


# OREGON ACCOUNTING MANUAL

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

## **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**

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 IRS instructions for filing information returns (refer to Reference/Authority above). To further clarify requirements for filing any information returns, contact the SFMS Accountant.

## **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:**

- .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.
  - b. Accumulation of payment information.
  - c. Backup withholding requirements including calculation, deposits and reporting.
  - d. Filing requirements for original, computer-generated, manually prepared and corrected information returns.
- .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.
- .103 Each agency is responsible for preparing, implementing, and maintaining policies and procedures to meet its federal information return requirements.
- .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 SFMS files all 1099-MISC forms for all 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 Reportable payments are those made for services, rents, royalties, prizes and awards, and 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 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 1099-MISC reporting is on a calendar year rather than a fiscal year and will include reportable payments totaling at least \$600 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 In order to file forms 1099-MISC with the IRS, it is necessary to include the vendor's Taxpayer Identification Number (TIN). A taxpayer's TIN can be either a social security number or a FEIN. Note: A TIN is also required when creating a new vendor on SFMA.
- .110 There is no required form for requesting TINs, and agencies may make the request either orally or in writing. SFMS sends form W-9 to vendors who claim to be corporations or if a vendor's organization type is unknown. The form is also available from the IRS for use in requesting TINs.
- .111 Personal services contracts issued by the Department of Administrative Services Procurement Services (PS) may include a section on the signature page that requests the vendor's TIN. Contracts issued by the agency may also have the vendor's TIN. Each agency is responsible for developing internal procedures that instruct personnel involved in any procurement/purchasing function to request the TIN. If an agency uses a vendor whose contract was issued by PS, contact PS to determine if a TIN was submitted by the vendor and request the number for the agency's records. However, if a TIN was not received by PS and the agency uses the vendor, the agency must ask for the TIN directly from the vendor as in paragraph .110 above. The agency that 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 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 Oregon may be available from the Corporation Division of the Secretary of State. Some of the information that may be available includes:
- a. Registry Number - a 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. Principal's Name - name of individual with primary responsibility for the business. Address – address of the entity, principal, and owner.
- .113 The above information may be obtained by contacting the Secretary of State's Corporation Division and requesting pdf copies of the business registry documents or by accessing the Corporation Division's online Business Registry Database.

### **Backup Withholding Requirements**

- .114 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 .109 through .111 above).

- b. SFMS has received two "B Notices" from the IRS regarding a given vendor within a three-year period. 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](https://www.irs.gov) for the latest backup withholding rate. The backup withholding rate is required 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 SFMS is responsible for processing backup withholding for vendors in SFMA.

### **Filing Requirements and Deadlines**

- .117 January 31st is the deadline for filing forms with the IRS and distributing a copy to payees/vendors. SFMS is responsible for the timely filing of 1099-MISC information for SFMS vendors. Agencies are responsible for providing accurate information. Agencies are responsible for filing any other information form 1099 required.

### **Filing Penalties**

- .118 The IRS may assess penalties against any entity, including a state agency, that is required to file form 1099-MISC and fails to file, files untimely, files forms with incorrect or 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.