

## Using Exception Codes to Make Payments

There are a number of reasons why establishing and using vendor numbers is a good business practice. For example, payees in the statewide payee table are required to supply a Form W-9 with a valid Taxpayer Identification Number (TIN), which facilitates accurate 1099-MISC reporting. Also, using vendor numbers is efficient as it eliminates the need to rekey vendor name and address information each time a payment is made.

That said, there are legitimate business reasons for making certain payments to payees without a TIN and/or without a payee (vendor) record. These are generally one-time payments that are not subject to IRS reporting. In these situations, an entry in the Exception Code field is required. An Exception Code is also allowed to be used with a payee (vendor) number.

**ATTENTION: Each agency is responsible for its own reporting to the IRS, so exception codes should be used with caution. OFM recommends that agencies monitor exception code usage to ensure that they are being used correctly and that 1099 reporting is not being bypassed erroneously.**

The current exception codes and the criteria for each are listed below. They can also be viewed on AFRS screen TM.1.4 – Payment Exception Code Table.

### **01 – Refunds/Reissues**

- Description: Used for non-expenditure related refunds and reissues of canceled warrants
- Example: Payments for over-collected revenue or deposit refunds

Limited to:	
General Ledger (GL) codes	1312, 1314, 1319, 1351, 1352, 32**, 5152, 5158, 5190, 5191, 5192, 5193, 5194, 5199, 5290, 5294, 5292, 5293

### **02 – Emergency Payroll & Related 3rd Party Pmts**

- Description: Used to issue emergency payroll warrants to employees and to issue payments to third party payees
- Example: A new employee was missed during payroll processing, an error was discovered after payroll processed but before payday, refund health insurance to a termed employee, a garnishment payment to a third party payroll-related vendor

Limited to:	
Account	035
General Ledger (GL) codes	1324, 51**

**03 – Non-Employee Reimbursement**

- Description: Payments to non-employees for travel, supplies, or training reimbursement
- Example: Non-employees required to attend state-sponsored training may be eligible for travel reimbursement; payments to Board for Volunteer Firefighter retirees for prescription reimbursement

Limited to:	
Subobjects	EA, EB, EG, EZ, G*, NA, NZ

**04 – One-Time Direct Grant Payments to Individuals**

- Description: Grant-related payments that are made directly to qualified individuals
- Example: Payments to victims of a natural disaster

Limited to:	
Subobjects	NA, NZ

**05 – Other Payees with no Taxpayer ID**

- Description: Payments to other payees that do not have or have not supplied a taxpayer ID number (TIN) when the payments are not 1099-reportable
- Example: Payments to foreign vendors not required to have a TIN, payments requiring backup withholding (vendors who are required to supply a TIN but do not)

Limited to:	
Subobjects	E*, F*, G*, J*, N*

**06 – Reissue Federally-Funded Payroll SOL (DSHS)**

- Description: Payments to employees to reissue federally-funded payroll warrants that were canceled by Statute of Limitation (SOL)
- Example: Federally-funded payroll warrant is not cashed and is eventually canceled by SOL. The agency refunds the federal government for funds drawn. Employee subsequently claims the amount owed to them, so agency reissues the warrant.

Limited to:	
Agency	3000
Subobjects	AA

If you do not see an exception code that fits the type of payment you are making, please contact your assigned OFM accounting consultant with specific details about the payment you need to make.

For technical assistance, please contact the DES Solutions Center at (360) 407-9100 or via email at [solutionscenter@des.wa.gov](mailto:solutionscenter@des.wa.gov).