

Volume No. 1—Policies and Procedures	TOPIC NO.	20320
Function No. 20000—General Accounting	TOPIC	Information Returns Reporting
Section No. 20300—Cash Disbursements Accounting	DATE	November 2015

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Overview

Introduction

The Federal government requires payers of various types of payments to report those payments to the Internal Revenue Service (IRS) according to the tax year in which they were paid. State governments must comply with the IRS reporting requirements in the same manner as local governments and private industry. In addition, State agencies have special reporting requirements that are unique to governmental functions such as the reporting of tax refunds, unemployment compensation, taxable grants, and agriculture payments.

This topic provides agencies and institutions with key compliance requirements and suggestions for the consistent application of the IRS Information Returns reporting requirements. Information Returns are used to report payments made to individuals, sole proprietors, partnerships, trusts, estates, foreign citizens, foreign companies, limited liability companies, and medical and legal corporations. Payments that meet the prescribed reporting requirements and dollar thresholds established by the IRS are reported for the calendar year in which the services are paid. There are a number of IRS publications, code sections, regulations, income tax instructions, and tax forms, which relate to the preparation and filing of Information Returns.

In addition to reporting payments, the IRS also has several withholding requirements, along with rules on how to solicit Taxpayer Identification Numbers (TIN).

The Department of Accounts (DOA) will inform agencies and institutions of changes in the IRS Information Reporting requirements by updating this topic annually.

Policy

Each State agency and institution must comply with Federal Information Returns reporting requirements.

Each State reporting entity (agency or group of agencies) should develop procedures for accumulating calendar year Information Returns data and preparing the appropriate information in the IRS acceptable format (paper or electronically).

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Overview, Continued

General Requirements

Information Returns are:

- Required by the IRS for tax compliance auditing
- Filed under the reporting entity's Employer Identification Number (EIN), which is the same number used to file payroll returns
- Issued to individuals and other recipients as required by the IRS
- Issued for payments such as interest, dividends, certain government payments, and miscellaneous payments to be reported as income by the recipients
- Filed if payments reach the minimum dollar limits prescribed by the IRS for the calendar year
- Submitted to the IRS electronically whenever 250 returns of any type of Information Returns are filed
- Depending on the day of the week that the deadline falls on, paper returns are issued annually to the recipients on or about January 31 following the end of the calendar year being reported, and filed with the IRS on or about February 28
- Information returns filed electronically with the IRS are due on or about March 31. Whenever this due date falls on a weekend or holiday, then the due date is the next business day.
- Corrected according to IRS guidelines and regulations
- Supported by the **Form W-9**, *Request for Taxpayer Identification Number and Certification*, and other documentation required for audit purposes
- Prepared in accordance with written agency procedures for recording reportable payments and processing Information Returns

Reporting Entity

A reporting entity is any agency or group of agencies, which files payroll and/or Information Returns under one unique TIN. The reporting entity is identified on Information Returns by payer name and the Employer Identification Number (EIN). The EIN is the same number as the one used by the reporting entity for payroll reporting. Reporting entities must include all reportable payments paid during the calendar year, which meet the IRS prescribed dollar thresholds for all reportable payee types.

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What’s New for 1099 Reporting

What’s New for the Current and Future Calendar Years

Readers should review the current year changes in the *General Instructions for Certain Information Returns (Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G)*, and in the form-specific instructions available at www.irs.gov for the current calendar year.

The Department of Accounts (DOA) has provided a brief summary of selected changes for the current and future years in its “*What’s New for 1099 Reporting*” document located on the Financial Reporting webpage at www.doa.virginia.gov/Financial_Reporting/Financial_Reporting_Main.cfm. Click the IRS Information Returns -1099 Reporting link located on the right hand side of the webpage to view the changes.

Federal Statutory Changes and Related Payment Processing Initiatives

The Department of Accounts began processing ePayable transactions in June 2011. State agencies and institutions are **not** required to add payment card and ePayable transactions to other reportable payment amounts for 1099 reporting purposes.

However, if an ePayable transaction is rejected by the vendor and subsequently processed as a check or EDI payment, the agency should review the individual line items contained in the payment transaction to determine if any amounts are 1099 reportable. DOA will provide separate communications to each agency identifying any ePayable transactions that are rejected and subsequently processed as a check or EDI payment.

State agencies and institutions are responsible for filing information returns for all qualifying transactions other than payments issued as Purchase Card or ePayable transactions.

DOA will provide additional communication(s) to address future 1099 reporting periods as new guidance becomes available.

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Items You Should Note

Reporting Backup Withholding (BWH) and BWH Rate

If the agency backup withholds on a payment, the agency must file the appropriate **Form 1099** or **W-2G** with the IRS and furnish a statement to the recipient to report the amount of the payment and the amount withheld. This applies even though the amount of the payment may be below the normal threshold for filing **Form 1099** or **W-2G**. The current BWH rate is 28%; however, this rate is subject to be changed periodically by the IRS. Therefore, the Department of Accounts recommends that each agency review the latest version of **Pub. 15 (Circular E), Employer's Tax Guide**, at the IRS website to ensure that this rate is still appropriate. Also, see the requirements below for reporting BWH on the **Form 945**.

Form 945—Withholding Tax Return

Report backup withholding, voluntary withholding on certain government payments and withholding from gambling winnings, pensions, annuities, IRAs, military retirement, and Indian gaming profits on **Form 945, Annual Return of Withheld Federal Income Tax**. For more information, including the deposit requirements for **Form 945**, see the separate instructions for the **Form 945**, and **Pub. 15 (Circular E), Employer's Tax Guide**.

Use Form 1096 to Send Paper Forms to the IRS

Paper filers must send Copy A of all paper **Forms 1099, 1998, 5498, and W-2G** to the IRS with a separate **Form 1096, Annual Summary and Transmittal of U.S. Information Returns**, for each type of return filed.

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Items You Should Note, Continued

Filing Electronically Using the FIRE System

The FIRE (Filing Information Returns Electronically) System is on the Internet at <http://fire.irs.gov>. The FIRE System does not provide fill-in forms. Filers must program submission files according to the record layout specifications contained in the latest edition of IRS **Publication 1220**, *Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498, 8935, and W-2G*.

Taxpayer Identification Number (TIN) Matching and IRS E Help Desk

Taxpayer Identification Number (TIN) matching allows a payer or authorized agent (e.g. Purchase Card agent) who is required to file forms which report income subject to backup withholding to match TIN and name combinations with IRS records before submitting the forms to the IRS. TIN Matching is one the IRS E-services products that is available through the IRS website. Go to www.irs.gov and search for “E-services.” Payers who validate the TIN and name combinations of vendors and other payees before filing the information returns should receive fewer backup withholding (CP 2100) “B” notices and penalty notices. E-services technical support (E Help Desk) is available by calling 1-866-255-0654, Monday through Friday, from 7:30 a.m. to 7:00 p.m. Eastern Time.

List of Software Vendors

IRS Information Returns Branch (IRS/IRB) prepares a list of vendors who support electronic filing.

Pub. 1582, *Information Returns Vendor List* contains the names of vendors that will produce files on the prescribed layout for electronic filing. This list is compiled as a courtesy and in no way implies IRS approval or endorsement.

The Vendor List is updated periodically. The most recent edition is available on the internet at www.irs.gov.

IRS Assistance

The IRS operates a centralized call site to answer all types of questions about reporting information returns. You may contact them using the numbers and addresses in the Contacts Section shown at the end of this CAPP Topic.

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Reportable Payees

Reportable Payees

Payees may be:

1. Individuals (Non-employees): A determination should be made prior to hiring an individual as to the employment status. Agencies must determine whether an individual should be classified as an employee and paid through the agency payroll or classified as a non-employee and paid through the vendor payment process. Agencies should obtain copies of **Pub. 15** (*Circular E*), *Employer's Tax Guide*, and **Pub. 15A**, *Employer's Supplemental Tax Guide*, for guidance in determining employee/non-employee status.
2. Sole proprietors (including doctors and attorneys)
3. Partnerships
4. Limited Liability Companies (for sole proprietors, *medical and legal corporations*, and partnerships)
5. Trusts or Estates
6. Medical and Healthcare Corporations (for services rendered)
7. Legal Corporations

Most corporations except medical and legal corporations are exempt from receiving information returns. Medical and legal corporations must receive **Form 1099-MISC** returns for service payments totaling \$600.00 or more during the calendar year. When reporting payments to legal or medical corporations on a **Form 1099-MISC**, list the corporation as the recipient rather than the individual providing the services.

Taxpayer Identification Number (TIN) and the Form W-9

The Taxpayer Identification Number (TIN) is a nine digit number used to uniquely identify a taxpayer. Upon request, each taxpayer must provide the payer with his/her TIN, or be subject to backup withholding. Individual payees are to provide social security numbers (SSN) for Information Returns Reporting purposes. Sole proprietors may provide either the EIN or SSN, although the IRS prefers that sole proprietors provide the SSN. All other taxpayers should provide an EIN. A **Form W-9**, *Request for Taxpayer Identification Number and Certification*, may be used to solicit this information. **(Do not request a Form W-9 from other state agencies. State agencies are exempt from receiving information returns.)**

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Reportable Payees, Continued

Taxpayer Name This is the name of the individual, sole proprietor (legal owner), or organization with which the agency is doing business. When producing Information Returns, the name of the recipient must match the name associated with the TIN. For sole proprietors, enter the individual’s name on the first name line of the RECIPIENT’S name box of the **Form 1099-MISC**. Below it, on the second name line, enter the business name or enter the “doing business as (DBA) name” if provided.

Taxpayer Address The mailing address should be the business location address for the recipient of the Information Return. In many cases, this address may differ from the payment remittance address.

Obtaining a Taxpayer Identification Number (TIN) / Exception for Foreign Vendors With the implementation of the Comptroller's Debt Setoff program, DOA's 1099 Adjustment and Reporting System and the Financial Electronic Data Interchange program, agencies are required to use the vendor's TIN for payment processing. An exception to this requirement is those transactions coded with the Taxpayer ID prefix of "F" for foreign vendors.

Agencies may use the **Form W-9**, or an acceptable Substitute **Form W-9**, to obtain 1099 reportable vendor's TIN, name, and address, and to certify that the vendor is not subject to backup withholding taxes. Agencies may use information on the taxpayer’s letterhead or invoice to further substantiate that the entity is a corporation.

Vendors Who Have Not Provided a TIN Vendors, who have not provided the TIN, must be contacted by the agency immediately following the receipt of the invoice to obtain the required payment information. At that time, agencies should inform the vendor that payments will be delayed pending the receipt of the vendor's TIN and will be subject to backup withholding until a TIN has been provided. Agencies should further explain to the vendors the State and Federal statutory TIN reporting requirements (on the next page).

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Reportable Payees, Continued

**State and
Federal TIN
Reporting
Requirements**

State Requirement

The *Code of Virginia*, Section 2.2-4354(2) at <http://leg1.state.va.us/cgi-bin/legp504.exe?000+cod+2.2-4354> requires contracts awarded by State agencies to include a special payment clause which directs individual contractors to provide the SSN, and sole proprietors, partnerships, and corporations to provide the EIN. Invoices for vendors who refuse to provide such information are considered in dispute under the provisions of the Prompt Payment statutes.

Federal Requirement

The IRS requires vendors to provide the TIN. This information can be obtained on a **Form W-9**. If a reportable vendor does not provide an agency with a TIN, payments to that vendor are subject to backup withholding.

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CARS 1099 Reportable Payments

DOA Adjustment and Reporting System (ARS)

CAPP Topic No. 70805, *1099 Adjustment and Reporting System (ARS)*, explains how agencies sign up to participate in the ARS System.

Features of the 1099 Adjustment and Reporting System (ARS) include:

- Processing adjustment transactions to increase or decrease vendor payment balances without impacting the Commonwealth Accounting and Reporting System (CARS) financial files.
- Viewing on-line 1099 transactions and adjustments by Vendor ID, Form Type, and Reporting Box Number.
- Accessing 1099 data through FINDS for use in printing information returns and filing electronically.
- Monthly, quarterly and yearly reports on reportable payments including adjustments.
- Monthly and Quarterly reports on potentially reportable payments.

Calendar Year Reporting

Because the Commonwealth uses a July 1 - June 30 fiscal year basis for accounting and reporting, each reporting entity must develop its own methods for accumulating information for the January 1 - December 31 tax year/calendar year period. As a general rule, checks written, or payments made, on or before December 31 are included in that calendar year's 1099 reportable payment information. **If the payment due date was in December, the money is considered to be available to the recipient in that calendar year, and is therefore 1099 reportable in that calendar year.**

Reminder: DOA Does Not Provide Tax Advice!

A 1099 return is an “informational” document only, and does not necessarily indicate that the information reported to the taxpayer is subject to taxation. **DOA does not provide tax advice regarding 1099 information.** The recipient of the information return, along with the accountant or tax advisor, must determine which portion, if any, of the income reported on **Form 1099** is subject to taxation.

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CARS 1099 Reportable Payments, Continued

Payment Dollar Limits To Be Reported

IRS minimum reportable dollar thresholds for each type of payment to be reported on Information Returns must be identified. Please refer to the specific 1099 Form instructions to determine the threshold for each type of payment. When the payee's reportable payments reach the IRS dollar threshold for the payment type, the payee is required to receive an Information Return.

For example, the minimum amount of non-employee compensation for services that must be reported on a **Form 1099-MISC** is \$600 (*excluding Payment Card payments and/or ePayable payments that are reported on a **Form 1099-K** by the banks and other Purchase Card Settlement Organizations*).

Example 1:	An individual (non-employee) received \$50.00 in royalties during the calendar year and \$1,000.00 in non-employee compensation. The minimum reporting amount for royalties is \$10.00. The minimum amount to be reported for non-employee compensation is \$600.00. The 1099-MISC Return will be completed showing the royalty payment of \$50.00 and the non-employee compensation paid of \$1,000.00.
Example 2:	The individual received \$550.00 in rents and \$1,200.00 in non-employee compensation. The minimum reportable dollar limit for both rents and non-employee compensation is \$600.00. The 1099-MISC Return will be completed showing \$1,200.00, non-employee compensation. The rent payments of \$550.00 did not meet the \$600.00 dollar limit for reporting, and therefore do not need to be reported.

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CARS 1099 Reportable Payments, Continued

Identifying All Sources of Payments

- Agencies must develop procedures to identify all sources of reportable vendor payments including those identified below. Note that Purchase Card payments and ePayable transactions are no longer reportable.
- Petty Cash funds (individual payees not recorded in CARS). Agencies that pay invoices for services using petty cash must establish procedures to monitor and accumulate 1099 reportable vendor payments incurred through the use of petty cash. The reportable petty cash payments must be added to other reportable payments made to the recipient to determine if the sum of all reportable payments meet or exceed the \$600 reporting threshold.
- Stop payments. Agencies that stop payment on checks during a calendar year must establish procedures to reduce the amount reported to 1099 reportable vendors by the amount of the stop payment.
- Voided Checks. Agencies that void checks during a calendar year must establish procedures to reduce the amount reported to 1099 reportable vendors by the amount of the checks voided.
- Manual checks (Specials). These payments should be added to other reportable payments made to the vendor
- Purchase Card Payments and ePayable Transactions. As of January 1 2011, Purchase Card payments and ePayable Transactions are not reportable on a Form 1099-MISC.
- Garnishments for Non-employees
- Refunds from payees (Deposit Certificates)
- Adjustments to correct the object code of expenditure or other data entry error adjustments
- Payments from funds not recorded in CARS
- Debt setoff payment reductions
- Backup withholding

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- Refunds from payees (Deposit Certificates)
 - Adjustments to correct the object code of expenditure or other data entry error adjustments
 - Payments from funds not recorded in CARS
 - Debt setoff payment reductions
 - Backup withholding
-

Potentially-Reportable Object Codes

The Object Code Table (D16) in the Commonwealth’s Accounting and Reporting System (CARS) is coded to assist agencies in reporting 1099 reportable payment transactions. DOA has identified those object codes, which are potentially subject to the IRS 1099 reporting requirements and assigned each reportable object code a 2-digit form type and reporting box number on the D16 Table. See Attachment A at the end of this CAPP Topic – *1099 Potentially Reportable Object Codes*.

Most object codes clearly identify the reportable services rendered by the vendor, such as object code 1241, Auditing Services. However, other object codes may be used to identify both reportable and non-reportable payments. For example, object code 1205, Seat Management Services, may be used to code payments for computer hardware and software through a single source contract including support services. Only the portion of the payment that pertains to services is reportable.

Caution: The object code alone is not sufficient to determine if the payment is 1099 reportable. The vendor type (i.e., individual, sole proprietor, etc.) must also be considered.

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CARS 1099 Reportable Payments, Continued

Vendor Edit Table Listing (ACTR 0940)

On Reportline, agencies should review the **ACTR0940**, Vendor Edit Table Report, to verify that all potentially reportable vendors are properly coded for vendor type and Taxpayer Identification Number (EIN, SSN, or both). The Reportline ID for this report is “NR0940.” To review this report, agencies must request specific security access from General Accounting (GA) at gacct@doa.virginia.gov or call **(804) 692-0423**.

Agencies/institutions must also request that GA include the agency in the **ACTR0940** Report prior to the monthly distribution date of the report.

Vendor Types Agreement With the DOA EDI Vendor Edit Table

Vendor type in an agency’s CARS Vendor Edit Table record usually agrees with the CARS EDI Vendor Edit Table record for an EDI vendor that is maintained by DOA’s eCommerce Unit. Agencies can view the statewide CARS EDI Vendor Edit Table under Agency 000.

Please contact the eCommerce Unit at edi@doa.virginia.gov or call **(804) 692-0473** whenever the agency determines that there is a difference between the vendor type shown on the agency’s CARS Vendor Edit Table record and the statewide EDI Vendor Edit Table record. Information may also be faxed to (804) 414-9896. Include a copy of the vendor’s **Form W-9, Request for Taxpayer Identification Number and Certification.**

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CARS Vendor Edit Table Maintenance Requirements

Agency Access to the CARS Vendor Edit (VE) Table

Agency Requirements:

- Must have at least one individual in the agency with on-line update capability to the CARS Vendor Edit Table.
- Must submit an approved CARS Security Table Maintenance Form to General Accounting requesting user access to the Vendor Edit Table and 1099 file inquiry.
- Duties must be segregated between the individual who performs Vendor Edit Table maintenance and those who process payment transactions.

Agency/Control Agency Requirements:

Agencies who are designated by the Vendor File Indicator in the D09 Agency Table to retrieve vendor payment information from a control agency Vendor Edit Table must do the following:

- Obtain a separate CARS User ID from the Virginia Information Technologies Agency.
- Complete a CARS Security Table Maintenance Form requesting inquiry into the control agency's Vendor Edit Table.
- Forward form to the CARS Security Officer (CSO) at the control agency for approval.
- Upon approval by the control agency's CSO, forward the Security Table Maintenance Form to DOA, Table Maintenance/General Accounting.

Data Elements

The CARS Vendor Edit Table data elements and descriptions are shown on the following page:

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CARS Vendor Edit Table Maintenance Requirements, Continued

Data Element	Description																														
Vendor Types	<p>This one position field is used to denote the type of payee.</p> <table border="1"> <thead> <tr> <th>Value</th> <th>Definition</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>Vendor Other e.g., a non-profit organization or tax-exempt charity under IRC §501 (c) (3)</td> </tr> <tr> <td>1</td> <td>State Employee</td> </tr> <tr> <td>2</td> <td>Federal Agency</td> </tr> <tr> <td>3</td> <td>State Government</td> </tr> <tr> <td>4</td> <td>Local Government</td> </tr> <tr> <td>5</td> <td>Political Subdivision</td> </tr> <tr> <td>6</td> <td>Non-Reportable Corporation (except for medical and legal corporations)</td> </tr> <tr> <td>7</td> <td>Sole Proprietors and Reportable Individuals</td> </tr> <tr> <td>8</td> <td>Reportable Corporation (medical and/or legal)</td> </tr> <tr> <td>9</td> <td>Non-Reportable Individual</td> </tr> <tr> <td>A</td> <td>Partnership</td> </tr> <tr> <td>B</td> <td>Estates</td> </tr> <tr> <td>C</td> <td>Trusts</td> </tr> <tr> <td>D</td> <td>Limited Liability Company</td> </tr> </tbody> </table>	Value	Definition	0	Vendor Other e.g., a non-profit organization or tax-exempt charity under IRC §501 (c) (3)	1	State Employee	2	Federal Agency	3	State Government	4	Local Government	5	Political Subdivision	6	Non-Reportable Corporation (except for medical and legal corporations)	7	Sole Proprietors and Reportable Individuals	8	Reportable Corporation (medical and/or legal)	9	Non-Reportable Individual	A	Partnership	B	Estates	C	Trusts	D	Limited Liability Company
Value	Definition																														
0	Vendor Other e.g., a non-profit organization or tax-exempt charity under IRC §501 (c) (3)																														
1	State Employee																														
2	Federal Agency																														
3	State Government																														
4	Local Government																														
5	Political Subdivision																														
6	Non-Reportable Corporation (except for medical and legal corporations)																														
7	Sole Proprietors and Reportable Individuals																														
8	Reportable Corporation (medical and/or legal)																														
9	Non-Reportable Individual																														
A	Partnership																														
B	Estates																														
C	Trusts																														
D	Limited Liability Company																														

Reportable Vendor Types

Note: Only Vendor types 6 (for medical and legal corporations only), 7, 8, A, B, C, or D are 1099 reportable. Type D, Limited Liability Companies (LLCs) for sole proprietors, medical and legal corporations, and partnerships are 1099 reportable. If the LLC is not a legal or medical corporation, it is not reportable.

A state employee (vendor type 1) is typically not 1099 reportable but may be reportable in special circumstances where the employee is also providing services as a vendor. A separate vendor id and suffix should be established in the agency's CARS Vendor Edit Table using the appropriate reportable vendor type for any employee that is also providing services as a vendor.

1099 Mailing Address

This field is defined as the vendor's business mailing address and is not valid for foreign vendors. If the vendor's remittance address and the vendor's mailing address are the same, enter only the vendor's address in the remittance address field. This field is not used for foreign vendors.

Vendor Remittance Address

This field is defined as the business payment remittance address and is valid for foreign vendors.

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Guidelines for Filing Information Returns

Using an SSN The chart below includes guidelines for filing information returns using a social security number (SSN).

Vendor Type	Recipient	Enter SSN for	In the First Payee Name Line Enter
7	Individual	Individual	Legal name of individual as on W-9
7	Sole Proprietor	Individual Owner	Legal name of individual owner as on W-9.
6 & 8	Medical or Legal Corporation	N/A	N/A
A	Partnership	N/A	N/A
B	Estate	N/A	N/A
C	Trust	Grantor-Trustee	Legal name of grantor-trustee as on W-9
D	LLC	See the General Instructions and/or the back page of the Instructions of the Form W-9.	Depends on type of LLC.

Using an EIN The chart below includes guidelines for filing information returns using an employer identification number (EIN).

Vendor Type	Recipient	Enter EIN for	In the First Payee Name Line Enter
7	Individual	N/A	N/A
7	Sole Proprietor	Individual Owner	Legal name of individual owner as on W-9.
6 & 8	Medical or Legal Corporation	Medical Corp. or Legal Corp.	Legal name of medical or legal corporation as provided on W-9
A	Partnership	Partnership	Legal name of partnership as provided on W-9
B	Estate	Estate	Legal name of estate as provided on W-9
C	Trust	Grantor Trustee	Legal name of grantor-trustee as on W-9
D	LLC	See the General Instructions and/or the back page of the Instructions of the Form W-9.	Depends on type of LLC.

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Statewide Compliance Issues and References

Employee/Non-Employee	<p>Employees receive a Form W-2 for calendar year amounts paid through the payroll system as employees.</p> <p>Non-employees receive a Form 1099-MISC for non-employee compensation paid to them outside the payroll system.</p> <p>Each agency must make a determination whether the individual is considered an employee or non-employee. This distinction determines the type of statement to be issued to the individual at calendar-year end (W-2 or 1099). See Pub. 15, (<i>Circular E</i>), <i>Employer's Tax Guide</i> and Pub. 15 -A, <i>Employer's Supplemental Tax Guide</i>.</p>
Employee vs. Independent Contractor	<p>To determine whether an individual should be treated as an employee or an independent contractor, agencies should refer to Pub. 15 (<i>Circular E</i>), <i>Employer's Tax Guide</i> and Pub. 15 -A, <i>Employer's Supplemental Tax Guide</i>. Report payments to independent contractors on a Form 1099-MISC and payments to employees on a Form W-2.</p>
Non-U. S. Citizens (Foreign Persons)	<p>As stated on Page 6 of Pub 515, <i>Withholding of Tax on Nonresident Aliens and Foreign Entities</i>, a foreign person includes a nonresident alien individual, a foreign corporation, a foreign partnership, a foreign trust, a foreign estate, and any other person that is not a U. S. person.</p>
Payments To Foreign Persons	<p>Payments to foreign persons, regardless of the amount, are subject to withholding under Chapter 3 of the Internal Revenue Code (<i>Title 26, United States Code, Chapter 3</i>), including payments for interest, dividends, royalties, pensions, annuities, gambling winnings, and other compensation for personal services performed in the United States. These types of payments should be reported on a Form 1042-S (not on a Form 1099), <i>Foreign Person's U.S. Source Income Subject to Withholding</i>, typically by March 15th for payments made during the prior calendar year. See the IRS web-site (www.irs.gov) for the actual date each year.</p> <p>The physical location where the service is performed determines the source of the income. Payments for personal services performed by foreign persons <u>outside</u> the United States do <u>not</u> require tax withholding or reporting on a Form 1042-S, nor on a Form 1099. For additional information, see the section related to foreign persons on the following page.</p>
Tax Advice Recommended	<p>DOA recommends that state agencies and institutions seek legal counsel and tax advice on the withholding of taxes, tax treaties, and the reporting of the earnings by non-U. S. citizens. You may also refer to information on the U.S. Department of the Treasury website related to treaties and other international documents at http://www.treasury.gov/resource-center/tax-policy/treaties/Pages/default.aspx.</p>

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Publications and Instructions Related to Payments to Foreign Citizens

IRS Publications and Instructions related to payments made to foreign citizens and foreign companies are:

- **Pub. 515**, *Withholding of Tax on Nonresident Aliens and Foreign Entities*
- **Pub. 519**, *U.S. Tax Guide for Aliens*
- **Pub. 901**, *U.S. Tax Treaties*
- **Pub. 1187**, *Specifications for Filing Form 1042-S, Foreign Person's U. S. Source Income Subject to Withholding, Electronically*
- **Instructions for the Requester of Forms W-8 BEN, W-8 ECI, W-8 EXP and W-8IMY**

Foreign Person and Entities Tax Withholding Requirements and Exemptions

The IRS tax withholding and reporting requirements for payments to foreign persons and entities are explained in the *Instructions for the Requester of Forms W-8 Series* and the **Form W-8** -specific instructions. Foreign persons must provide **Form W-8 BEN**, or applicable documentary evidence. They are exempt from the **Form W-9** requirements and related backup withholding (but they are not exempt from tax withholding) and they are exempt from Form 1099 reporting. The requirements for withholding of tax on payments of U.S. source income to foreign persons can be obtained by calling the IRS at (267) 941-1000 and from **Pubs. 515, 519 and 901**.

Nonresident Alien

Pubs. 515 and 519 provide the criteria for determining if a non U. S. citizen is a nonresident alien or resident alien for tax purposes.

Nonresident aliens are taxed on income earned within the United States and such income is reported annually on **Forms 1042-S, 1042** and/or a **Form W-2** as appropriate. All non-payroll earnings are reported on the **Form 1042-S**, and the **Form 1042**, and are generally subject to tax withholding.

Resident Alien Not Subject to Form 1042-S

Amounts paid to residents of U.S. possessions and territories are not subject to reporting on a **Form 1042-S** if the beneficial owner of the income is a U.S. citizen, national or resident alien.

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Scholarships and Fellowship Grants Scholarships and Fellowships paid to nonresident aliens are discussed in **Pub. 519, U. S. Tax Guide for Aliens**. Please note that you are generally required to withhold tax and report certain scholarships and fellowships given to nonresident aliens.

Prizes and Awards—Non-Employee Prizes and awards paid to non-employees in excess of \$600 for the calendar year are reported on a **Form 1099-MISC**. However, the total amount of prizes and awards to nonresident aliens are subject to withholding taxes and reporting on a **Form 1042-S**.

Meals, Travel and Lodging Reimbursements—Employee Do not use Form 1099 to report employee business expense (meals, travel and lodging) reimbursements. Payments made to employees under a “Non-accountable Plan” are reported as wages on a **Form W-2**, but reimbursements made to state employees under an “Accountable Plan” (as required by the Travel regulations) **are neither Form W-2 reportable nor Form 1099 reportable.**

For guidance pertaining to nonresident aliens, see **Pubs. 515** and **519**.

Meals, Lodging and Travel Reimbursements—Non-Employee Reimbursements to non-employees, such as consultants and contractors or job applicants, are covered under the IRS “Accountable Plan” guidelines. Amounts reimbursed under an “Accountable Plan” are not subject to Information Returns reporting.

However, if these are reimbursements for which the non-employee did not account to the payer, they are 1099 reportable on a **Form 1099-MISC** (provided the total to the non-employee of all fees and allowances is at least \$600). For a definition of “Accountable” and “Non-accountable” Plans, see Chapter 13 of **Pub. 535, Business Expenses**.

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Statewide Compliance Issues and References, Continued

**ARS Exception:
ARS 3005 Reports** Even though not 1099 reportable, state employee travel related reimbursements will show up on the monthly **ACTR3005, Option D2, Potentially 1099 Reportable Transactions Report**, because of the use of expenditure codes 1281, 1282, 1283, 1285 and 1286. These expenditure codes are listed as potentially reportable object codes only to capture the possibility of reportable non-employee travel reimbursements for which the non-employee did not account to the payer. See Attachment A at the end of this CAPP Topic. If the payee is a state employee, travel related reimbursements are **not** 1099 reportable.

**Board and
Commission
Member Fees** The IRS has challenged the methodology that some Commonwealth entities have used in prior years to report payments to Commonwealth Board and Commission members. If the agency or institution is uncertain about the appropriate reporting mechanism, please contact the Office of the Attorney General or other appropriate legal counsel for guidance.

**Backup
Withholdings** 1099 Returns must reflect the gross amounts paid to reportable vendors. Backup withholding amounts (federal taxes withheld from the total due and deposited with the federal government) are reported separately on the 1099 Returns in the box provided. The gross amount paid to the individual which includes the backup withholding amount is reported in the appropriate box on the appropriate 1099 Return.

**Vendor Debt Setoff
and Garnishment
Payments** Vendor debt setoff payments and garnishments for non-employees represent amounts paid by the State on behalf of the vendor for indebtedness. The gross amount paid to the vendor should be reported in box 7 of the **Form 1099-MISC** by the disbursing agency because it is subject to taxation. Any amounts withheld should be reported in box 4 (federal) or box 16 (state).

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Purchasing Charge Cards

The Department of Accounts began processing ePayable transactions in June 2011. State agencies and institutions are not required to add payment card and ePayable transactions to other reportable payment amounts for 1099 reporting purposes. State agencies and institutions will continue to be responsible for filing information returns for non-Purchase Card payments and ePayable transactions for services as appropriate.

However, if an ePayable transaction is rejected by the vendor and subsequently processed as a check or EDI payment, the agency should review the individual line items contained in the payment transaction to determine if any amounts are 1099 reportable. DOA will provide separate communications to each agency identifying any ePayable transactions that are rejected and subsequently processed as a check or EDI payment.

State agencies and institutions are responsible for filing information returns for all qualifying transactions other than payments issued as Purchase Card or ePayable transactions.

DOA will provide additional communication(s) to address future 1099 reporting periods as new guidance becomes available.

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Statewide Compliance Issues and References, Continued

Medical Expenses and Payments

As stated in Section 6041 of the IRC, during the course of trade or business, payments made to physicians, dentists, medical suppliers, proprietary hospitals, laboratories, medical centers, and payments made under health, sickness, or accident insurance plans equal to, or in excess of \$600.00 for medical or healthcare expenses are to be reported on the **Form 1099-MISC**. However, do not report payments made to tax exempt or government owned hospitals (such as UVA Hospital), and do not report payments made under a health reimbursement or flexible benefit arrangement defined in IRC Section 106C (2).

Medical and healthcare expenses are defined as drugs, injections, and other medical services provided by a physician, dentist, medical supplier, proprietary hospital, or medical center. List the legal name of the business providing the service as the recipient rather than the individual performing the service. Report medical expenses and payments using the EIN for the business.

Payments to Veterinary Clinics and Animal Shelters that are incorporated are included in this reporting requirement. Additionally, if the Veterinarian is a sole proprietor, the services provided are subject to reporting on a **Form 1099-MISC**.

Military Pay Differential W-2 Reportable

Military differential wage payments made to employees while they are on active duty in the Armed Forces are reported on a **Form W-2** and not on a **Form 1099-MISC**.

Exempt—Tax Status

Corporations, governmental agencies, nonprofit organizations, and entities that are tax exempt under § 501 (c) (3) of the IRC are not subject to IRS tax reporting.

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Materials and Services

Most vendors will separate the charges for goods and services on the vendor invoice. In the event the invoice does not separate the charges for goods and services, the vendor should be contacted to obtain the necessary information. **Services are 1099 reportable; supplies and materials are not.**

However, if the charges for goods and services are purchased from a reportable vendor and the vendor does not separate the charges, then the total amount of the invoice can be considered reportable. DOA recommends that the procurement personnel require vendors to submit an invoice, which identifies the charges for goods and services separately. If this requirement is specified up front with the vendor, then invoices improperly billed can be considered in dispute under the Prompt Payment Act. Whenever parts and materials are purchased from a service oriented vendor, charges such as labor and delivery are considered as 1099 reportable.

Jury and Witness Payments Reportable

Jury and witness per diems or other fees constitute “other income” and are subject to reporting on a **Form 1099-MISC** if more than \$600 is paid in the calendar year. Travel expenses for jurors and witnesses are not subject to reporting if an adequate accounting for such expenses is made within a reasonable time and date in which they were incurred.

Criminal Rewards and Fees not Reportable

Rewards and fees paid to individuals, who provide information concerning criminal activity, are **not reportable** when paid by a governmental entity.

Unemployment Compensation

Payments for individual unemployment compensation under State unemployment compensation laws must be reported on **Form 1099-G, Certain Government Payments**, for the calendar year period. Payments under \$10 need not be reported.

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Statewide Compliance Issues and References, Continued

Income Tax Refunds

State authorities who impose a tax on income must report refunds, offsets, and credits made to taxpayers on the **Form 1099-G**, *Certain Government Payments*. Taxable income is defined as earned wages, interest, dividends, capital gains, and business profits. If the tax refund, offset, or credit applies to more than one tax year, then an Information Return must be filed for the amount refunded, offset, or credited for each year involved.

Taxable Grant Payments

Report amounts of taxable grants of \$600 or more on the **Form 1099-G**. A Federal grant is normally considered taxable unless stated otherwise in the authorizing legislation. **All types of corporations receiving taxable grants**, not just medical and legal corporations, **are** considered by the IRS to be **1099-G reportable**.

Grants made by State agencies to subsidize energy financing projects to conserve or produce energy for residential property or "Section 38" property should be reported on a **Form 1099-G**. The purpose of this reporting is to ensure taxpayers claiming credit on the personal income tax returns for energy and reforestation payments did indeed receive such payments from a State agency. All payments for energy related grants should be reported regardless of the amount.

Foreclosures and Abandonments

The IRS rules regarding the acquisition or abandonment of secured property are covered in the instructions for the **Form 1099-A**, *Acquisition or Abandonment of Secured Property*.

Commissions Paid to Non-Employees Acting as Agents of the Commonwealth

Commissions of \$600 or more paid to non-employees acting, as agents of the Commonwealth, are reportable on a **Form 1099-MISC** as non-employee compensation. This includes commissions paid to licensing agents for the sale of game and fishing licenses and lottery ticket sales.

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Deceased Employee's Wages

Deceased Employee's Wages Paid to Estate or Beneficiary— Same Year As Death

Payments Made Within the Same Year of Employee's Death

Accrued wages, vacation pay, and other compensation paid to a deceased employee after the date of death, but within the same year that the employee died, are subject to Social Security and Medicare taxes and should be reported on the employee's **Form W-2**. Report the amount paid in box 3, Social Security Wages, and box 5, Medicare Wages and Tips. The associated taxes should be reported in boxes 4 and 6 respectively. Under no circumstances should the accrued wages of a deceased employee be reported in box 1 on Form W-2. Accrued wages must be reported in box 3 of a Form 1099-MISC that goes to the Estate of the deceased. A detailed and helpful example is shown in the **Instructions for Form 1099-MISC**.

Deceased Employee's Wages Paid to Estate or Beneficiary— After Year of Death

Payments Made After Year of Employee's Death

Accrued wages, vacation pay, and other compensation paid to a deceased employee after the date of death, but in a different year from which the employee died, are not subject to Social Security and Medicare taxes and should not be reported on a **Form W-2**. However, the employer would still file **Form 1099-MISC**.

Agencies should refer to IRS Instructions for **Form W-2** for additional information on reporting deceased employee wages.

Reporting Requirements for Payments Made to Estates and Beneficiaries

Payments of accrued wages, vacation pay, or other income made to estates and beneficiaries, regardless of whether the payment was made in the year of death or after the year of death, must be reported on a **Form 1099-MISC**. Report such payments in box 3, "Other Income." Enter the name and TIN of the payment recipient on Form 1099-MISC. If the recipient is an individual beneficiary, enter the SSN and legal name. For estate payments, enter the name and EIN of the estate. The general back-up withholding rules apply.

Payments of death benefits from deferred compensation plans are not reportable on the **Form 1099-MISC**, but instead are reportable on **Form 1099-R**, *Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*

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TIN Compliance and Backup Withholding

When is Backup Withholding Required?

The IRS requires payers under certain circumstances to backup withhold at a current rate of 28% (subject to change periodically by IRS) for vendor payments made for interest, rents, royalties, commissions, non-employee compensation, and certain other payments.

Backup withholding is required when:

- A vendor fails to provide an agency or institution with the Taxpayer Identification Number (TIN).
 - The IRS notifies the agency or institution that the TIN provided by the vendor is incorrect TIN on an IRS B Notice.
 - The vendor fails to certify, under penalties of perjury, that the TIN provided is correct.
 - The vendor fails to certify, under penalties of perjury, that they are not subject to backup withholding.
-

Backup Withholding General Instructions

The *General Instructions for Certain Information Returns (Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G)* and the *Instructions for the Requester of Form W-9* for the current tax year determine the types of payments that are subject to, or exempt from, backup withholding.

CP2100 – TIN/Name Unmatched Notices

The IRS issues CP2100 notices for all TIN/name combinations for which the IRS or SSA was unable to match to the internal databases. Commonly, the mismatch occurs because information returns are filed with missing or incorrect TIN's. Agencies receiving notices should contact the vendor and obtain a current W-9 to ensure that the vendor TIN is correct.

See **Pub. 1281**, *Backup Withholding on Missing and Incorrect Name/TINs*, and **Pub. 1586**, *Reasonable Cause Regulations and Requirements for Missing and Incorrect Name/TIN's*.

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TIN Compliance and Backup Withholding, Continued

- The IRS mails CP2100 notices to the agency’s “Address of Record” in September and October of each year following the previous tax year. A second set of notices are mailed in March of the following year. For most agencies, the “Address of Record” is the Payroll Department and not the invoice processing section. Therefore, it is recommended that you periodically check with the agency’s Payroll Department to ensure that the agency did not receive a CP2100 notice. Also, you may call 1-866-455-7438 to find out from the IRS if pending CP2100 notices are on file for the agency.
- A CP2100 notice does not require the agency to prepare a written response to the IRS. However, other appropriate actions such as a **Form W-9** solicitation or the processing of backup withholding taxes may be required.
- One of the most common errors resulting in a CP2100 notice is when an agency submits an information return for a sole proprietor and the business name is listed on line 1. For sole proprietor filings, the sole proprietor’s owner’s personal name (e.g.: Joseph P. Wurzelbacher), and not the business name (e.g.: not “Joe the Plumber’s Plumbing Company”), must be listed on line 1 of the form to avoid a TIN/name combination mismatch.

Agency Responses to IRS Backup Withholding Notices

First IRS "B Notice"

Within 15 days after receiving an IRS B-Notice (Backup Withholding Notice), an agency or institution should send the vendor a new Form W-9 to complete. A copy of the "B Notice" and the **Form W-9** should be sent to the vendor by first class mail, personal delivery, certified mail, or by any means assuring prompt delivery to the payee's last known address. Additionally, a pre-addressed, stamped envelope marked "**Important Tax Document Enclosed**" should accompany the "B Notice."

The vendor has **30 business** days to respond to the "B-Notice" before backup withholding commences. During this 30 business day period, payments to the vendor should be suspended. Invoices subject to the Prompt Payment Statutes may be legitimately delayed and considered in dispute. If the vendor fails to provide the required information, begin backup withholding on the 31st business day. Withholding should continue until the vendor provides the agency or institution with the correct TIN on a **Form W-9**.

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TIN Compliance and Backup Withholding, Continued

2-in-3 "B Notice" Rule

Second IRS "B Notice"

Agencies and institutions are required to monitor and track IRS "B Notices" for purposes of the IRS "2-in-3 Rule." Under this rule, records must be maintained to determine if two notices were received for the same TIN and vendor name within a three calendar year period. When this occurs, agencies and institutions are required to send a second notice to the vendor. Under these circumstances, the agency or institution **must continue to backup withhold** on all payments to the vendor until the IRS or SSA notifies the agency with a 147C letter or SSA Form 7028. Other documents such as a **Form W-9** are **not sufficient** to suspend withholding once a second "B Notice is received.

How to Process Backup Withholding Tax Payments

DOA recommends that vendor payments that are subject to backup withholding taxes should be processed in two transactions that will result in the vendor being paid the gross amount minus the withholding tax.

Step	Action
1	<p>Process two transactions to pay the vendor.</p> <ul style="list-style-type: none"> The gross amount due the vendor, and Backup withholding taxes. <p>Refer to CAPP Topic No. 20319, <i>Electronic Federal Tax Payments Processing</i>, for processing instructions. In the example in the CAPP Topic No. 20319, the vendor is paid \$216 (the gross amount of \$300 minus the 28% withholding tax of \$84).</p>
2	<p>Process transaction to a federal depository institution for the amount of backup withholding taxes. Refer to CAPP Topic No. 20319, <i>Electronic Federal Tax Payment Processing</i> for processing instructions.</p>

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TIN Compliance and Backup Withholding, Continued

Tax Reporting Requirements for Backup Withholding Taxes: Forms 945 and 1099

In order to properly record an agency's backup withholding tax liability, **Form 945, Annual Return of Withheld Federal Income Tax**, must be filed with the IRS at calendar year-end. Compliance procedures for processing **Form 945, Annual Report of Withheld Federal Taxes**, are in CAPP Topic No. 20319, *Electronic Federal Tax Payment Processing*.

Typically, vendor payments subject to backup withholding must be reported on a **Form 1099-MISC** with the gross amount of the payment reported in Box 7 (Nonemployee compensation) and the withholding tax reported in Box 4 (Federal income tax withheld). However, depending on the type of service paid for, the gross amount could be reported on a different **Form 1099** and/or in a different payment box. See also Part N of the 2014 *General Instructions for Certain Information Returns (Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G)*, and the instructions for completing Box 4 of the **Form 1099-MISC**.

IRS Penalties for Missing or Incorrect TINs

For information returns filed with a missing or incorrect TIN, a \$100 penalty may be assessed. This penalty may be reduced to \$30 if a correction is filed within 30 days of the required filing date and to \$60 if a correction is made by August 1.

IRS Penalty notices are automatically generated with the CP 2100 notice and mailed to the agencies in December. Agencies have 45 days to respond to this notice by either paying the penalty assessment or writing to the IRS to request a waiver.

Agencies that have performed due diligence or can prove reasonable cause for erroneously filing information returns with missing or incorrect TINs, should submit a letter to the IRS requesting a penalty waiver. In most cases, a waiver will be granted.

Agencies should review **Pub.1281, Backup Withholdings on Missing and Incorrect TINs**, and **Pub. 1586, Reasonable Cause Regulations and Requirements for Missing and Incorrect Name/TINS**, prior to requesting a penalty waiver.

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Other States Reporting Requirements

Other States Reporting Requirements

A number of states, as well as the District of Columbia, require Information Returns reporting for various types of non-payroll compensation and other miscellaneous income.

While the filing requirements and dollar reporting thresholds may vary; the requirement to file a state return is generally contingent on the reporting requirements of the state in which the 1099 recipient resides.

Each state's filing requirements are subject to change.

EXAMPLE:

A contractor residing in the District of Columbia performs services at George Mason University (GMU) in Fairfax, Virginia. The services were performed in Virginia which does not require an Information Returns filing. However, the contractor lives in the District of Columbia, which does require Information Returns filing. Under these circumstances, GMU should submit a copy of the information return to the District of Columbia, Department of Finance and Revenue, for the amount of income paid to the contractor (provided the amount was over the District of Columbia's dollar threshold for information returns reporting).

When the agency has reportable payments to out-of-state vendors, the agency is responsible for contacting the respective states to obtain the latest information reporting requirements, threshold criteria, and mailing address.

A listing of state websites is provided later in this topic under "State Taxing Agencies."

IRS Combined Federal/State Filing Program

Several States (including Virginia) and the IRS have authorized filers filing electronically to participate in the IRS Combined Federal/State Filing (CF/SF) Program whereby the IRS will forward State copies of information returns to other participating States. Agencies planning to participate in the CF/SF Program must comply with the conditions set forth in Section 10 of IRS **Pub. 1220**. Participating States are listed in IRS **Pub. 1220**. **This program is not available to paper filers.**

Virginia Filing Requirements

The Virginia Department of Taxation does NOT require filers of information returns (*including the Forms 1099 and the Form W-2G*) to file the State copy unless Virginia withholding taxes are reported.

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Other States Reporting Requirements, Continued

**ARS Agencies
Receive 1099
Report of
Payments by
State**

Agencies participating in ARS should refer to the annual **ACTB3040 Report, Vendor Payments Subject to the Information Returns Reporting by State** (distributed mid-January), when preparing the State information returns. This report summarizes all reportable payments for the tax year by vendor ID, Form type, and by State abbreviation.

**State Taxation
Agencies**

The chart shown on the following page provides a listing of the taxation agency websites for each state and the District of Columbia.

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State Taxation Agencies ^{1/}

State	State Name	Name	Website
AL	Alabama	Dept. of Revenue	www.alabama.gov
AK	Alaska	Dept. of Revenue	www.alaska.gov
AZ	Arizona	Dept. of Revenue	www.az.gov
AR	Arkansas	Dept. of Finance.	http://portal.arkansas.gov
CA	California	Dept. of Finance	www.ca.gov
CO	Colorado	Dept. of Revenue	www.colorado.gov
CT	Connecticut	Dept. of Revenue Services	www.ct.gov
DE	Delaware	Division of Revenue	www.delaware.gov
DC	District of Columbia	Office of Tax & Revenue	www.dc.gov
FL	Florida	Dept. of Revenue	www.myflorida.com
GA	Georgia	Dept. of Revenue	www.georgia.gov
HI	Hawaii	Dept. of Taxation	www.ehawaii.gov
ID	Idaho	State Tax Commission	www.idaho.gov
IL	Illinois	Dept. of Revenue	www.illinois.gov
IN	Indiana	Dept. of Revenue	www.in.gov
IA	Iowa	Iowa Dept. of Revenue	www.iowa.gov
KS	Kansas	Dept. of Revenue	www.kansas.gov
KY	Kentucky	Dept of Revenue	www.kentucky.gov
LA	Louisiana	Dept. of Revenue	www.louisiana.gov
ME	Maine	Revenue Services	www.maine.gov
MD	Maryland	Comptroller of Maryland, Office of the Comptroller	www.maryland.gov
MA	Massachusetts	Dept. of Revenue	www.mass.gov
MI	Michigan	Dept. of Treasury	www.michigan.gov
MN	Minnesota	Dept. of Revenue	www.state.mn.us
MS	Mississippi	State Tax Commission/Dept. of Revenue	www.ms.gov
MO	Missouri	Dept. of Revenue	www.mo.gov
MT	Montana	Dept. of Revenue	www.mt.gov
NE	Nebraska	Dept. of Revenue	www.ne.gov
NV	Nevada	Dept. of Taxation	www.nv.gov
NH	New Hampshire	Dept. of Revenue Admin.	www.nh.gov
NJ	New Jersey	Dept. of Treasury/Div. of Taxation	www.nj.gov
NM	New Mexico	Dept. of Taxation and Revenue	www.newmexico.gov
NY	New York	Dept. of Taxation and Finance	www.ny.gov
NC	North Carolina	Dept. of Revenue	www.nc.gov
ND	North Dakota	State Tax Commissioner.	www.nd.gov
OH	Ohio	Dept. of Taxation	www.ohio.gov
OK	Oklahoma	Tax Commission	www.ok.gov
OR	Oregon	Dept. of Revenue	www.oregon.gov
PA	Pennsylvania	Dept. of Revenue	www.pa.gov
RI	Rhode Island	Dept. of Revenue, Division of Taxation	www.ri.gov
SC	South Carolina	Dept. of Revenue	www.sc.gov
SD	South Dakota	Dept. of Revenue	www.sd.gov
TN	Tennessee	Dept. of Revenue	www.tn.gov
TX	Texas	Comptroller of Public Accounts	www.texas.gov
UT	Utah	State Tax Commission	www.utah.gov
VT	Vermont	Dept. of Taxes	www.vt.gov
VA	Virginia	Dept. of Taxation	www.virginia.gov
WA	Washington	Dept. of Revenue	http://access.wa.gov
WV	West Virginia	State Tax Department	www.wv.gov
WI	Wisconsin	Dept. of Revenue	www.wisconsin.gov
WY	Wyoming	Department of Revenue	www.wyoming.gov

1/ Subject to annual update.

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Correcting 1099 Returns

Correcting or Replacing Electronic Information Returns

Corrections: *A correction is an information return submitted by the transmitter to correct an information return that was previously submitted to and processed by IRS/IRB, but contained erroneous information.* For guidance in making corrections to electronic returns, see Part A, Section 8 of **Pub. 1220**. Corrections should only be made to records that have been submitted incorrectly, not the entire file. *If the agency does not file corrections, and cannot obtain an exception, the penalty is \$100 per information return.* Electronic filing is required for 250 or more corrected 1099 returns per type of return.

Replacements: A replacement is an information return file sent by the filer because the CHECK FILE STATUS option on the **FIRE** System indicated the file was bad. *After the necessary changes have been made the file must be retransmitted through the FIRE System.*

Common Electronic Filing Problems

Common problems and non-format errors in filing electronic returns are discussed in Part B, Section 8 of **Pub. 1220**.

Correcting Paper Returns

Guidance for correcting paper returns is provided in Section H of the *General Instructions for Certain Information Returns (Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G)*.

Records Retention

1099 Record Retention Period

Agencies are required to keep copies of Information Returns and supporting documentation for at least 3 years from the due date of filing the returns with the IRS, and at least 4 years if backup withholding was imposed.

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Contacts

Internal Revenue Service Contacts

IRS Office of Federal, State and Local Governments (FSLG) at (703) 462-5971 or (859) 244-2449.

- IRS Information Returns Branch (IRS/IRB)
(Formerly called the IRS Martinsburg Computing Center (IRS/MCC))
Hours: 8:30 a.m. to 4:30 p.m. (Monday through Friday Eastern time)
Toll free Number: **1-866- 455-7438**
Direct Number (not toll free): **1-304-263-8700**
E-mail to mccirp@irs.gov. Please do not include SSN's or EIN's on e-mails since this is not a secure line. Allow 10 days to receive a response by E-mail.
FAX for Applications & Waiver Requests: **1-877-477-0572**
Telecommunications Device for the Deaf (TDD): **1-304-579-4827**
- Call (267) 941-1000 for questions relating to the **Form 1042-S, Foreign Person's U. S. Source Income Subject to Withholding.**
- The IRS encourages payers with Internet access to browse the IRS home page for timely filing information and to download publications and forms. The IRS Internet address is www.irs.gov.
- **Caution:** Because the IRS processes paper forms by machines with special optical character recognition equipment, you cannot file with the IRS; the **IRS Form 1096 or Copy A of Forms 1098, 1099, or 5498 that you print from the IRS Web Site or the CD-ROM.**
- For forms and publications, call 1-800-TAX-FORM (**1-800-829-3676**).

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Contacts, Continued

DOA Contacts **Database Administration** should be contacted at dba@doa.virginia.gov for Financial Information Downloading System (FINDS) information and assistance.

Payroll-related questions should be addressed to the Director of Payroll Operations by e-mail at payroll@doa.virginia.gov.

All other questions should be addressed to the 1099 Coordinator at (804) 225-3804 or by e-mail to 1099@doa.virginia.gov.

For the latest 1099 changes, access the DOA website at: <http://www.doa.virginia.gov>.

--Click the *Accounting and Reporting* button then select the *Financial Reporting* button and then

--Click the *IRS Information Returns -1099 Reporting* link on the right hand side of the webpage.

Subject Cross References

Cross References

DOA References

CAPP Topic No. 20319, *Electronic Federal Tax Payment Processing*

CAPP Topic No. 20355, *Purchase Charge Card*

CAPP Topic No. 70805, *1099 Adjustment and Reporting System (ARS)*

IRS References

General Instructions for Certain Information Returns (Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G).

Publication 1220, *Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 8935, 5498, 8935 and W-2G.*

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Attachment A—1099 Potentially Reportable Object Codes

Codes The following table presents 1099 Potentially Reportable Object Codes.

POTENTIALLY REPORTABLE OBJECT CODES FOR USE WITH DOA'S ADJUSTMENT AND REPORTING SYSTEM (ARS) THAT SUPPORTS ONLY FORMS 1099 A, G, AND MISC.			
The following have been identified as potentially 1099 reportable object codes. However, the decision to code a payment as reportable must be based on the specific reporting requirements for the commodity or service and the vendor type.			
CODE	OBJECT CODE TITLE	RESTRICTIONS FOR 1099 REPORTING	TYPE OF 1099 (Box Number)
1134	Specified per Diem Payments		1099-MISC (07)
1135	Wages & Allowance		1099-MISC (07)
1136	Work Programs		1099-G (06)
1139	Special Payments for Academic Services		1099-MISC (07)
1205	Seat Management Services	Services Portion only	1099-MISC (07)
1211	Express Services		1099-MISC (07)
1212	Outbound Freight		1099-MISC (07)
1213	Messenger Services		1099-MISC (07)
1214	Postal Services		1099-MISC (07)
1215	Printing Services		1099-MISC (07)
1217	Telecommunications Services (Non-State)		1099-MISC (07)
1219	Inbound Freight Services		1099-MISC (07)
1224	Employee Training Courses, Workshops, and Conferences	Reportable vendors only	1099-MISC (07)
1226	Employee Training Consulting Services		1099-MISC (07)
1228	Employee Information Technology Training Courses	Reportable vendors only	1099-MISC (07)
1231	Clinic Services		1099-MISC (06)
1232	Dental Services		1099-MISC (06)
1233	Hospital Services		1099-MISC (06)
1234	Medical Services		1099-MISC (06)
1235	Nursing Home Services		1099-MISC (06)
1236	X-Ray & Laboratory Services		1099-MISC (06)
1238	Other Medical Services	DPB must authorize use of this code.	1099-MISC (06)
1241	Auditing Services		1099-MISC (07)
1242	Fiscal Services	Not for Incorporated Banks	1099-MISC (07)
1243	Attorney Services		1099-MISC (07)
1244	Management Services		1099-MISC (07)
1245	Personnel Management Services		1099-MISC (07)
1246	Public Info. & Pub. Rel. Services		1099-MISC (07)
1247	Legal Services	Does not include attorney's fees. Attorney's fees are reported in Object Code 1243.	1099-MISC (07)
1248	Media Services		1099-MISC (07)
1249	Recruitment Advertising		1099-MISC (07)
1251	Custodial Services		1099-MISC (07)
1252	Elect. Rep. & Maint. Services		1099-MISC (07)
1253	Equip. Repair & Maint. Services		1099-MISC (07)
1254	Exterminator-Vector Control Services		1099-MISC (07)

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CODE	OBJECT CODE TITLE	RESTRICTIONS FOR 1099 REPORTING	TYPE OF 1099 (Box Number)
1255	Highway Repair & Maint. Services		1099-MISC (07)
1256	Mechanical Rep. & Maint. Services		1099-MISC (07)
1257	Plant Repair & Maint. Services		1099-MISC (07)
1258	Reclamation Services		1099-G (06)
1259	Vehicle Rep. & Maint. Services		1099-MISC (07)
1261	Architectural & Eng. Services		1099-MISC (07)
1262	Aviation Services		1099-MISC (07)
1263	Clerical Services		1099-MISC (07)
1264	Food & Dietary Services		1099-MISC (07)
1265	Laundry & Linen Services		1099-MISC (07)
1266	Manual Labor Services		1099-MISC (07)
1267	Production Services		1099-MISC (07)
1268	Skilled Services		1099-MISC (07)
1273	Information Management Design Dev Services (State, other than VITA, & vendors)	For reportable vendors only	1099-MISC (07)
1274	Computer Hardware Maintenance Services	For Reportable vendors only	1099-MISC (07)
1275	Computer Software Maintenance Services	For Reportable vendors only	1099-MISC (07)
1277	Computer operating Services (non-state)	For Reportable vendors only	1099-MISC (07)
1279	Computer Software Development Services	For Services only, like tailor-made software	1099-MISC (07)
1281	Moving & Relocation Services	Exclude state employee reimbursements	1099-MISC (07)
1282	Travel, Personal Vehicle	Exclude state employee reimbursements	1099-MISC (07)
1283	Travel, Public Carriers	Exclude state employee reimbursements	1099-MISC (07)
1285	Travel, Subsistence & Lodging	Exclude state employee reimbursements	1099-MISC (07)
1286	Travel, Supplements & Aid	Exclude state employee reimbursements	1099-MISC (07)
1297	Late Pmt Penalties for Contractual Services	For pmts that are 1099-Reportable	1099-MISC (07)
1397	Late Pmt Penalties for Suppl. & Mat'ls	For pmts that are 1099-Reportable	1099-MISC (07)
1411	Individual Claims & Settlements	Not reportable for criminal info. Comp.	1099-MISC (03)
1413	Premiums		1099-MISC (07)
1414	Unemployment Comp. Awards	Only pmts to individuals (e.g. paid by VEC)	1099-G (01)
1416	Payments on Behalf of Individuals	For pmts that are 1099-Reportable	1099-MISC (07)
1417	Income Assistance Programs		1099-MISC (07)
1418	Incentives		1099-MISC (03)
1423	Tuition and Training Aids	Reportable vendors only	1099-MISC (07)
1442	Payments to Individuals on behalf of local gov't.	Taxable Grants only	1099-G (06)
1452	Grants to Non Gov. Org.	For taxable grants to reportable recipients	1099-G (06)
1456	Disaster Recovery Grants to Non Gov. Org.	For taxable grants to reportable recipients	1099-G (06)
1465	Consulting Cost/Local Programs		1099-MISC (07)
1521	Computer Peripheral Capital Leases	Excluding maint Services-report in Box 7	1099-MISC (01)
1522	Comp. Central Processor Cap Leases	Excluding maint Services-report in Box 7	1099-MISC (01)
1523	Computer Software Capital Leases		1099-MISC (01)
1524	Equipment Capital Leases	Excluding maint Services-report in Box 7	1099-MISC (01)

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Attachment A- 1099 Potentially Reportable Object Codes, Continued

CODE	OBJECT CODE TITLE	RESTRICTIONS FOR 1099 REPORTING	TYPE OF 1099 (Box Number)
1525	Building Capital Leases	Only pmts for office rent	1099-MISC (01)
1526	Land Capital Leases		1099-MISC (01)
1527	Land & Building Capital Leases	Only pmts for office rent	1099-MISC (01)
1531	Computer Rentals (not mainframe)	Excluding maint Services-report in Box 7	1099-MISC (01)
1532	Computer Processor Rentals	Excluding maint Services-report in Box 7	1099-MISC (01)
1533	Computer Software Rentals		1099-MISC (01)
1534	Equipment Rentals	Excluding maint Services-report in Box 7	1099-MISC (01)
1535	Building Rentals	Office rent. Parking deck space rentals	1099-MISC (01)
1536	Land Rentals	Includes parking area rentals on land	1099-MISC (01)
1537	Land & Building Rentals	Only pmts for office rent	1099-MISC (01)
1542	Electrical Service Charges		1099-MISC (07)
1543	Refuse Service Charges		1099-MISC (07)
1544	Water & Sewer Service Charges		1099-MISC (07)
1547	Private Vendor Service Charges	Includes expenditures to vendors for eVA service charges	1099-MISC (07)
1597	Late Pmt. Penalties for Cont. Charges	For pmts that are 1099-Reportable	1099-MISC (07)
2111	Acquisition, Property	Only acquisitions of secured property	1099-A (04)
2112	Acquisition, Rights of Way	Only acquisition of secured property	1099-A (04)
2113	Acquisition, Waterways & Improvements	Only acquisition of secured property	1099-A (04)
2131	Site Improvements	Exclude pmts totally for materials	1099-MISC (07)
2132	Site Preparation	Exclude pmts totally for materials	1099-MISC (07)
2197	Late Pmt Penalties for Prop. & Improvements	For pmts that are 1099-Reportable	1099-MISC (07)
2228	Educational & Cultural Equip. Improvements	Exclude pmts totally for materials	1099-MISC (07)
2238	Electronic & Photo. Equip. Improvements	Exclude pmts totally for materials	1099-MISC (07)
2248	Medical & Laboratory Equip. Improvements	Exclude pmts totally for materials	1099-MISC (07)
2258	Motorized Equip. Improvements	Exclude pmts totally for materials	1099-MISC (07)
2268	Office Equip. Improvements	Exclude pmts totally for materials	1099-MISC (07)
2278	Specific Use Equip. Improvements	Exclude pmts totally for materials	1099-MISC (07)
2288	Stationary Equip. Improvements	Exclude pmts totally for materials	1099-MISC (07)
2297	Late Pmt. Penalties for Equip.	For pmts that are 1099-Reportable	1099-MISC (07)
2311	Acquisition, Bridges	Only acquisitions of secured property	1099-A (04)
2312	Acquisition, Buildings	Only acquisitions of secured property	1099-A (04)
2313	Acquisition, Highways	Only acquisitions of secured property	1099-A (04)
2314	Acquisition, Water Ports	Only acquisitions of secured property	1099-A (04)
2321	Construction, Bridges	Exclude pmts totally for materials	1099-MISC (07)
2322	Construction, Buildings	Exclude pmts totally for materials	1099-MISC (07)
2323	Construction, Highways	Exclude pmts totally for materials	1099-MISC (07)
2324	Construction, Water Ports	Exclude pmts totally for materials	1099-MISC (07)
2327	Construction, Bridges, Highways Improvements	Exclude pmts totally for materials	1099-MISC (07)
2328	Construction, Buildings Improvements	Exclude pmts totally for materials	1099-MISC (07)
2397	Late Pmt. Penalties for Plant & Improvement	For pmts that are 1099-Reportable	1099-MISC (07)
3111	Bond Issuance Expenditures		1099-MISC (07)
3112	Bond Issuance Fees		1099-MISC (07)