

AGENDA

1099-MISC TRAINING

Meeting Date: December 5, 2019

Time: 9:00 am – 11:30 am
1:30 pm – 4:00 pm

Location: Dept of Administrative Svcs, Exec Bldg
HRSD Conf Rm

Attendees: Agency 1099-MISC Contacts/Accounting Staff

ITEM	OTHER
Dept of Revenue	Information for Filing with DOR
Responsibilities	DAS-SFMS Agencies
General Guidelines	What is reportable Who is reportable What are the 1099-MISC boxes What is not reportable
DAFR7940 Report	Delivery Options What is included on the Report
Changes	How to make changes before Jan 17, 2019 Vendor Changes Reporting Changes Undeliverable 1099-MISC 1099-MISC Change Request Form
1099-MISC Copies	Copies Corrections – current year or prior year
Volunteers and Board Members	Non-Reportable COBJ's
DAFRE099	Employee payments
Employee vs Contractor	Employees vs contractor
2019 1099-MISC Checklist	
Payments with Special Characteristics	Backup Withholding
2019 Report/Filing Timeline	
Q&A	

NOTES:

TIMELINE FOR 1099-MISC Production Tax Year 2019

DAFR7940 report will generate at month end close in October, November and January. The December report will generate on the last business day of the year, December 31, 2019. This change was requested to assist agencies with verifying payments issued during the calendar year.

OCTOBER 2019 (Past)

- 10/12/2019
Generate agency report DAFR7940

NOVEMBER 2019

- 11/15/2019
Generate agency report DAFR7940

DECEMBER 2019

- 12/5/2019
1099-Misc Training
- 12/31/2019
Generate agency report DAFR7940

JANUARY 2020

- 1/17/2020
Generate agency report DAFR7940
Final day for agency on-line corrections
- 1/21/2020
Run report of employee vendors with reportable payments (E099)
Distributed to agencies, master retained at DAS
43M Screen populated for agency viewing
- 1/21-23/2020
Agencies submit corrections to SFMS for manual input
Agencies submit changes for **cross-year** Cancel transactions
- 1/23/2020
Last date to submit changes to 1099-MISC
- 1/24/2020
1099-MISC forms generated/mailed to vendors from the Print Plant
- 1/30/2020 – 1099-Misc file submitted to the IRS & DOR

FEBRUARY 2020

- 2/13/2020
Corrected 1099-MISC forms generated/mailed to vendors from the Print Plant
- 2/27/2020
Corrected 1099-MISC forms generated/mailed to vendors from the Print Plant

MARCH 2020

- 3/2/2020
1099-MISC correction file submitted to the IRS & DOR
- 3/12/2020
Corrected 1099-MISC forms mailed to vendors from the Print Plant
- 3/26/2020
Corrected 1099-MISC forms mailed to vendors from the Print Plant

APRIL 2020

- 4/1/2020
1099-MISC correction file submitted to the IRS & DOR
- 4/9/2020
Corrected 1099-MISC forms mailed to vendors from the Print Plant
- 4/23/2020
Final corrected 1099-MISC forms mailed to vendors from the Print Plant
- 5/1/2020
Final correction file submitted to the IRS

CHECKLIST 2019 FILING OF 1099-MISC

- _____ 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 2019 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 or stop pay are reflected on the DAFR7940 report.
- _____ 8) Request manual adjustment for warrants issued in tax year 2018 that are cancelled or stop pay in tax year 2019.

General Guidelines for 1099-MISC Reporting

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) purchased 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 17, 2019** to make online changes or corrections to the amounts to be reported in each box on form 1099-MISC. Agencies will have until **January 23, 2019** to request manual corrections to amounts to be reported in each box on form 1099-MISC before 1099-MISC forms are mailed to the vendors.

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) (OSPS is responsible for reporting survivor payments for deceased employees)
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.

Handout #4

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 that is reportable on form 1099-MISC and 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 (OSPS is responsible for reporting survivor payments for deceased employees)
- f. Indian gaming profits, payments to tribal members
 - a. 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

Handout #4

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

Currently these boxes are not being used by the IRS

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.

Handout #4

Box 15 – Blank box

Boxes 16 – 18 – *STATE INFORMATION*

The State of Oregon does not currently use these boxes.

Account Number – State of Oregon reports the vendor number in this field. This field may contain an algorithm number. The vendor TIN is reported as the RECIPIENT'S identification number.

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 capitalized fixed asset and should be reported on a 1099-MISC. 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.

Handout #4

- 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 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.

D10 Profile – Reportable COBJ & Box

COBJ	TITLE	IRS IND	DESCRIPTION
3126	PAYMENTS OF DECEASED EMPLOYEES WAGES/LV	3	Rent
3226	SOCIAL SEC TAXES-WAGES OF DECEASED EMPL	3	Rent
4002	DEATH BENEFITS	3	Rent
4040	APPROPRIATION BOND COSTS	7	Non-Employee Comp
4045	TAN COSTS	7	Non-Employee Comp
4050	BOND COSTS	7	Non-Employee Comp
4051	BOND RFD DBT PYM-ESCRW AGNT- AGENCY CASH	7	Non-Employee Comp
4055	CERTIFICATE OF PARTICIPATION COSTS	7	Non-Employee Comp
4056	COP RFND DBT PYM-ESCRW AGNT NT/FRM PRCD	7	Non-Employee Comp
4105	INSTATE MEALS-NO OVERNIGHT STAY	7	Non-Employee Comp
4106	INSTATE LODGING	3	Rent
4107	INSTATE AIR TRANSPORTATION	7	Non-Employee Comp
4108	INSTATE GROUND TRANSPORTATION	7	Non-Employee Comp
4149	OUT OF STATE MEAL-NO OVERNIGHT STAY	7	Non-Employee Comp
4150	OUT-OF-STATE LODGING	3	Rent
4159	OUT-OF-STATE AIR TRANSPORTATION	7	Non-Employee Comp
4160	OUT-OF-STATE GROUND TRANSPORTATION	7	Non-Employee Comp
4161	FOREIGN AIR TRANSPORTATION	7	Non-Employee Comp
4201	OFFICE SERVICES	7	Non-Employee Comp
4202	EQUIPMENT RENTAL	1	Rent
4206	CATERING SERVICES	7	Non-Employee Comp
4250	DUES/MEMBERSHIPS	7	Non-Employee Comp
4253	ADVERTISE, PUBLICITY, PUBLISH/PRINT SRVS	7	Non-Employee Comp
4255	PRIZES AND AWARDS	3	Rent
4302	TELECOM/VOICE EQUIP RENTAL	1	Rent
4303	TELECOM/VOICE MAINTENANCE	7	Non-Employee Comp
4307	TELECOM/NETWORK SUPPORT	7	Non-Employee Comp
4312	TELECOM/WIRELESS PS SUPPORT	7	Non-Employee Comp
4317	TELECOM/TELECONFERENCE SUPPORT	7	Non-Employee Comp
4355	COMPUTER TECH MAINFRAME EQUIP RENTAL	1	Rent
4357	COMPUTER TECHNOLOGY MAINFRAME SUPPORT	7	Non-Employee Comp
4362	COMPUTER TECHNOLOGY SERVER SUPPORT	7	Non-Employee Comp
4367	COMPUTER TECHNOLOGY PC SUPPORT	7	Non-Employee Comp
4370	COMPUTER TECH PERIPHERAL EQUIP RENTAL	1	Rent
4371	COMPUTER TECHNOLOGY PERIPHERAL SUPPORT	7	Non-Employee Comp
4401	TRAINING, EDUCATION OR INSTRUCTION SRVC	7	Non-Employee Comp
4406	PROF DEV INSTATE TUITION/REGISTRATION	7	Non-Employee Comp
4411	PROF DEV OUT-OF-STATE TUITION/REGIST	7	Non-Employee Comp
4430	EMPLOYEE RECRUIT, WELLNESS & SAFETY	7	Non-Employee Comp
4433	PROF DEV INSTATE LODGING	3	Rent
4434	PROF DEV OUT-OF-STATE LODGING	3	Rent

Handout #5

4435	PROF DEV INSTATE MEALS-NO OVERNIGHT STAY	7	Non-Employee Comp
4436	PROFDEV OUTOFSTATE MEALS-NO OVERNIT STAY	7	Non-Employee Comp
4437	PROF DEV DUES/MEMBERSHIP	7	Non-Employee Comp
4438	PROF DEV INSTATE AIR TRANSPORTATION	7	Non-Employee Comp
4439	PROF DEV INSTATE GROUND TRANSPORTATION	7	Non-Employee Comp
4440	PROF DEV OUT-OF-STATE AIR TRANSPORTATION	7	Non-Employee Comp
4441	PROF DEV OUT-OF-STATE GROUND TRANSPRTATN	7	Non-Employee Comp
4442	PROF DEV FOREIGN AIR TRANSPORTATION	7	Non-Employee Comp
4443	EMPLOYEE RECRUITMENT - LODGING	3	Rent
4444	EMPLOYEE RECRUITMENT AIR TRANSPORTATION	7	Non-Employee Comp
4445	EMPLOYEE RECRUITMENT GROUND TRANSPORTATN	7	Non-Employee Comp
4500	PROFESSIONAL SERVICES NON-IT	7	Non-Employee Comp
4505	PROFESSIONAL SERVICES NON-IT>\$75K	7	Non-Employee Comp
4510	PROFESSIONAL SERVICES/NETWORK	7	Non-Employee Comp
4511	PROFESSIONAL SERVICES WIRELESS PS	7	Non-Employee Comp
4512	PROFESSIONAL SERVICES TELECONFERENCE	7	Non-Employee Comp
4513	PROFESSIONAL SERVICES APPLICATION NEW	7	Non-Employee Comp
4514	PROFESSIONAL SERVICES APPLICATION MOD	7	Non-Employee Comp
4515	PROFESSIONAL SERVICES APPLICATION MAINT	7	Non-Employee Comp
4516	PROFESSIONAL SERVICES SERVERS	7	Non-Employee Comp
4517	PROFESSIONAL SERVICES IT SECURITY	7	Non-Employee Comp
4518	PROFESSIONAL SERV/IT QUALITY ASSURANCE	7	Non-Employee Comp
4519	PROFESSIONAL SERV/MANAGED SERV PROVIDER	7	Non-Employee Comp
4520	PROFESSIONAL SERV/IT QUALITY CONTROL	7	Non-Employee Comp
4526	DISPUTE RESOLUTION SERVICES	7	Non-Employee Comp
			Gross Proceeds Paid to
4685	LIABITY EXPENDITURE-ATTORNEY SETTLEMENT	E	Attorney
4701	OTHER SERVICES	7	Non-Employee Comp
4705	LAUNDRY SERVICES	7	Non-Employee Comp
4725	COLLECTION FEES - PRIVATE COLLECT AGENT	7	Non-Employee Comp
4730	MERCHANT FEES	7	Non-Employee Comp
4740	INVESTMENT EXPENSE	7	Non-Employee Comp
4800	FACILITIES RENT	1	Rent
4850	FACILITIES MAINTENANCE	7	Non-Employee Comp
4901	MEDICAL SERVICES	6	Medical and Health Care
4902	MEDICAL RENTALS	1	Rent
4950	OTHER CARE OF RESIDENTS/PATIENTS-SERVICE	7	Non-Employee Comp
4952	TRANSITIONAL HOUSING	3	Rent
4975	AGENCY PROGRAM RELATED SERVICES	7	Non-Employee Comp
5105	INSTALLATION/FURNITURE & FIXTURES>=\$5K	7	Non-Employee Comp
5125	INSTALLATION/ART & HISTORICAL TREAS>=\$5K	7	Non-Employee Comp
5155	INSTALLATION/EQUIPMENT & MACHINERY>=\$5K	7	Non-Employee Comp
5175	ASSEMBLY/MOTOR VEHICLES>=\$5K	7	Non-Employee Comp
5205	TELECOM/INSTALLATION SERVICES>=\$5K	7	Non-Employee Comp
5255	INSTALLATION/TECHNICAL EQUIPMENT>=\$5K	7	Non-Employee Comp
5305	INFORMATION TECH SOFTWARE SERVICES>=\$5K	7	Non-Employee Comp
5355	COMPUTER TECHNOLOGY INSTALL SERVICE>=\$5K	7	Non-Employee Comp
5405	INSTALL/HOUSEHLD/INSTITUTNL EQUIP>=\$5K	7	Non-Employee Comp

Handout #5

5455	INSTALLATION/INDUSTRIAL&HEAVY EQUIP>=\$5K	7	Non-Employee Comp
5505	ASSEMBLY/AIRCRAFT>=\$5K	7	Non-Employee Comp
5605	INSTALLATION/AGRIC EQUIP & MACH>=\$5K	7	Non-Employee Comp
5705	LAND IMPROVEMENTS>=\$5K	7	Non-Employee Comp
5755	LEASEHOLD IMPROVEMENTS>=\$5K	7	Non-Employee Comp
5775	INSTALLATION/CAPITAL LEASED PROP>=\$5K	7	Non-Employee Comp
5805	BUILDINGS & IMPROVEMENTS>=\$5K	7	Non-Employee Comp
5905	OTHER CAPITAL OUTLAY>=\$5K	7	Non-Employee Comp
5925	STATE HIGHWAYS>=\$5K	7	Non-Employee Comp
5935	OTHER ROADS>=\$5K	7	Non-Employee Comp
5945	TUNNELS AND BRIDGES>=\$5K	7	Non-Employee Comp
5955	AIRPORTS>=\$5K	7	Non-Employee Comp
5965	UTILITY SYSTEMS>=\$5K	7	Non-Employee Comp
5975	DOCKS, DIKES AND DAMS>=\$5K	7	Non-Employee Comp
6740	OTHER DISTRIBUTION TO TAXABLE SUBRECIP	7	Non-Employee Comp
6805	CLIENT / BENEFIT PAYMENTS	3	Rent
6808	DISTRIBUTIONS TO NON-EMPLOYEES	7	Non-Employee Comp
6810	RENTAL ASSISTANCE	1	Rent
6900	OTHER SPECIAL PAYMENTS	7	Non-Employee Comp
6905	LOAN REPYMNT ON BEHALF OF GRANT SUBRECIP	3	Rent
6910	DISTRIBUTION TO CONTRACT SVC PROVIDER	7	Non-Employee Comp