


OREGON ACCOUNTING MANUAL

 STATEWIDE POLICY	NUMBER 50.50.00	SUPERSEDES 50.50.00.PO & .PR dated 08/01/2001
	EFFECTIVE DATE TBD	PAGE NUMBER Pages 1 of 4
Division Chief Financial Office	REFERENCE/AUTHORITY Internal Revenue Service publications: General Instructions for Certain Information Returns Instructions for Forms 1099, 1098, 5498, 1096, and W-2G <u>Publication 1179</u> – General Rules and Specifications for Substitutes Forms 1096, 1098, 1099, 5498, and Certain Other Information Returns <u>Publication 1220</u> - Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498 and W-2G <u>Publication 1281</u> - Backup Withholding for Missing and Incorrect Name/TIN(S) <u>Publication 1586</u> - Reasonable Cause Regulations and Requirements for Missing and Incorrect Name/TINs	
Policy Owner Statewide Accounting and Reporting Services	APPROVED SIGNATURE <i>George Naughton, Chief Financial Officer</i> Signature on file	
SUBJECT 1099-MISC Reporting		

Authority — **PURPOSE**

Oregon State government must comply with reporting requirements for Internal Revenue Service (IRS) information returns. All agencies must comply with IRS requirements by acquiring, accumulating, and reporting information required on information returns, except the information identified below as the responsibility of Statewide Financial Management Services (SFMS).

APPLICABILITY

~~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 refer to Reference/Authority above~~). -To further clarify requirements for filing any information returns, contact the ~~VendorSFMS Accountant in Statewide Financial Management Services (SFMS)~~.

FORMS/EXHIBITS/INSTRUCTIONS

None.

DEFINITIONS

Click here for other definitions.

EXCLUSIONS AND SPECIAL SITUATIONS

None.

GENERAL INFORMATION

Federal regulations require organizations to report certain types of payments to the IRS. The IRS has also established specific rules regarding the solicitation of taxpayer identification numbers (TIN) from payees, backup withholding triggers, vendor payments and withholding requirements. The State is required to report payment for services made to any individual or entity other than most corporations, governmental entities, or international organizations. Payments to companies, sole proprietorships, estates, trusts, partnerships and individuals are all reportable. In addition, the fair market value of prizes and awards must be reported. Form 1099-MISC must be filed with the IRS at the end of the calendar year if the vendor's cumulative reportable payments meet or exceed the IRS reporting threshold for the calendar year.

POLICY:

~~102~~.101 _____ SFMS is responsible for coordinating all information return compliance issues and related liaison activities between the state and the IRS for vendors in the Statewide Financial Management Application (SFMA) receiving a form 1099-MISC. SFMS is responsible to provide specific guidance, instruction, and current information to all agencies on all aspects of information return reporting as follows:

- a. Information and interpretations of form 1099-MISC reporting criteria.
- ~~a.~~
- b. Accumulation of payment information.
- ~~b.~~
- c. Backup withholding requirements including calculation, deposits and reporting.
- ~~c.~~
- d. Filing requirements for original, computer-generated, manually prepared and corrected information returns.

~~103~~.102 _____ SFMS will provide verification procedures and review of SFMA for all electronic media to ensure the accuracy and completeness of information before submission to the IRS.

~~104~~.103 _____ Each agency is responsible for preparing, implementing, and maintaining policies and procedures to meet its federal information return requirements.

~~.105.104~~ —Those agencies that are responsible for filing returns that are unique to their operations may elect to act as their own agent for coordinating the filing of such returns. If they also elect to file their own 1099-MISC forms, they must request an exception from SFMS. If an agency is required to file other types of 1099 forms, the agency must use its own unique Federal Employer Identification Number (FEIN). The agency is responsible and accountable for correct and timely filing of such returns.

PROCEDURES:

Payments Subject to 1099-MISC Reporting

~~.105~~ ~~.102~~ —SFMS ~~Operations~~ files all 1099-MISC forms for all ~~Statewide Financial Management System (SFMS)~~ ~~SFMA~~ vendors that meet the reporting requirements. State agencies are required to file form 1099-MISC for non-SFMS vendors and all other informational returns including other types of 1099 forms.

~~.106~~ ~~.103~~ —Reportable payments are those ~~that are~~ made for services, ~~rents~~, royalties, ~~or other things of value (e.g. prizes and awards, remunerations, emoluments, gains, profits, or other fixed determinable 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.

~~.107~~ ~~.104~~ —Vendors subject to reporting are any vendors that are not corporations, except for medical corporations and attorneys, which are subject to reporting. Payments to companies, sole proprietorships, estates, trusts, partnerships, medical corporations, individuals, or non-profit organizations are all reportable.

~~.108~~ ~~.105~~ —1099-MISC reporting is on a calendar year rather than a fiscal year ~~basis~~ and will include reportable payments ~~totalling in excess of~~ totaling at least \$600 ~~made paid~~ 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

~~.109~~ ~~.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'~~ taxpayer's TIN can be either a social security number or a federal identification number. ~~In order to create~~ FEIN. Note: A TIN is also required when creating a new vendor on ~~SFMS, the TIN must be available~~ SFMA.

~~.110~~ ~~.107~~ —There is no required form ~~to be used infor~~ requesting TINs, and agencies may make the request either orally or in writing. ~~Form SFMS sends form W-9 is sent out from SFMS Operations for non-~~ corporate to vendors ~~and medical who claim to be~~ corporations. ~~It or if a vendor's organization type is unknown. The form~~ is also available from the IRS for use in requesting TINs.

~~.111~~ ~~.108~~ —Personal services contracts issued by the Department of Administrative Services ~~Transportation, Purchasing, and Print Procurement Services (TPPS) Division~~ PS may include a section on the signature page ~~of the contract which that~~ 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~~ issued by the agency ~~that is actually buying and receiving the goods or services described in the contract.~~ may also

have the vendor's TIN. Each agency is responsible for developing internal procedures that instruct personnel involved in any procurement/purchasing function for the agency to request the TIN. -If an agency uses a vendor whose contract was handled/issued by TPPS, they may PS, contact TPPSPS 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 TPPSPS and the agency uses the vendor, the agency must follow up with requests ask for the TIN directly from the vendor directly as in paragraph .407110 above. The agency whothat 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

.112 .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, the 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 from the Corporation Division of the Secretary of State. - Some of the information that may be available includes:

e. —a. Registry Number - an eight digit a number assigned by the Corporation Division.

f.

b. Entity Name – name under which the entity does business.

_____ _____
_____ c. Owner's Name - name of the owner of the entity.

Principle's/Principal's Name - name of individual with primary responsibility for the business.

g.d. _____ Address –

address of the entity, principle/principal, and owner.

.113 .110—The above information may be obtained by contacting the Secretary of State's Corporation Division and requesting pdf copies of 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 business registry documents or by accessing the Corporation Division's online Business Registry Database through the Secretary of State's website.

Backup Withholding Requirements

.114 .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 .406109 through .408111 above).

a.

b.—SFMS has received two "B Notices" from the IRS regarding a given vendor within a three-year period.

e.b. .112—The IRS indicates that payee is subject to backup withholding due to underreporting through a notice.

c. Payee failed to certify that they are not subject to backup withholding.

.115 Visit irs.gov for the latest backup withholding rate is 31 percent prior to August 6, 2001, and 30.5 percent thereafter and. The backup withholding rate is required to be withheld withholding on all sums due to a vendor who meets the criteria in .114 above, even if the amount is less than \$600 in a calendar year.

.116 ~~.113~~ ~~SFMS Operations~~ is responsible for processing backup withholding for vendors ~~on the Statewide Financial Management System in SFMA.~~

Filing Requirements and Deadlines

.117 ~~.114~~ ~~Reporting on form 1099-MISC is on a calendar year basis and filing deadlines occur very quickly after a calendar year ends; January 31st is the deadline for filing forms with the IRS is February 28th, and payee copies of the forms must be distributed and distributing a copy to the payees/vendors by January 31st.~~ ~~SFMS Operations~~ is responsible for the timely filing of 1099-MISC information for SFMS ~~agencies, vendors.~~ Agencies are responsible for providing accurate information. ~~Agencies are also responsible for filing any other information form 1099 required to be filed.~~

Filing Penalties

.118 ~~.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 untimely, files forms with incorrect information, files unprocessable forms, or fails to file on magnetic media, incomplete information, files unformatted forms, or files on paper when electronic filing was required.~~ Penalties may be assessed against the Employer Identification Number under which an agency was required to file forms.