

What's New for Calendar/Tax Years 2010, 2011 and 2012

A brief description of selected known and/or anticipated "What's New" items for Calendar/Tax Years 2010, 2011 and 2012 is shown below. DOA will provide additional guidance as new information becomes available. This is a partial listing only; readers should review the "What's New" Section of the *General Instructions for Certain Information Returns (Forms 1098, 1099, 3921, 3922, 5498, and W-2G)* and the related form-specific instructions available at www.irs.gov. In addition, the IRS publishes annual programming changes in **IRS Publication 1220 (Pub 1220)**, *Specifications for Filing Forms 1098, 1099, 3921, 3922, 5498, 8935, and W-2G Electronically*.

What's New for Calendar/Tax Year 2010 for Information Returns Required to be Filed on or after January 1, 2011

- **New title for the General Instructions.** The title of the General Instructions changed to *General Instructions for Certain Information Returns (Forms 1098, 1099, 3921, 3922, 5498, and W-2G)*.
- **Form 1099-G, Certain Government Payments.** The IRS added new boxes 10a, 10b, and 11 for identifying the state income tax withheld on unemployment compensation.
- **Increased Penalties.** Penalties for filing incorrect information returns have increased across the board. For example, the penalty for filing an incorrect information return has increased from \$50 to \$100 per incorrect return, and the penalty for intentional disregard of the filing requirements has increased from \$100 to \$250 per required return. As in prior years, the IRS may waive penalties for reasonable cause or reduce penalties if the filer corrects errors timely.
- **New Mailing Address for IRS.** Per Part A, Section 3, of Pub. 1220, the IRS has changed its mailing address from IRS – Enterprise Computing Center – Martinsburg (IRS/ECC-MTB) to IRS Information Returns Branch (IRS/IRB), and added Mail Stop number 4360 as follows.

(1) For General Inquiries

*Internal Revenue Service
Information Returns Branch
230 Murall Drive, Mail Stop 4360
Kearneysville, WV 25430*

(2) For Extension of Time Requests

*Internal Revenue Service
Information Returns Branch
Attn: Extension of Time Coordinator
240 Murall Drive, Mail Stop 4360
Kearneysville, WV 25430*

What's New for Calendar/Tax Year 2011 for Information Returns
Required to be Filed on or after January 1, 2012

- Beginning on January 1, 2011, for Calendar Year 2011 tax filing, banks and other Purchase Card Settlement Organizations will be the responsible for filing information returns on purchase card (P Card) payments with the IRS and vendor payees whenever the total amount of the purchase card payments to the vendor for services is at least \$600. State agencies and institutions will continue to be responsible for filing information returns to vendors and the IRS for non-P Card payments for services of at least \$600 for services.

It is uncertain at this time if the calculation of the \$600 reporting threshold for information returns filed by state agencies and institutions requires the aggregation of P Card and non-P Card payments. The IRS has been contacted to obtain clarification, and DOA will provide additional communication(s) to address future 1099 reporting periods whenever new information becomes available.

What's New for Calendar/Tax Year 2012 for Information Returns
Required to be Filed on or after January 1, 2013

- Effective January 1, 2012, the Patient Protection and Affordable Care Act (PPACA) of 2010 expands the scope of the information returns reporting requirements to include payments to all corporations for total payments of at least \$600 annually. Previously most corporations except for medical and legal corporations were exempt from information returns reporting. The PPACA also requires information return reporting for total payments of at least \$600 annually for both services and *property* (including goods and materials), with the exception of real estate property that is reported on the **Form 1099-S** for Calendar Year/Tax Year 2012. Previously, only payments for services were required to be reported.
- Effective January 1, 2012, the Tax Increase and Prevention and Reconciliation Act (TIPRA) of 2005 requires government entities to withhold a 3% tax on all **Form 1099-MISC** reportable payments of \$10,000 or more per payment for both services and *property* (including goods and materials) with the exception of real estate property that is reported on the **Form 1099-S** and not subject to the 3% tax. Backup withholding for missing and incorrect TIN's will continue at a rate in effect at that time (the IRS periodically changes the rate, and agencies should be familiar with the applicable instruction document). Additionally, DOA will communicate rate changes to the agencies as they are published. While the final federal regulations are still under development, the IRS has stated that P Card purchases are exempt from the 3% withholding for calendar year 2012. **These changes will significantly increase the number of 1099 information returns filed by state agencies and institutions.**

Note: DOA is in the process of executing systemic modifications to CARS to both withhold and transmit the 3% withholdings to the IRS. Accordingly, no changes will be required by agencies using CARS to process vendor payments. Agencies processing vendor payments using internal systems are responsible for implementing processes to appropriately withhold and submit the 3% withholding amounts to the IRS.