Tax Year 2016 1099-MISC Instructions to Agencies

The purpose of this information is to provide business units/agencies supported by the statewide TeamWorks Financials system with instructions and important dates associated with the 1099-MISC reporting process for the current calendar year. Please make sure this information is conveyed to relevant staff in your agency/business unit. Click here to access SAO's 1099 Processing web page.

Please note that this information exclusively addresses procedures related to 1099-MISC reporting. If business units/agencies file other types of 1099 forms with the IRS, the applicable requirements should be followed in those situations as well.

The main topics covered in the Year-End 1099-MISC Instructions to Agencies are:

- IRS Requirements of the 1099-MISC form
- Procedures for Submitting 1099-MISC
- Year-End 1099-MISC Vendor Verification Guidelines
- Year-End 1099-MISC Processing Schedule
- Year-End 1099-MISC Process Job Aids

IRS Requirements for 1099-MISC form

The Internal Revenue Service (IRS) requires that the 1099-MISC form be filed when:

- At least $10 in royalties or broker payments in lieu of dividends or tax-exempt interest
- At least $600 in rents, services (including parts and materials), prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish, or, generally, the cash paid from a notional principal contract to an individual, partnership, or estate;
- Any fishing boat proceeds; or
- Gross proceeds of $600 or more paid to an attorney

For **IRS 1099-MISC Reporting Requirements,** click here.

Procedures for Submitting 1099-MISC

The State Accounting Office (SAO) is responsible for compiling and printing 1099-MISC information on behalf of the state agencies. SAO must transmit the electronic 1099-MISC form file to the IRS by **March 15** (following the calendar year for which earnings are being reported). Each agency is responsible for mailing the 1099-MISC forms so that their recipients receive the 1099-MISC form no later than **January 31** (following the calendar year for which earnings are being reported).

State agencies must ensure that corrections are included on the final file that is used for printing and mailing. **Incorrect information on any 1099-MISC form can result in the State being penalized by the IRS.**

In order to ensure the most accurate information is distributed to the 1099-MISC recipients, review guidelines are provided in the following section of this communication along with a schedule reflecting when these procedures should be performed. State agencies must review, verify, and make adjustments to all vendor information by **January 6, 2017**.

Year-End 1099-MISC Vendor Verification Guidelines

The end-of-year activities to be performed by the agencies for 1099-MISC reporting consist primarily of reviewing 1099-MISC payments for accuracy and completeness, and to ensure that the applicable 1099 vendors are properly identified in the system. A brief description of the primary reports used in the verification process follows:

- **1099 Summary Report (APXXX0412, where XXX = Business Unit)** - This report provides a list of the vendors by vendor name and the 1099 codes/amounts from the 1099 Ledger. In TeamWorks, the 1099 Ledger balances on a daily basis for each Business Unit. Vendor balances displayed within this report include 1099 adjustments entered on the Adjust Withholding page (real-time update) or the Update Voucher Line Withholding page (updated during batch).
- **1099 Detail Report (APXXX0413, where XXX = Business Unit)** - This report provides a detailed list of vouchers by vendor name that are 1099 eligible. TeamWorks maintains this detailed information throughout the year. 1099 adjustments entered on the Adjust Withholding page are not displayed on this report, but may be viewed by running query 0AP001_1099_ADJUST.

Helpful tips for Balancing:

Agencies must identify all 1099 applicable vendors for the calendar year.

Payment History by Vendor Report (APXXX042) is useful in verifying vendors and vendor balances.

1099 balances printed on the 1099 Misc Form are the same as the balances printed on the 1099 Summary Report; therefore it is imperative that all the information reported for each vendor (name, address, tax ID number, 1099 Code, amount) are correct and all 1099 applicable vendors are listed on the report.

1099 adjustments entered on the Adjust Withholding page are not displayed on the 1099 Detail report, but may be viewed by running 0AP001_1099_ADJUST query. When balancing the 1099 Detail report against the 1099 Summary report the difference should be equal to the adjustments made through the Adjust Withhold Page.

Once a 1099 Adjustment has been posted, the amount will be reflected on the 1099 Vendor Balance by Class Inquiry. (Navigation: ***Vendors → 1099/Global Withholding → Review → Vendor Balance by Class***) The balance on the Balance Inquiry page should be the same as the 1099 Summary Report.

Year-End 1099-MISC Processing Schedule

Please review the Year-End 1099-MISC Processing Schedule for a list of all key activities and their related deadlines.

For the **1099-MISC Processing Schedule,** click **here.**

Year End 1099-MISC Process Job Aids

Various review steps and related job aids are provided below for your convenience.

1099 Voucher

During vendor set-up, vendors (if appropriate) should be designated as 1099 eligible. As a result, all lines on a voucher payable to that vendor will be marked as 1099 eligible. The 1099 transactions are based on amounts **paid** from vouchers that have voucher lines marked as 1099 eligible. A voucher line previously selected as 1099 eligible can be deselected as needed prior to a payment posting to the voucher.

- For the job aid for **Creating a 1099 Voucher,** click **here.**
- For the job aid for **Deselecting Voucher Lines,** click **here.**

1099-MISC Adjustments

To ensure that all 1099-MISC eligible payments are captured within the appropriate calendar year, the Withhold Date on the Payment Selection Criteria (Pay Cycle) page **must fall within the applicable calendar year**. The Withhold Date (usually the payment date) defaults to the current date, and should be updated as needed to

reflect the appropriate withholding period. The Withhold Date determines the reporting period in which a withholding amount is reported for a vendor (e.g., January 1 to December 31, 2016 for the 2016 calendar year).

Once the 1099 balance is posted for a voucher, any changes to the balance must be entered via the Adjust Withholding page or the Voucher Line Withholding page.

A 1099-MISC form may be issued for a vendor/payee who received a payment that was not originally issued from the TeamWorks Financial system (e.g., for payment to a death beneficiary who had not been identified as a 1099 payee, or 1099 vendor payments during the calendar year that originated in another financial system but were converted to TeamWorks Financial during the reporting period). As mentioned above, a payee must be set up as a 1099 vendor in TeamWorks Financials before payments can be captured for 1099-MISC reporting.

- For the job aid for **1099 Adjustments,** click **here.**

1099 Balance Inquiries

Balance inquiries for 1099 vendors are available in TeamWorks, and should be used for reconciliation of vendor balances.

- For the job aid for **1099 Balance Inquiries,** click **here.**

QUESTIONS: SAO Customer Service Center - Financials
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