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GOVERNOR



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COMMISSIONER OF ADMINISTRATION

State of Louisiana
Division of Administration
Office of Statewide Reporting and Accounting Policy

December 8, 2014

MEMORANDUM OSRAP 15-08

TO: Fiscal Officers
All ISIS Agencies

FROM: John McLean, CPA
Interim Director

SUBJECT: 1099 Reporting for Calendar Year 2014

The following information and instructions are for the ISIS agencies that have payments to vendors who should receive a 1099-G or 1099-MISC generated by OSRAP. The "1099 type" in the 1099 Type column of the OBJ2 table in AFS indicates the return type for the object if the expenses charged to it are 1099 reportable under IRS standards for 1099 reporting. If all other criteria are met, object codes with Type A will generate Form 1099-Misc and Type G will generate Form 1099-G. OSRAP will file the 1099 information with the Internal Revenue Service (IRS) electronically.

All vendors subject to backup withholding will be issued a 1099. All other vendors who are "1099 reportable" and have been paid at least \$600 in calendar year 2014 from "1099 reportable objects" will be issued a 1099. "1099 reportable vendors" have the 1099 indicator set to "Y" on the AGPS VENC screen and the AFS VEN2 table. Each 1099 reportable vendor must have "master vendor" indicated in the vendor file. Payments to each vendor number under a FEIN/SSN are combined into one master vendor by agency type. The agency type is defined on the AGTP table in AFS and is listed on the AGCY table in AFS. One agency type may include a number of Agencies.

Attached to this email are the Adobe (.pdf) versions of two Business Objects reports sorted by agency type. The first report lists non-1099 vendors paid using 1099 reportable objects. The second report lists 1099 reportable vendors paid with non-1099 reportable objects. The expended amounts shown on the report represent the amount paid to each vendor by the agencies tied to your agency type as of DATE OF RPT. If your agency is not included in the reports, then your agency type did not have any payments that met the criteria of the reports. If you cannot access these reports or would prefer a hard copy of the reports be sent to you, please contact the OSRAP Help Desk at (225) 342-1097.

To ensure the 1099 information reported to the IRS is as complete as possible, please verify that the 1099 status of the vendors listed on the Non-1099 Reportable Vendors Paid With 1099 Reportable Objects report is correct. Also, using the 1099 Reportable Vendors Paid With Non-1099 Reportable Objects report, please verify that payments were coded to the correct expenditure object.

If a vendor listed in the Non-1099 Reportable Vendors Paid with 1099 Reportable Objects report **should be** 1099 reportable, submit a Payee Vendor Update form to change the vendor's 1099 indicator to "Y". This should be done even if your agency did not originally request the set up of the vendor in AFS. Please remember to attach supporting documentation for the change. Refer to the vendor change procedures, on the OSRAP website, Policy/Procedures, Chapter 17 – Vendors, if more information is needed. Be sure to change the primary indicator to "N", and the master vendor indicator to "Y" for the primary location of the FEIN/SSN. These changes **do not** have to be submitted to the Office of State Purchasing or the Office of Contractual Review.

If a 1099 reportable vendor was paid using a Non-1099 reportable object in error, process a J6 to correct the coding error. If the payment resulted from an open encumbrance transaction, correct the coding on the encumbrance using a SUB change type for AGPS and CFMS or modify the AFS transaction to ensure that future payments are coded correctly.

When the 1099 table creation process is run during the December monthly close (01/07/15), it looks at the vendor's 1099 indicator and the object code used on the payment voucher to determine if a payment will be reported. Therefore, even if the vendor's 1099 indicator was "N" when the payments were issued, all payments for that vendor record issued using 1099 reportable objects will create an AFS 1099 table entry as long as the indicator is changed to "Y" on or before 01/07/15. However, we cannot change the vendor's 1099 indicator to "N" after the 1099 table is created on 01/07/15.

General guidelines for vendor 1099-MISC status:

1. Any vendor who is subject to backup withholding **is** a 1099 reportable vendor.
2. Usually corporations **are not** 1099 reportable vendors. However, payments to the following types of corporations **are 1099** reportable:
 - attorneys, including a law firm or other provider of legal services,
 - fish purchases for cash,
 - medical or health care services, **unless** the payments are to tax-exempt hospital or extended care facility **or** to a hospital or extended care facility owned and operated by the United States (or its possessions), a state, the District of Columbia, or any of their political subdivisions, agencies, or instrumentalities.
3. Payments to a tax-exempt organization **are not** 1099 reportable.

4. Individuals or a combination of individuals paid for all types of rents, (land, buildings, equipment, etc) **are** 1099 reportable vendors. However, real estate agents paid rents **are not** 1099 reportable vendors.
5. Sole proprietorships providing services **are** 1099 reportable vendors.
6. Any individual or combination of individuals providing services **is** 1099 reportable.
7. Partnerships providing services **are** 1099 reportable vendors.
8. Estates or beneficiaries receiving a deceased employee's compensations **are** 1099 reportable vendors.
9. Independent contractors providing services **are** 1099 reportable vendors.
10. Federal, state, local government entities, and any of their political subdivisions, agencies or instrumentalities **are not** 1099 reportable.
11. Employees **are not** 1099 reportable vendors; the Office of State Uniform Payroll or the agency will instead issue a W-2 for compensation for services and certain travel allowances.
12. Students who are degree candidates who receive scholarships or fellowship grants specifically for or used for tuition, fees, books, supplies, and equipment required for courses **are not** 1099 reportable vendors.
13. Informants who receive an award, fee or reward for information **are not** 1099 reportable vendors.
14. Foster care providers who receive difficulty-of-care payments for 10 or fewer children under the age of 19 and five or fewer individuals 19 or older **are not** 1099 reportable vendors.
15. Non-employee entertainers and entertainment facilities **are** 1099 reportable.
16. Non-employee recipients of fees and/or travel reimbursements which the individuals **do not** account for to the payer **are** 1099 reportable vendors.

General guideline for vendor 1099-G status:

Any vendor who receives taxable grant payments, unemployment compensation, state and local income tax refunds, or agricultural payments.

NOTE: Object code 3652 has been established to report taxable grants. If additional objects are needed for other types of payments, contact the OSRAP Help Desk at (225) 342-1097.

The 1099 print process will be run the morning of 1/16/15. Changes to the vendor's 1099 indicator alone between 01/08/15 and 01/15/15 will not result in a 1099 being produced. Agencies will have to manually enter 1099 information on the AFS 1099/99TX tables in order for their 1099s' to be generated. The instructions for adjusting the AFS 1099/99TX table will be sent soon.

Payments made to 1099 reportable vendors using object code 3652 Miscellaneous Charges – Governmental Payments will generate a 1099-G with income in box 6 and any related backup withholding in box 4. **Do not** use this object code for any other purpose. If you need to report payments in any other box on Form 1099-G, contact the OSRAP Help Desk. If you have made payments using another object code that should be reported on Form 1099-G in box 6, you will need to correct them. This may be done by either journal vouchering those payments or manual entry to the 1099/99TX tables. Using a journal voucher, in addition to completing the other required fields, you will code the old object and this new object referencing 'V' and the vendor code in the code/vendor fields of each journal voucher line. This must be done before the 1099 table generation process is run on 01/07/15. To make corrections using the 1099/99TX tables, you will have to manually correct and/or add the entries for each return and income type between 01/08/15 and COB of 01/15/15. If you fail to do either of these methods correctly, your agency will be responsible for generating and reporting corrected 1099-G and/or 1099-MISC forms to the recipients and the IRS. Failure to properly report this information can result in large fines (i.e. – maximum penalty of \$500,000 per year for failure to report by due date and \$60 per return with no maximum for intentional disregard of filing and/or correcting information requirements).

Agencies issuing 1099 reportable payments through their own internal subsystems must report 1099 information themselves. If your agency has 250 or more information returns, **you must transmit** the returns electronically or use magnetic media. IRS publication 1220, Specifications for Filing Forms 1098, 1099, 5498, and W-2G Electronically (Rev. Proc. 11-2014) provides the necessary information for electronic or magnetic reporting. Copies of these instructions are available from the Internal Revenue Service at <http://www.irs.gov>.

If you have questions concerning 1099-MISC or 1099-G reporting, please contact the OSRAP Help Desk at (225) 342-1097. Remember, all OSRAP memorandums and forms may be accessed through our home page at <http://www.doa.louisiana.gov/osrap>.

JM: brt