

OREGON ACCOUNTING MANUAL		Number 50.50.00.PR
Oregon Department of Administrative Services State Controller's Division		Effective Date August 1, 2001
Chapter	Tax Issues	.1 OF .3
Part	1099-MISC Reporting	
Section		Approval Signature on file at SCD

Authority Internal Revenue Service publications:
 Instructions for Forms 1099, 1098, 5498, 1096, and W-2G
Publication 1179 - Specifications for Paper Document Reporting and Paper Substitutes for Forms 1096, 1098, 1099 series, 5498, and W-2G
Publication 1220 - Specifications for Filing Forms 1098, 1099, 5498, and W-2G Magnetically or Electronically
Publication 1281 - Backup Withholding on Missing and Incorrect Taxpayer Identification Numbers
Publication 1586 - Reasonable Cause Regulations and Requirements as They Apply to Certain Information Returns
Publication 1679 - A Guide to Backup Withholding

Scope and Applicability

- .101 The following procedures pertain to the filing of forms 1099-MISC. If your agency is subject to reporting for other types of 1099 forms, these procedures may not cover all reporting situations. For additional information, check the Internal Revenue Service (IRS) instructions for filing information returns (see Authority above). To further clarify requirements for filing any information returns, contact the Vendor Accountant in Statewide Financial Management Services (SFMS).

Payments Subject to 1099-MISC Reporting

- .102 SFMS Operations files all 1099-MISC forms for all Statewide Financial Management System (SFMS) vendors that meet the reporting requirements. State agencies are required to file form 1099-MISC for non-SFMS vendors and all other types of 1099 forms.
- .103 Reportable payments are those that are made for services, rent, royalties, or other things of value (e.g. prizes and awards, remunerations, emoluments, gains, profits, or income). The payments are reportable whether the paying agency directly receives the benefit of the services or whether they are paying for services received by a third party.
- .104 Vendors subject to reporting are any vendors that are not corporations, except for medical corporations which are subject to reporting. Payments to companies, sole proprietorships, estates, trusts, partnerships, medical corporations, individuals, or non-profit organizations are all reportable.
- .105 1099-MISC reporting is on a calendar year rather than a fiscal year basis and will include reportable payments totalling in excess of \$600 made within the calendar year being reported, whether or not the services were performed within the same calendar year in which the payments were made.

Obtaining a Proper Taxpayer Identification Number

- .106 In order to file forms 1099-MISC with the IRS, it is necessary to include the vendor's Taxpayer Identification Number (TIN). A taxpayers' TIN can be either a social security number or a federal identification number. In order to create a new vendor on SFMS, the TIN must be available.
- .107 There is no required form to be used in requesting TINs, and agencies may make the request either orally or in writing. Form W-9 is sent out from SFMS Operations for non-corporate vendors and medical corporations. It is also available from the IRS for use in requesting TINs.
- .108 Personal services contracts issued by the Department of Administrative Services Transportation, Purchasing, and Print Services (TPPS) Division include a section on the signature page of the contract which requests the new vendor's TIN. TPPS purchasing analysts handle all contracts awarded for \$25,000 and above, and the analysts' request the number as part of the process of issuing the contract. Contracts for less than \$25,000 are handled by the agency that is actually buying and receiving the goods or services described in the contract. Each agency is responsible for developing internal procedures that instruct personnel involved in any purchasing function for the agency to request the TIN. If an agency uses a vendor whose contract was handled by TPPS, they may contact TPPS to determine if a TIN was submitted by the vendor and to request the number for the agency's records. However, if a TIN was not received by TPPS and the agency uses the vendor, the agency must follow up with requests for the TIN from the vendor directly as in paragraph .107 above. The agency who incurs a liability to a given vendor is responsible for the reporting of the TIN to the IRS whether or not a third party was involved in hiring the vendor.

Locating Missing Vendor Information

- .109 If vendor data collected by an agency is found to be in error or incomplete and the agency encounters difficulty in contacting the vendor, information regarding companies or individuals who do business in the State of Oregon may be available for those companies or individuals who are registered with the Corporation Division of the Secretary of State. Some of the information that may be available includes:
 - a. Registry Number - an eight digit number assigned by the Corporation Division.
 - b. Entity Name - name under which the entity does business.
 - c. Owner's Name - name of the owner of the entity.
 - d. Principle's Name - name of individual with primary responsibility for the business.
 - e. Address - address of the entity, principle, and owner.
- .110 The above information may be obtained by contacting the Corporation Division and requesting the information, which, if available for a given entity, will be printed in hardcopy for inquiring agencies for a fee of \$1.00 per inquiry. The agency may also access the Corporation Division's Business Registry Database through the Secretary of State's website.

Backup Withholding Requirements

- .111 The IRS requires backup withholding (similar to income tax withholding for employees) on payments to vendors under any of the following circumstances:
 - a. The vendor did not provide a TIN as requested by an agency (see .106 through .108 above).
 - b. SFMS has received two "B Notices" from the IRS regarding a given vendor within a three year period.

- .112 The backup withholding rate is 31 percent prior to August 6, 2001, and 30.5 percent thereafter and is required to be withheld on all sums due to a vendor who meets the criteria in .111 above, even if the amount is less than \$600 in a calendar year.
- .113 SFMS Operations is responsible for processing backup withholding for vendors on the Statewide Financial Management System.

Filing Requirements and Deadlines

- .114 Reporting on form 1099-MISC is on a calendar year basis and filing deadlines occur very quickly after a calendar year ends; the deadline for filing forms with the IRS is February 28th, and payee copies of the forms must be distributed to the vendors by January 31st. SFMS Operations is responsible for the timely filing of 1099-MISC information for SFMS agencies. Agencies are responsible for providing accurate information. Agencies are also responsible for filing any other form 1099 required to be filed.

Filing Penalties

- .115 The IRS may assess penalties against any entity, including any state agency, that is required to file form 1099-MISC and fails to file, files forms with incorrect information, files unprocessable forms, or fails to file on magnetic media. Penalties may be assessed against the Employer Identification Number under which an agency was required to file forms.