



NOVEMBER 2019

1099-MISC REPORTING TRAINING

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WELCOME!

Please Silence Your Cell Phones

Sign In Sheet and Handouts

Amenities

Bathrooms

Building Access and Emergency Exits

Training Material Available for Download

Evaluations

AGENDA

Introductions

What is 1099-MISC Reporting Training?

Learning Objectives

Other topics of interest?

Lessons and Exercises

Q&A

Help and Resources

INTRODUCTIONS



WHAT IS 1099-MISC REPORTING TRAINING?

Addressing topics that result in frequent calls to the Help Desk

Covering topics that are common when first working with 1099-MISC reporting

Addressing common questions and issues

Who has taken the 1099-Miscellaneous Form Data Analysis class?

LEARNING OBJECTIVES

Understand OFM and the agencies' roles for 1099s

Understand the due dates and activities for 2019 forms

Understand which expenditures go in which boxes

Understand 1099-MISC terminology

Know which vendors get the 1099-MISC forms

How to identify data requiring further research

Understand the TIN matching process

Understand the tools available for 1099-MISC reporting:

- ER Web Intelligence – 1099-MISC Data Download application
- Account Ability – 1099-MISC reporting

How to import and enter data on the 1099-MISC form

How to make other changes as necessary

OTHER TOPICS OF INTEREST?



WHAT IS THE 1099-MISC?

It is used to report miscellaneous payments made to nonemployee individuals, which include:

- at least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest;
- at least \$600 in:
 - rents;
 - services performed by someone who is not your employee;
 - 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;
 - generally, the cash paid from a notional principal contract to an individual, partnership, or estate;
 - payments to an attorney; or
 - any fishing boat proceeds,

Also used to report if you made direct sales of at least \$5,000 of consumer products to a buyer for resale anywhere other than a permanent retail establishment.

THE 1099-MISC REPORTING PROCESS



- The training exercises in this class explain this part of the process

OFM AND AGENCY ROLES

OFM Responsibilities

Maintenance of processes to support agency in preparation of the 1099-MISC forms

Printing and mailing of the 1099-MISC forms to recipients by DES

TIN Matching of recipient's information on the 1099-MISC forms with the IRS database

Timely training and transmission of the 1099-MISC information to the IRS

Agencies' Responsibilities

Accurate & timely preparation of the 1099-MISC forms

Accuracy of the 1099-MISC data imported into Account Ability

Accuracy of 1099-MISC data transmitted to IRS

DUE DATES & ACTIVITIES

<ul style="list-style-type: none"> Review and correct monthly 1099 records Agencies can begin loading their 1099 data into Account Ability 	Throughout the calendar year, beginning April 1
<ul style="list-style-type: none"> Review 1099 Agency Profiles for accuracy before 1099's are printed <ul style="list-style-type: none"> The 1099-MISC forms will only display the phone number Names and extensions will not be shown Notify OFM of any discrepancy: HereToHelp@ofm.wa.gov 	When access to new year Account Ability is available
Account Ability upgrades to 2019 IRS 1099-MISC forms	December 2019
The tax year reporting cycle ends	December 31, 2019
Due Date for Agencies to have all imports into Account Ability	January 3, 2020
<ul style="list-style-type: none"> OFM uploads 1099-MISC to Secure File Transfer (SFT) location DES prints & mails the IRS 1099-MISC forms Agencies will not be able to work in Account Ability until January 13, 2020 	January 4 - 8, 2020

OFM/IRS DUE DATES & ACTIVITIES

OFM performs 1099-MISC TIN matching and notifies Agencies with TIN mismatches	January 9 - 10, 2020
Agencies will have this time to make corrections to 1099-MISC's before submission to the IRS	January 13 - 24, 2020
Agencies finalize all updates into Account Ability in preparation for IRS electronic filing	January 24, 2020
<ul style="list-style-type: none">• OFM will prepare the IRS 1099-MISC forms for submission to the IRS through the electronic filing process• Agencies will not be able to work in Account Ability	January 25, 2020
Due date for issuing 1099-MISC forms to recipients	January 31, 2020
Due date for filing electronically to the IRS	January 31, 2020

OFM & IRS Due Dates:

- <https://www.ofm.wa.gov/sites/default/files/public/itsystems/1099/training/1099%20Misc%20Processing%20Schedule%20for%20Reporting%20Year%202019.pdf>

WHEN SHOULD I BEGIN?

Early reporting date = Less time to prepare

This means:

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

START NOW!



WHERE SHOULD I BEGIN?

OFM's 1099-MISC Reporting Page

- <https://www.ofm.wa.gov/it-systems/1099-misc-reporting>

One-stop shop for all things 1099-MISC, including:

- Login to the Account Ability system
- Frequently Asked Questions (FAQs)
- Links to user documentation and training material

ACCURATE/TIMELY REPORTING

What are the penalties for missing filing dates?

- Not more than 30 days late - \$50/return - maximum of \$556,500
- More than 30 days but before 8/1 - \$110/return - maximum of \$1,669,500
- After 8/1 or not at all - \$270/return - maximum of \$3,339,000
- Intentional disregard - \$550/return with no maximum
- Penalties are the same for inaccurate reporting!!!

UNDERSTANDING TIN MATCHING PROCESS

TIN matching and report to 1099-MISC forms to IRS by January 31

OFM performs TIN matching on behalf of all agencies

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

Agency has until January 24, 2020 to finalize all updates into Account Ability in preparation for IRS electronic filing

THE IRS 1099-MISC FORM

<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED				OMB No. 1545-0115 2019 Form 1099-MISC		Miscellaneous Income	
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents \$		4 Federal income tax withheld \$		Copy 1 For State Tax Department	
		2 Royalties \$					
		3 Other income \$					
PAYER'S TIN	RECIPIENT'S TIN	5 Fishing boat proceeds \$		6 Medical and health care payments \$			
RECIPIENT'S name Street address (including apt. no.) City or town, state or province, country, and ZIP or foreign postal code		7 Nonemployee compensation \$		8 Substitute payments in lieu of dividends or interest \$			
		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>		10 Crop insurance proceeds \$			
		11		12			
Account number (see instructions)	FATCA filing requirement <input type="checkbox"/>	13 Excess golden parachute payments \$		14 Gross proceeds paid to an attorney \$			
15a Section 409A deferrals \$	15b Section 409A income \$	16 State tax withheld \$		17 State/Payer's state no.		18 State income \$	
Form 1099-MISC		www.irs.gov/Form1099MISC		Department of the Treasury - Internal Revenue Service			

1099-MISC BOX 1 - RENTS

Examples include:

- Rental payments to owners
- Office space
- Meeting rooms
- Machines/equipment
- Land/pastures
- 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 7 - NONEMPLOYEE COMPENSATION

Examples include:

- Contract work payments
- Services rendered as non-employee
- Payments typically subject to self-employment taxes
- Attorney fees (Gross Proceeds go to Box 14)

7 Nonemployee compensation

\$

1099-MISC BOX 14 – GROSS PROCEEDS TO ATTORNEYS

Examples include:

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

14 Gross proceeds paid to an attorney

\$

REPORTABLE AND NON-REPORTABLE VENDORS

Each vendor in AFRS is classified by a Vendor Type

If the right vendor was chosen, the Vendor Type will indicate if payments to that vendor are reportable

Vendor Type definitions are available here:

- <https://www.ofm.wa.gov/sites/default/files/public/itsystems/afrs/definitionsForVendorTypesInAFRS.pdf>

Let's review reportable and non-reportable Vendor and Object Types...

NON-REPORTABLE VENDORS

Start by removing non-reportable vendors by Vendor Types*

- 0 – Refunds
- 2 – Federal Agencies
- 3 – State Agencies
- 4 – Local Governments
- 0 – Tax Exempt Organizations
- N – Clients (Legal Resident)
- Y – Clients (Non resident alien)
- Z – Clients (Resident Alien)

* Codes are from AFRS TM.5 (D77) screen

POTENTIALLY NON-REPORTABLE VENDORS

Analyze potentially non-reportable vendors by Vendor Types*

- 1 – Employee
- 5 – Volunteer
- 6 – Board/Council/Commission members
- B – LLC S Corporation
- C – Corporation
- D – S Corporation
- W – LLC Corporation

* Codes are from AFRS TM.5 (D77) screen

NON-REPORTABLE PAYMENTS

Remove non-reportable Payments (Objects):

- A – Employee Salaries/Wages*
- B – Employee Benefits
- M – Interfund Operating Transfers
- P – Debt Service
- S – Inter-agency Reimbursements
- T – Intra-agency Reimbursements

* Except for a deceased employee's salary/wages paid to estate, trust, or beneficiary

REPORTABLE VENDORS

These corporate entities break the rule:

- A – Corporation Legal
- B – LLC S Corporation
- C – Corporation
- D – S Corporation
- G – LLC Corporation Medical
- H – LLC Corporation Legal

Reports for medical & attorney payments are reportable for the following:

- K – LLC S Corporation Medical
- L – LLC S Corporation Legal
- Q – S corporation Medical
- R – S corporation Legal

* Codes are from AFRS TM.5 (D77) screen

OBJECT C – PROFESSIONAL SERVICE CONTRACTS

Payments made under Object C are reportable

- Exceptions: Corporate legal & healthcare related payments made to vendor types

OBJECT E – GOODS AND OTHER SERVICES

Reportable Examples

ED – Rentals/Leases (Land & Buildings)

EF – Printing/Reproduction

EH – Rentals/Leases (Furn. & Equipment)

ES – Vehicles Maint. & Operating Costs*

Non-Reportable Examples

EA – Supplies and Materials

EB –
Communications/Telecom Services

EC - Utilities

EJ - Subscriptions

*May contain both reportable and non-reportable payments

OBJECT G - TRAVEL

Travel is potentially reportable if:

- Reimbursed expenses are unsubstantiated
- Payments are not made under accountable plan*

*See IRS Pub 15-b

(<https://www.irs.gov/publications/p15b/ar02.html>) for more details

OBJECT J – CAPITAL OUTLAYS

Potentially Reportable Examples

JG – Highway Construction

JJ – Grounds Development

JK – Architectural and Engineering Services

JL – Capital Planning

Non-Reportable Examples

JC – Furnishings and Equipment

JE – Land

JF – Buildings

JN – Relocation costs

OBJECT N – GRANTS, BENEFITS, & CLIENT SERVICES

Non-Reportable Examples

NA – Direct Payments to Clients

NF – Worker’s Comp Payments

NH – Public Employee Benefit, Basic Health, and Community Health Services Payments

NL – Lottery Prize Payments

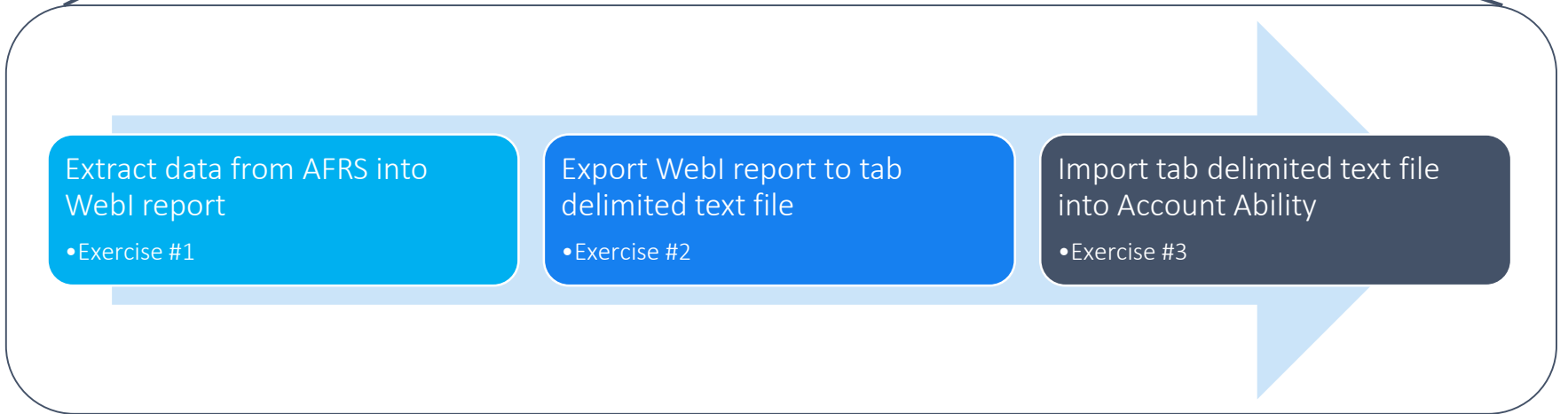
Potentially Reportable Examples

NZ – Other Grants and Benefits

Reportable Examples

NB – Payments to Providers for Direct Client Services

THE 1099-MISC TRAINING EXERCISES



EXERCISE #1

EXTRACTING YOUR 1099-MISC DATA

Follow the printed instructions to
complete this exercise

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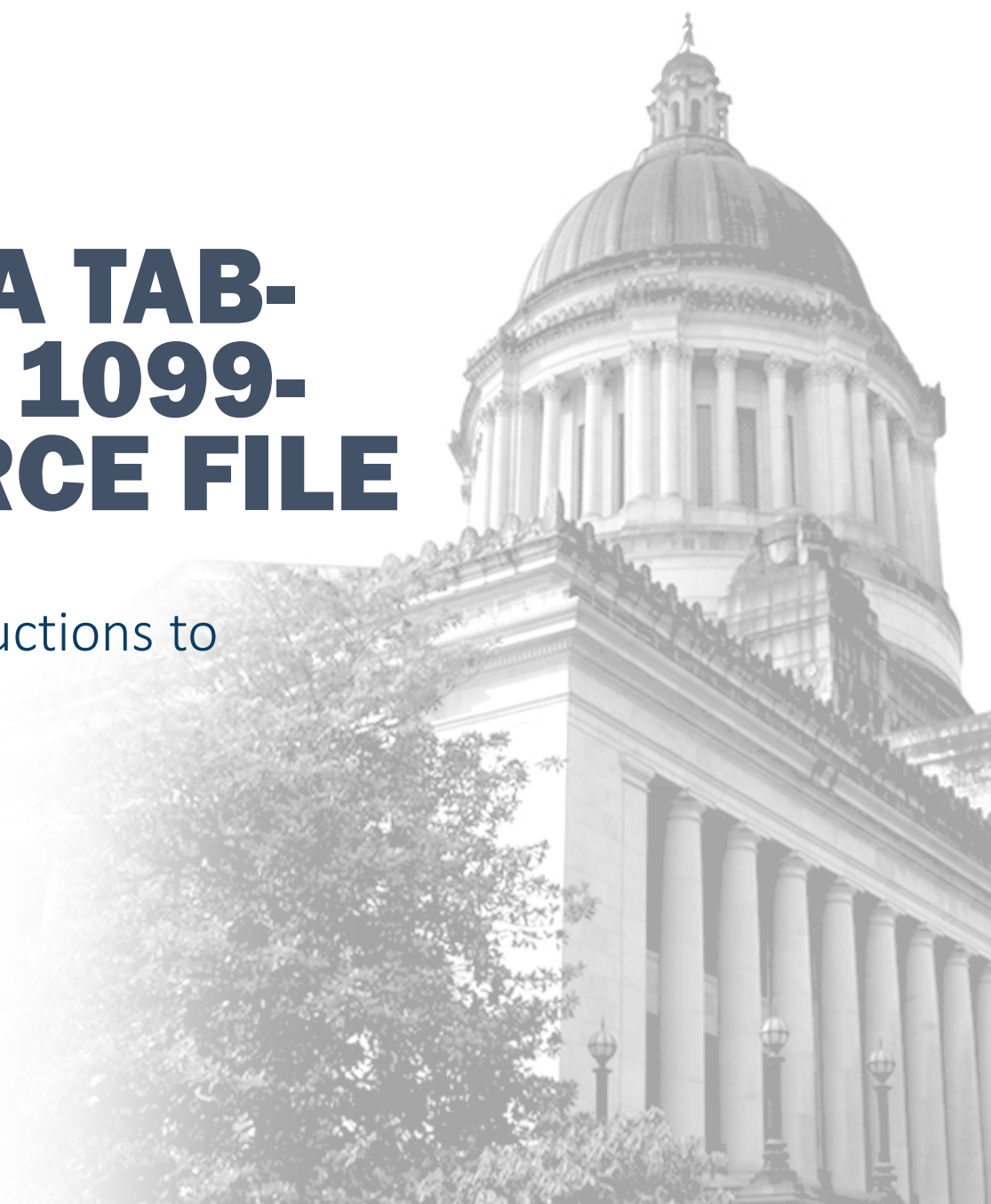
EXERCISE #2

CREATING A TAB- DELIMITED 1099- MISC SOURCE FILE

Follow the printed instructions to
complete this exercise

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EXERCISE #3

USING ACCOUNT ABILITY TO REPORT

Follow the printed instructions to
complete this exercise

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1099-MISC REPORTING CONSIDERATIONS



CONSTRUCTIVE RECEIPT FOR EFT

Constructive Receipt - term used to determine when a taxpayer has received gross income

Constructive receipt for EFT is 2 business days from release date

- December payments to remove from Calendar Reporting Year 2019
 - Day 1 (Monday, December 30, 2019) – release batch
 - Day 2 (Tuesday, December 31, 2019) – warrant process date
 - Day 3 (Thursday, January 2, 2020) – EFT deposit date (belongs to 2020)
- December payments to add to Calendar Reporting Year 2019
 - Day 1 (Friday, December 28, 2018) – release batch
 - Day 2 (Monday, December 31, 2018) – warrant process date
 - Day 3 (Wednesday, January 2, 2019) – EFT deposit date (belongs in 2019)

CAREFUL CONSIDERATIONS

When analyzing data:

- EFT reversals, refunds, and coding corrections are not captured in 1099-MISC 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-MISC Extract template
- IRS Box Type can be changed using Financial Toolbox (intentionally or unintentionally)
- Use of exception codes can significantly increase analysis necessary

CAREFUL CONSIDERATIONS (CONT.)

When working in Account Ability:

- SWV addresses are current as of Webl data pull – some may change
- We have 99 licenses for Account Ability – log out when not using
- 1099-MISC corrections after 1/31/20 – contact OFM
- Account Ability treats all amount sign 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>

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 Form 1099-MISC
 - <https://www.irs.gov/pub/irs-pdf/i1099msc.pdf>
- Taxable and Non-Taxable Income
 - <https://www.irs.gov/pub/irs-pdf/p525.pdf>
- Taxable Fringe Benefits
 - <https://www.irs.gov/publications/p15b/ar02.html>

RECOMMENDED TRAINING

OFM - 1099-Miscellaneous Form Data Analysis

- Course Code: OFM_1099-MISC
- This four hour class covers basic information about the 1099-Miscellaneous Form, to include the purpose of the form, IRS requirements, and analysis of the data to prepare for upload into the Account Ability program. Students will review the process of retrieving data from Web Intelligence, identifying reportable payments, and resolving common issues.

WA-State Enterprise Reporting - Flexible Reports (eLearning)

- Course Code: ER_Flexible_Reports_ORG
- <https://gm1.geolearning.com/geonext/wasdop/coursesummary.CourseCatalog.geo?id=22507106205>



PLEASE COMPLETE OUR SURVEY!

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Any questions?

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