WELCOME! THE PRESENTATION WILL BEGIN SHORTLY...

1. To change your speaker, microphone, or camera settings, select **More actions (...) > Device settings** in the control bar

   - Test your audio to ensure that it is working correctly

2. Use **Show conversation** to open the Meeting chat panel

   - You can use Meeting chat to ask questions or respond

3. Please mute your microphone (toggle the microphone button) when not speaking

OCTOBER 2023

1099 REPORTING VIRTUAL TRAINING

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Sundara Chan

Chris Soots

OFM
OFFICE OF FINANCIAL MANAGEMENT

AGENDA

Welcome Information/Attendance Check

What is 1099 Reporting Training?

What's New for 2023?

1099 Process and Demonstrations

1099 Reporting Considerations

More Information and Resources

WE ARE HAPPY YOU'RE HERE!

Breaks around the top of the hour

Chat feature and raising hands

In case we get disconnected…

Handouts contain usable hyperlinks

Training evaluations by email

ATTENDANCE CHECK

If the name that you registered under in the Learning Center isn't showing in the Participants list, please let us know that you're here.

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LEARNING OBJECTIVES

Understand OFM and the agencies' roles for 1099s

Understand the due dates and activities for this year's forms

Understand which expenditures go in which IRS fields

Understand the 1099 terminology

Understand the TIN matching process

Understand the need for proper data analysis

Understand the tools available for 1099 reporting:

- ER Web Intelligence – data download application
- Account Ability – 1099 reporting

How to import data to the 1099-NEC and 1099-MISC forms

Important topics include a paired demonstration in a QA environment

WHAT IS 1099 REPORTING TRAINING?

Addressing topics that result in frequent calls to the Help Desk

Covering topics that are common when first working with the 1099 reporting process

Explaining the need for the 1099-NEC and 1099-MISC forms

Addressing your questions

Poll: Who is new to the 1099 Reporting process?

WHAT'S NEW FOR 2023?

Business Intelligence (BI) Launch Pad application updated in 2022

- Formerly known as Web Intelligence or WebI

OFM is now accepting electronic signatures on the 1099 Security Access Form

WHAT IS THE 1099-NEC?

File Form 1099-NEC for each person to whom you have paid the following during the year:

- At least $600 in:
  - Services performed by someone who is not your employee (box 1)
  - Payments to an attorney (box 1)
- To report sales totaling $5,000 or more of consumer products to a person on a buy-sell, a deposit-commission, or other commission basis for resale (box 2).
- For each person from whom you have withheld any federal income tax (box 4) under the backup withholding rules regardless of the amount of the payment.

WHAT IS THE 1099-MISC?

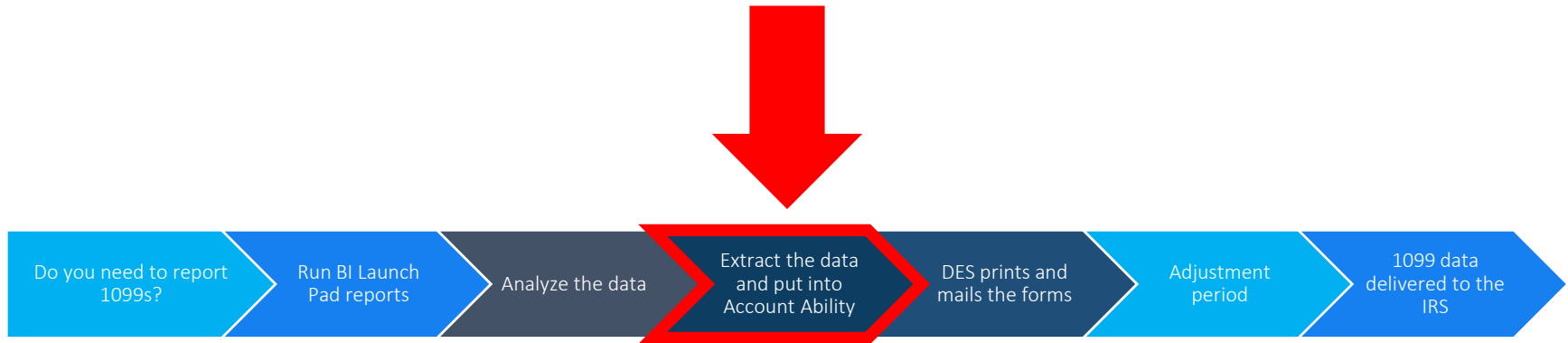File Form 1099-MISC for each person to whom you have paid the following during the year:

- At least $10 in royalties (box 2) or broker payments in lieu of dividends or tax-exempt interest (box 8).
- At least $600 in:
  - Rents (box 1)
  - Prizes and awards or other income payments (box 3)
  - Medical and health care payments (box 6)
  - Crop insurance proceeds (box 9)
  - Gross proceeds paid to an attorney (box 10)
  - Section 409A deferrals (box 12)
  - Nonqualified deferred compensation (box 15)
- For each person from whom you have withheld any federal income tax under the backup withholding rules (box 4) regardless of the amount of the payment.
- To report sales totaling $5,000 or more of consumer products to a person on a buy-sell, a deposit-commission, or other commission basis for resale (box 7).
- For substitute payments in lieu of dividends or tax-exempt interest (box 8)
- For any Cash payments for the purchase of fish for resale (box 11)

THE 1099 REPORTING PROCESS

This training showcases this part of the process:

| Do you need to report 1099s? | Run BI Launch Pad reports | Analyze the data | Extract the data and put into Account Ability | DES prints and mails the forms | Adjustment period | 1099 data delivered to the IRS |

OFM AND AGENCY ROLES

OFM Responsibilities

Maintenance of processes to support the agencies in the preparation of the 1099 forms

Initial printing and mailing of the 1099 forms to recipients by DES

TIN matching of recipient's information on the 1099 forms with the IRS database

Timely transmission of the 1099 information to the IRS

Agencies' Responsibilities

Accurate and timely preparation of the 1099 forms

Accuracy of the 1099 data imported into Account Ability

Printing and mailing of corrected 1099 forms to recipients

Strict adherence to the OFM Due Dates

DUE DATES & ACTIVITIES

Task	OFM Due Dates	IRS Due Dates
• Review and correct monthly 1099 records • Agencies can begin loading their 1099 data into Account Ability	Throughout the calendar year, beginning in April	
• Review 1099 Agency Profiles for accuracy before 1099s are printed • Notify OFM of any discrepancy: HereToHelp@ofm.wa.gov	When access to new year Account Ability is available	
Current Reporting Year 1099 forms are available in Account Ability	December 2023	
The tax year reporting cycle ends		December 31, 2023
Due date for agencies to have all 1099 imports into Account Ability for printing and mailing	January 5, 2024	
• OFM uploads 1099 forms to Managed File Transfer (MFT) location • DES prints & mails the IRS 1099 forms • **Agencies will not be able to work in Account Ability**	January 6 - 7, 2024	

DUE DATES & ACTIVITIES

Task	OFM Due Dates	IRS Due Dates
OFM performs 1099 TIN matching and notifies Agencies with TIN mismatches	January 8 - 10, 2024	
Agencies have this time to make corrections to 1099-NEC forms before submission to the IRS	January 11 - 23, 2024	
Agencies finalize all updates in Account Ability to prepare for the filing of the 1099-NEC forms	**January 23, 2024**	
• OFM prepares the IRS 1099-NEC forms for submission to the IRS • **Agencies will not be able to work in Account Ability**	**January 24, 2024**	
• Due date for mailing 1099 forms to recipients • Due date for filing 1099-NECs to the IRS		January 31, 2024
Agencies have this time to make corrections to 1099-MISC forms before submission to the IRS	February 1 – March 22, 2024	
Agencies finalize all updates in Account Ability to prepare for the filing of the 1099-MISC forms	**March 22, 2024**	

DUE DATES & ACTIVITIES

Task	OFM Due Dates	IRS Due Dates
• OFM prepares the IRS 1099-MISC forms for submission to the IRS • Agencies will not be able to work in Account Ability	March 25, 2024	
Due date for filing 1099-MISCs to the IRS		April 1, 2024

See this document for a downloadable list of dates:

https://ofm.wa.gov/sites/default/files/public/itsystems/1099/1099_NEC_MISC_Processing_Schedule.pdf

DON'T MISS THE DEADLINES!

Agencies that miss the OFM printing and mailing due dates will be required to print and mail all missed forms when Account Ability re-opens.

Agencies that miss the OFM electronic filing deadlines will not have access to Account Ability until it re-opens and will be required to determine how to proceed and satisfy all IRS requirements.

OFM will not re-open Account Ability prior to the dates listed on the 1099 Processing Calendar.

WHEN SHOULD I BEGIN?

Early preparation means:

- Fewer upload problems
- Fewer TIN mismatches
- Fewer vendor calls once 1099 forms go out
- Fewer 1099 corrections required

START NOW!

WHERE SHOULD I BEGIN?

OFM's 1099 Reporting page:

https://www.ofm.wa.gov/it-systems/accounting-systems/1099-nec-1099-misc-reporting

One-stop shop for 1099 information, including:

- Login links to BI Launch Pad (WebI) and Account Ability
- Frequently Asked Questions (FAQs)
- Links to user documentation and training material

BREAK – RETURN AT 9:00 AM

ACCURATE/TIMELY REPORTING

What are the penalties for missing filing dates?

- Up to 30 days late - $60/return, maximum of $630,500
- 31 days late through August 1st - $120/return, maximum of $1,891,500
- After 8/1 or not filed - $310/return, maximum of $3,783,000
- Intentional disregard - $630/return with no maximum

The penalties are the same for inaccurate reporting!

UNDERSTANDING TIN MATCHING PROCESS

TIN matching and electronic submittal of the 1099 forms is due to the IRS by:

- January 31 for the 1099-NEC
- April 1 for the 1099-MISC

OFM performs TIN matching on SWVs on behalf of all agencies

- For Exception Code Payments: https://ofm.wa.gov/sites/default/files/public/itsystems/1099/TIN_MatchingRequestsForNonSWVs.pdf

When there are TIN mismatches, OFM will communicate with the agencies involved

Agencies have until 1/23/2024 (for NEC) and 3/22/2024 (for MISC) to finalize all updates into Account Ability

THE 2023 IRS 1099-NEC FORM

1099-NEC BOX 1 - NONEMPLOYEE COMPENSATION

Examples include:

- Contract work payments
- Services rendered as non-employee
- Payments typically subject to self-employment taxes
- Attorney fees (Gross proceeds go on the 1099-MISC)

1 Nonemployee compensation

$

THE 2023 IRS 1099-MISC FORM

1099-MISC BOX 1 - RENTS

Examples include:

- Rental payments to owners
- Office space
- Meeting rooms
- Machines/equipment
- Land/pasture
- Payments for public housing assistance

1 Rents

$

1099-MISC BOX 3 - OTHER INCOME

Examples include:

- Prize winnings (excludes gambling)
- Award money without services performed
- Punitive damage payments
- Deceased employee wages
- Income not included in other boxes

3 Other income

$

1099-MISC BOX 6 - MEDICAL PAYMENTS

Examples include:

- Health care/medical payments
- Recipient is a health care provider
- Flexible spending plans are exempt

6 Medical and health care payments

$

1099-MISC BOX 10 – GROSS PROCEEDS TO ATTORNEYS

Examples include:

- Payments made to attorneys which contain settlement proceeds
- Attorney might not be the sole payee

10 Gross proceeds paid to an attorney

$

ANALYSIS FOR REPORTABLE AND NON-REPORTABLE DATA

TIPS FOR ANALYZING YOUR DATA

All payments for legal or medical services are reportable (regardless of how you go about making this determination).

Payments can be analyzed by Vendor Type.

Payments can be analyzed by type of payment (based on sub/subsubobject).

- Refer to the IRS for what is and is not 1099 Reportable.

1099 Data Analysis Decision Matrix:
https://ofm.wa.gov/sites/default/files/public/itsystems/1099/training/1099%20Data%20Analysis%20Decision%20Matrix.pdf

REPORTABLE AND NON-REPORTABLE PAYMENTS

AFRS is a great resource for confirming reportability of payments

The combination of the Vendor Type and the subobject will indicate if payments to that vendor are reportable

Confirm IRS box values on the AFRS table options: IRS Box (D76), Vendor Type (D77) and IRS Type (D78)

Vendor Type definitions are available here: https://ofm.wa.gov/sites/default/files/public/itsystems/afrs/Definitions_for_VendorTypes_in_AFRS.pdf

REPORTABLE AND NON-REPORTABLE PAYMENTS

Example: If you paid a vendor who is a type A, and coded it to Sub-Object AA, it will show on the BI extract as non-reportable (box 0) as defined on the D78 table in AFRS.

```
=== AFRS =(TM.5)============= IRS TYPE VIEW (D78) ============== C105P060 ====
TR: _____                      LAST UPDATE: 10/20/10


        FUNCTION: N (V=VIEW, N=NEXT, B=BACK)


           AGENCY: 0000              BIENNIUM: 00

           SUB OBJECT: AA            SUB-SUB OBJECT: ____

           VENDOR TYPE: A

           IRS BOX: 0                OMWBE TYPE: 0


           TITLE: _____



                    F3=RETURN, F12=MESSAGE, CLEAR=EXIT
NEXT RECORD READ
```

REPORTABLE AND NON-REPORTABLE PAYMENTS

Example: If you paid a vendor who is a type S, and coded it to Sub-Object CG, it will show on the BI extract as reportable (box 7) as defined on the D78 table in AFRS.


```
=== AFRS =(TM.5)============= IRS TYPE VIEW (D78) ============== C105P060 ====
TR: _____                           LAST UPDATE: 10/20/10


        FUNCTION: N (V=VIEW, N=NEXT, B=BACK)


           AGENCY: 0000                  BIENNIUM: 00

           SUB OBJECT: CG                SUB-SUB OBJECT: ____

           VENDOR TYPE: S

           IRS BOX: 7                    OMWBE TYPE: B


           TITLE: _____




                    F3=RETURN, F12=MESSAGE, CLEAR=EXIT
NEXT RECORD READ
```
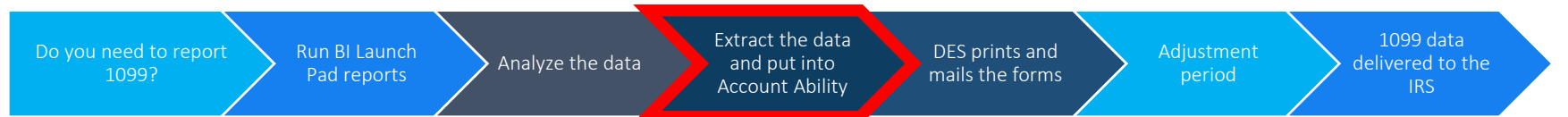
THE 1099 REPORTING PROCESS

THE 1099 REPORTING PROCESS

Do you need to report 1099? → Run BI Launch Pad reports → Analyze the data → **Extract the data and put into Account Ability** → DES prints and mails the forms → Adjustment period → 1099 data delivered to the IRS

Extract data from AFRS into a 1099 report
- Demonstration #1

Export 1099 report to a tab delimited text file
- Demonstration #2

Import tab delimited text file into Account Ability
- Demonstration #3

You may need to do this process for both the 1099-MISC and the 1099-NEC forms!

STEP-BY-STEP INSTRUCTIONS

Web Intelligence (WebI) Extract - 1099 Reporting:

https://ofm.wa.gov/sites/default/files/public/itsystems/1099/051099_DownloadApplicationERWebI.pdf

Account Ability - 1099 Reporting:

https://ofm.wa.gov/sites/default/files/public/itsystems/1099/Account_Ability_1099_Reporting.pdf

Both documents include helpful crosswalks for the data conversion process.

EXTRACTING YOUR 1099 DATA

Watch the instructors demonstrate this exercise

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BREAK – RETURN AT 10:05 AM

USING ACCOUNT ABILITY TO REPORT

Watch the instructors demonstrate this exercise

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1099 REPORTING CONSIDERATIONS

CONSTRUCTIVE RECEIPT FOR EFT AND WARRANTS

Constructive Receipt of income is a tax term which determines when a cash-basis taxpayer has received income.

Payment by warrant is 1 business day after the release date, but Constructive Receipt for electronic funds transfer (EFT) is 2 business days after the release date.

- December payments to <u>add</u> to Calendar Reporting Year 2023
  - Day 1 (Thursday, December 29, 2022) – Batch is released
  - Day 3 (Tuesday, January 3, 2023) – EFT deposit date
- December payments to <u>remove</u> from Calendar Reporting Year 2023
  - Day 1 (Thursday, December 28, 2023) – Batch is released
  - Day 3 (Tuesday, January 2, 2024) – EFT deposit date

For more information:
https://ofm.wa.gov/sites/default/files/public/itsystems/1099/DetermineCorrect_1099_ReportingYear-EFT_Payments.pdf

OTHER CONSIDERATIONS

When analyzing data:

- EFT reversals, refunds, and coding corrections are not captured in 1099 data
- Use of SWV# for all corrections, refunds, and reversals can minimize the impact
- GL 7110 is associated with receivables and is not captured in the 1099 Extract template
- IRS Box Type can be changed using Financial Toolbox (intentionally or unintentionally)
- Use of exception codes can significantly increase analysis
  - When using an exception code, agencies need to enter the IRS box value, or it will show up on the BI query as IRS box 0

OTHER CONSIDERATIONS (CONT.)

When working in Account Ability:

- SWV addresses are current as of BI data pull – some may change
- We have 99 licenses for Account Ability – log out when not using
- 1099 corrections after due dates – contact OFM Help Desk
  - o 1099 Correction Instructions: https://ofm.wa.gov/sites/default/files/public/itsystems/1099/1099CorrectionInstructions.pdf
- Account Ability treats all amounts as absolute amount
- Payments to a lock box – contact your vendor(s) to let them know about 1099s

Q&A

STAYING INFORMED

To get copies of the latest system documentation:

https://www.ofm.wa.gov/it-systems/accounting-systems/1099-nec-1099-misc-reporting

State Administrative and Accounting Manual:

http://www.ofm.wa.gov/policy/default.asp

Sign up for GovDelivery:

https://public.govdelivery.com/accounts/WAGOV/subscriber/new

WHO TO CONTACT WITH QUESTIONS?

OFM:

- OFM Help Desk
  - Phone: 360.407.9100
  - Email: HereToHelp@ofm.wa.gov

Accounting Policies and Procedures:

- OFM Accounting Consultant
- Follow the link to find your OFM Accounting Consultant:

http://www.ofm.wa.gov/accounting/swa/swacontactsbyagency.asp

RESOURCES

Internal Revenue Service:

- General Instructions for Certain Information Returns

https://www.irs.gov/pub/irs-pdf/i1099gi.pdf

- Instructions for Forms 1099-MISC and 1099-NEC

https://www.irs.gov/pub/irs-pdf/i1099mec.pdf

- Taxable and Non-Taxable Income

https://www.irs.gov/pub/irs-pdf/p525.pdf

- Taxable Fringe Benefits

https://www.irs.gov/publications/p15b

RECOMMENDED TRAINING

OFM Statewide Accounting has created several eLearning courses:

- https://ofm.wa.gov/accounting/training-accounting-and-budget-staff

The following course is recommended for 1099 Reporting:

1099 Misc. and NEC Form Data Analysis

- https://ofm.wa.gov/sites/default/files/public/articulate/accounting/1099-Misc-NEC-Form-Data-Analysis/story.html

PLEASE COMPLETE OUR SURVEY!

OFM Enterprise Applications Training:
Chris.Soots@ofm.wa.gov

Any questions?

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