONTRACTOR

- In past decisions, the IRS has determined that if there is an employee/employer relationship for one job, it applies to all jobs.
- Office Specialist also performs janitorial duties on nights/weekends.
 - ***In this instance an employee/employer relationship exists and requires these payments to be issued through payroll.***

EMPLOYEE VS CONTRACTOR

(2 of 3)

Some of the criteria to determine employee status:

- Required to wear uniforms/dress code.
- Required to work certain hours.
- Worker does not advertise for customers.
- Agency provides training.
- Agency provides office space/supplies.
- Stands no risk of loss.

EMPLOYEE VS CONTRACTOR

(3 of 3)

Employee vs. Contractor Resources

- Publication 1779
 - Provides factors used to help determine worker status.
- Publication 15A
- Form SS-8
 - Can be with IRS by firm or worker to determine worker status
- Publication 937, Employment Taxes and Information Returns

1099-MISC AND 1099-NEC CHECKLIST

1. Identify which vendors your agency uses that are 1099-Misc and 1099-NEC 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 and 1099-NEC reportable vendors for possible changes in name, address, or entity type.

1099-MISC AND 1099-NEC CHECKLIST (2 of 3)

4. Contact vendors with possible changes (from 2 above) to verify correct information on file, or to update information to be accurate for reporting.
5. Review vendor activity to verify 1099-MISC and 1099-NEC reportable payments are coded to the correct expenditure object codes.
6. Review purchases or confer with other accounting staff, to verify 1099-MISC and 1099-NEC reportable activity has not been buried in capital outlay or other expenditure object not captured by accounting system as reportable.

1099-MISC AND 1099-NEC CHECKLIST (3 of 3)

7. Verify adjustments made manually such as warrants returned for cancellation or stop pay are reflected on the DAFR7940 and DARFNE40 report.
8. Correct reporting for warrant cancel and stop pay transactions processed in 2021 for warrants issued in 2020.

HELPFUL INFORMATION

Payment description on the VP document

- Descriptions are helpful to answer vendor questions about what a payment was for.
- If SFMS can answer the vendor question with the information available on the VP document, it will not be necessary to request the paying agency to contact the vendor.

2020 1099-MISC TIMELINE

DAFR7940 reports will be generated at month-end close in Jan and on Dec 31.

These reports will be accessible electronically by the agency as a control report.

DAFR7940 is available electronically.

If you do not receive your reports contact me as soon as possible.

DECEMBER 31, 2020

JANUARY 15, 2021 - this is the final copy, keep for your records.

2020 1099-MISC TIMELINE

(2 of 5)

JANUARY 2021

- 1/15/2021
 - Final day for agency online corrections (Tcode 415/416).
 - 43M Screen populated for agency viewing (after batch cycle).
- 1/19/2021
 - Run report of employee vendors with reportable payments - E099.
 - SFMS distributes copy to agencies and keeps one copy for files.

2020 1099-MISC TIMELINE

(3 of 5)

- 1/22/2021
 - Last day to request changes to 1099-MISC forms before the form is printed and sent to the vendor.

FEBRUARY 2021

- 2/11/2021
 - Adjusted 1099-MISC forms mailed to vendors from the Print Plant.
- 2/25/2021
 - Adjusted 1099-MISC forms mailed to vendors from the Print Plant.

2020 1099-MISC TIMELINE

(4 of 5)

MARCH 2021

- 3/11/2021
 - Adjusted 1099-MISC forms mailed to vendors from the Print Plant.
- 3/25/2021
 - Adjusted 1099-MISC forms mailed to vendors from the Print Plant.
- 3/25/21
 - **Last day to request changes to 1099-MISC forms before the IRS File is Generated.**
- 3/29/2021
 - IRS file generated.

2020 1099-MISC TIMELINE

(5 of 5)

- 3/31/2021
 - IRS electronic 1099-Misc file submitted.
 - DOR electronic 1099-Misc file submitted.

APRIL 2021

- 4/8/2021
 - Corrected 1099-MISC forms mailed to vendors from the Print Plant.
- 4/22/2021
 - Final date for 1099-MISC changes for tax year 2020.
 - Final Corrected 1099-MISC forms mailed to vendors from the Print Plant.
- 4/30/2021
 - Final correction file submitted to the IRS.

2020 1099-NEC Timeline

DAFRNE40 reports will be generated at month-end close in Jan and on Dec 31.

These reports will be accessible electronically by the agency as a control report.

DAFRNE40 is available electronically.

If you do not receive your reports contact me as soon as possible.

DECEMBER 31, 2020

JANUARY 15, 2021 - this is the final copy, keep for your records.

2020 1099-NEC TIMELINE

(2 of 6)

JANUARY 2021

- 1/15/2021
 - Final day for agency online corrections (Tcode 415/416).
 - 43N Screen populated for agency viewing (after batch cycle).
- 1/19/2021
 - Run report of employee vendors with reportable payments - E099.
 - SFMS distributes copy to agencies and keeps one copy for files.

2020 1099-NEC TIMELINE

(3 of 6)

- 1/22/2021
 - Agencies submit corrections to SFMS for manual input.
 - SFMS central inputs manual corrections.
- 1/22/2021
 - Last day to request changes to 1099-NEC forms before the forms are printed, mailed to vendors, and the file sent to the IRS.
- 1/26/2021
 - IRS file generated.
- 1/29/2021
 - IRS electronic 1099-NEC file submitted.
 - DOR electronic 1099-NEC file submitted.

2020 1099-NEC TIMELINE

(4 of 6)

FEBRUARY 2021

- 2/11/2021
 - Corrected 1099-NEC forms mailed to vendors from the Print Plant.
- 2/25/2021
 - Corrected 1099-NEC forms mailed to vendors from the Print Plant.

2020 1099-NEC TIMELINE

(5 of 6)

MARCH 2021

- 3/1/2021
 - Correction file submitted to the IRS.
 - Correction file submitted to DOR.
- 3/11/2021
 - Corrected 1099-NEC forms mailed to vendors from the Print Plant.
- 3/25/2021
 - Corrected 1099-NEC forms mailed to vendors from the Print Plant.

2020 1099-NEC TIMELINE

(6 of 6)

APRIL 2021

- 4/1/2021
 - Correction file submitted to the IRS.
 - Correction file submitted to DOR.
- 4/8/2021
 - Corrected 1099-NEC forms mailed to vendors from the Print Plant.
- 4/22/2021
 - Final date for 1099-NEC changes for tax year 2020.
 - Final Corrected 1099-NEC forms mailed to vendors from the Print Plant.
- 4/29/2021
 - Final correction file submitted to the IRS.

BACKUP WITHHOLDING

24% of reportable amount for U.S. vendors for the following conditions:

- Missing/Incorrect TIN from payee.
- Payee refuses or neglects to provide TIN.
- Payee is on B-Notice list from the IRS.
- Has not complied with notification.

Backup withhold begins immediately on any reportable payments, until a valid TIN is received on a signed and dated Form W-9 from the payee.



So far this year there have not been any backup withholding transactions on domestic 1099 Reportable Vendors

FAQ #1

If I hire a contractor and the fees include travel reimbursement expenses, how are they reported?

- If your agency is on an accountable plan, and
- Travel expenses are substantiated, and
- Any excess payment is reimbursed.
- **NO REPORTING IS REQUIRED FOR THE TRAVEL REIMBURSEMENT PORTION.**

This may require a manual change.

FAQ #2

Why does SFMS send vendor questions about reporting to agencies?

- SFMS does not have a relationship with the vendor.
- SFMS does not have any documentation regarding what payments are issued for.
- Services or supplies or reimbursements.
- SFMS will not change a reporting amount without an agency request - a properly filled out and signed 1099 request change form.

FAQ#3

Where can I find more information about 1099's?

- ▶ For Federal, State, and Local Governments
 - ▶ https://www.irs.gov/government-entities/federal-state-local-governments/fslg-customer-services?_ga=1.33715689.951985001.1372184613
- ▶ Forms and publications
 - ▶ www.irs.gov/formspubs
 - ▶ Link to download forms and publications and other educational resources

FAQ #4

Where can I find more information about 1099's?

Publication 15-A - Employer's Supplemental Tax Guide

<https://www.irs.gov/pub/irs-pdf/p15a.pdf>

General Instructions for Form 1099

<https://www.irs.gov/pub/irs-pdf/i1099gi.pdf>

Publication 1779 - Independent Contractor or Employee

<https://www.irs.gov/pub/irs-pdf/p1779.pdf>

Questions?

