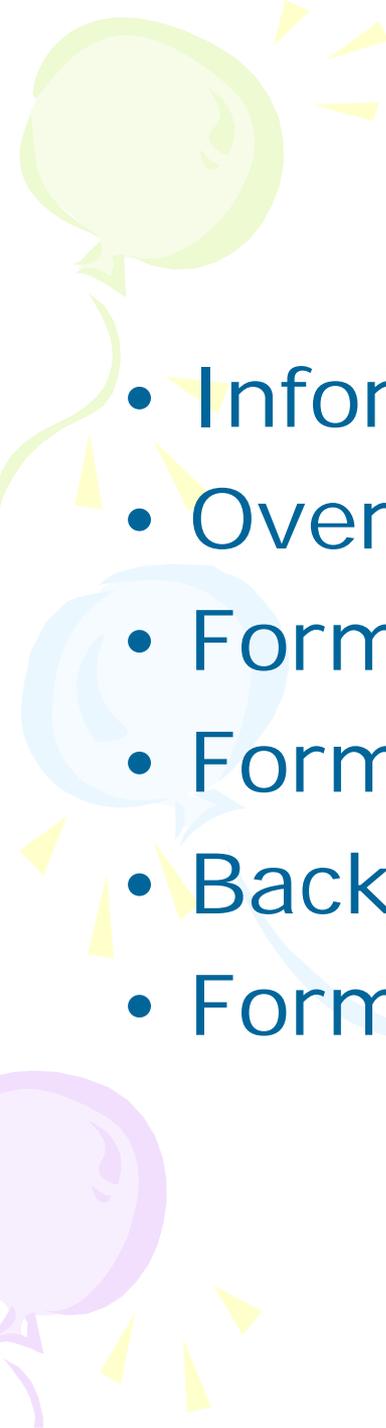


A decorative graphic on the left side of the slide features three balloons: a green one at the top, a light blue one in the middle, and a purple one at the bottom. Each balloon is attached to a streamer and has several small yellow triangular shapes around it, resembling confetti or streamer ends.

Form 1099 Reporting for Federal Agencies



Agenda

- Information Returns
- Overview of the 1099 Process
- Forms W-9
- Forms 1099
- Backup Withholding
- Forms 945



Information Returns



Overview of the 1099 Process

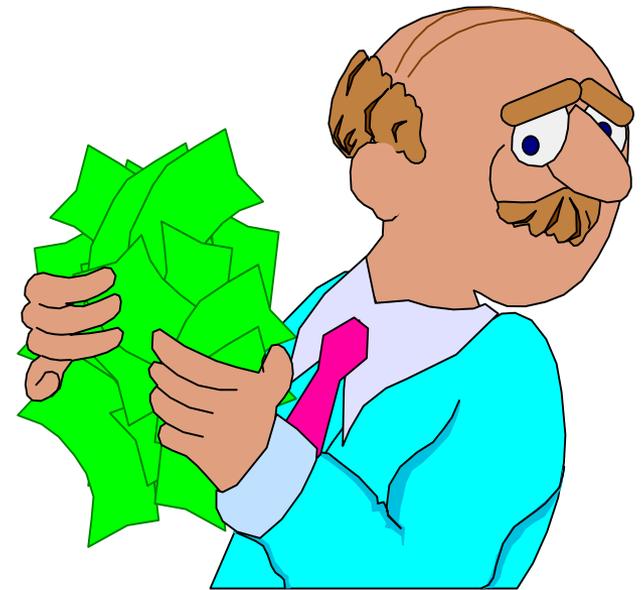
- **Solicitation of Form W-9**
- **Keeping Track of Payments to Vendors**
- **Backup Withhold from Vendor Payments, if Necessary**
- **Issue Forms 1099**
- **File 945 if Backup Withholding was Required**

Form W-9 If Vendor Info is not on Commercial Contractor Registration

- **Request for Taxpayer Identification Number and Certification**
- **Name Should Match Taxpayer ID No. (TIN)**
- **Entity Type Shows Whether Exempt**
- **TIN is Essential**
- **Penalties of Perjury Certification**
- **Ask Vendor to Sign W-9**
- **Substitute Form is Permissible**

Payee's Name Corporation

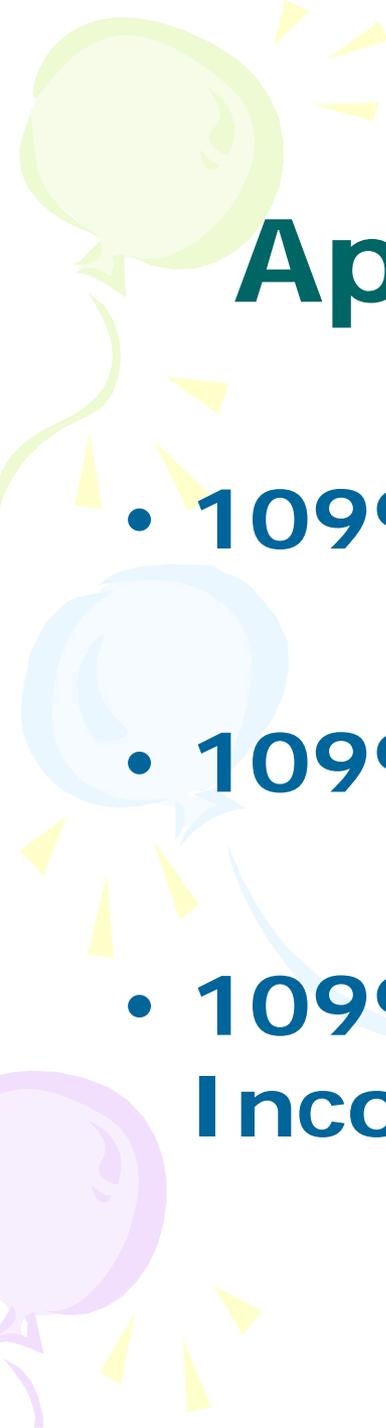
- Corporations are separate entities from the owners.
- Payments made to John Brown require a 1099.
- Payments made to John Brown Inc. require a 1099 from a Federal executive agency





Tracking Vendor Payments

- **Total \geq Threshold, Issue 1099**
- **Combine Payments of all Departments**
- **Method is Taxpayer's Choice**



Applicable Forms 1099

- **1099-C Cancellation of Debt**
- **1099-INT Interest Income**
- **1099-MISC Miscellaneous Income**

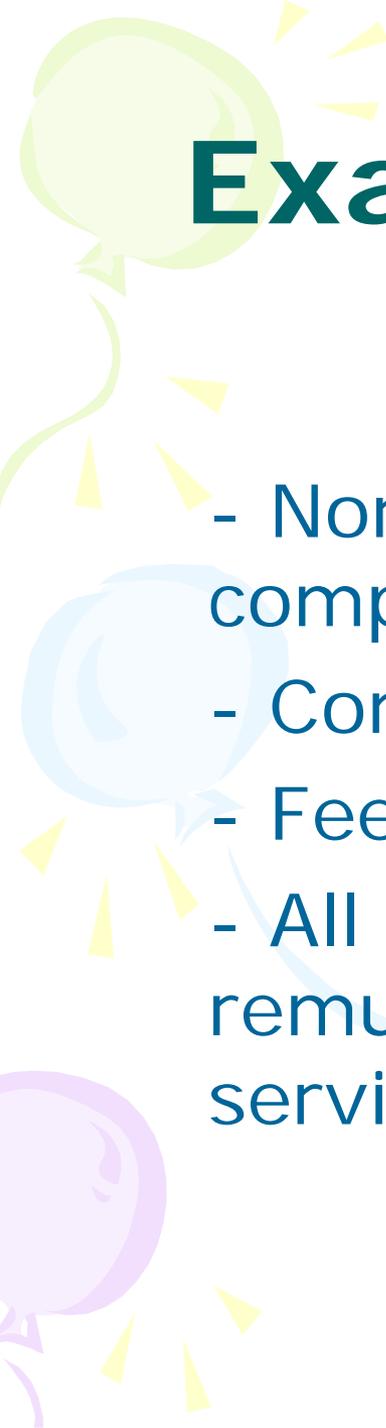


What is a 1099-MISC information return?

- **Form required to report payments for:**
 - **Services, or,**
 - **A combination of services and products**

What payments must be reported?

- **Payments of \$600 or more for the year**
- **Paid in the course of your trade or business**
- **Payments to corporations**



Examples of Payments

- Nonemployee compensation
- Commissions
- Fees
- All forms of remuneration for services rendered
- Prizes & awards
- Royalties (\$10 or more)
- Rents
- Medical and health care payments



Report Nonemployee Compensation in Box 7

- **Reportable Payments of \$600 or more to:**
 - Individuals
 - Partnerships
 - Corporations
- Paid for services of a person who is not your employee
- Payments made in the course of your trade or business

Reportable payments include:

- Commissions,
- Fees for services,
- Fee splits between professionals,
- Referral fees,
- Director fees, etc.

General Exemptions to Filing Form 1099-MISC

Payments only for merchandise

- **Examples:**
 - Office supplies
 - Cleaning supplies
 - Products purchased for resale
- **Still report payments predominantly for services, even including parts**
 - Rev Rul 81-232 – Report total payment
 - Proposed revenue procedure may allow categories for determining reporting requirement

General Exemptions to Filing Form 1099-MISC

- **Payments for**
 - Telegrams
 - Telephone
 - Freight
 - Storage
- **Payments of rent to real estate agents acting as an agent for the owner**

General Exemptions to Filing Form 1099-MISC

Payments to Exempt Entities

- Tax-exempt entities under IRC § 501(a)
- Governments
 - United States
 - State
 - District of Columbia
 - Possession of the United States
 - Political subdivision, agency or instrumentality of the above
- Commercial Contractor Registration or W-9 should show if entity is exempt

General Exemptions to Filing Form 1099-MISC

Wages paid to employees

- All compensation, cash or noncash, must be reported on Form W-2
- Subject to all applicable Federal employment taxes
- **Business travel allowances paid to an employee under a nonaccountable plan**
 - Report on Form W-2
 - Subject to all applicable Federal employment taxes

Taxable/Nontaxable Reportable/Non-reportable

Expense Reimbursements

- If made under accountable plan, not taxable or reportable
- If not made under accountable plan, taxable and reportable

Accountable Plan

- Business connection
- Adequate “accounting” by employee in reasonable time
- Excess reimbursement returned in a reasonable time



Form 8596 Federal Contract Info Return

- **Required of Federal executive agencies for contracts > \$25,000**
- **Agency must file 8596 even if contract is made through:**
 - **Small Business Administration**
 - **General Services Administration**
 - **Veterans Administration**
- **If required to submit same info to FPDC you can elect to have FPDS file 8596**

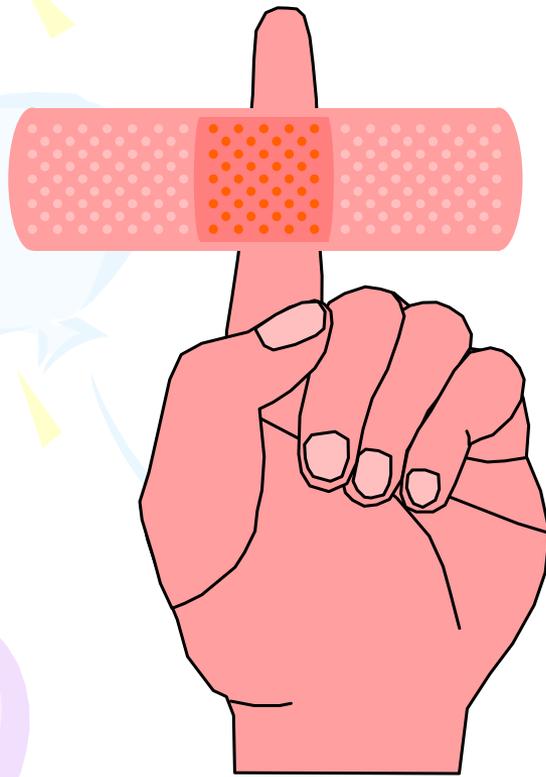
Contract Exceptions to 8596 Filing Requirement

- **\$25,000 or less**
- **All payments made w/in 120 days of contract action**
- **License granted by Federal agency**
- **Obligation of non-Federal agency contractor to subcontractor**
- **U.S. Government debt instrument (T-bills, savings bonds, etc)**
- **Federal agency obligation to lend money, lease property to someone, or sell property**

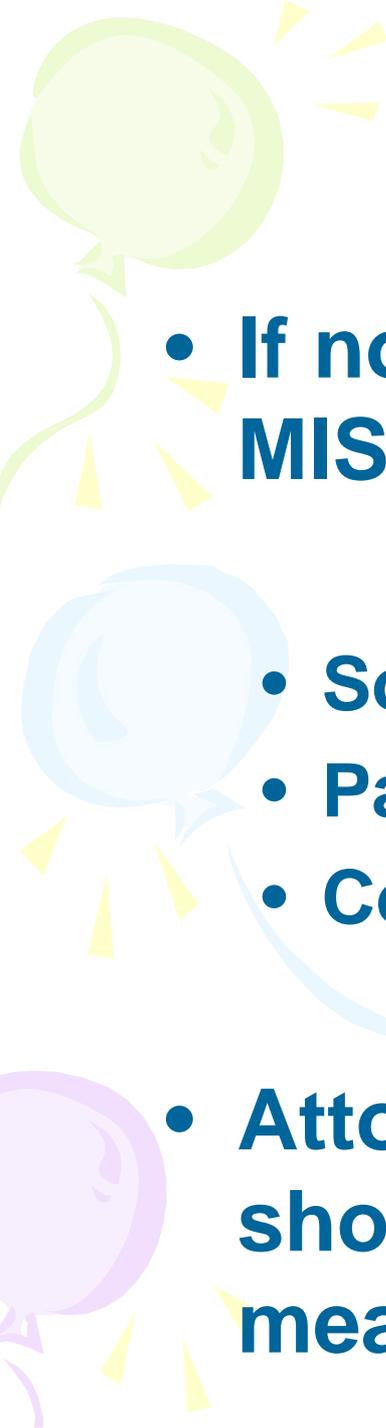
Contract Exceptions to 8596 Filing Requirement

- **Blanket purchase agreement formed (purchases under BPA must be reported on 8596)**
- **With contractor acting in capacity as a Federal agency employee**
- **With Federal, state, local, foreign government or subsidiary agency**
- **With person not required to have Taxpayer ID No. (nonresident alien, foreign corp., or foreign partnership not having income connected with business in U.S.; has no office or agent in U.S.)**
- **Confidential/Classified meeting Code § 6050M(e)**
- **All payments made after 120th day after contract action will be made by someone other than Federal agency or its agent**
- **Entered into using non-appropriated funds.**

Medical and Healthcare Payments



- Report payments of \$600 or more in **Box 6**
 - Report payments to **all** individuals, partnerships, and corporations
 - Medical payments include doctor fees, drug testing, lab fees, physical therapy, etc.
- * **Do not** report payments to pharmacies or tax exempt hospitals



Attorneys

- **If not employees they receive 1099-MISC for legal services whether:**
 - **Sole Proprietor**
 - **Partnership**
 - **Corporation**
- **Attorneys receiving 1099-MISC should not be in pension plan; this means they are employees**

Defining Gross Proceeds



- **Gross proceeds are the payments made to an attorney as part of a legal settlement or court order**
- **Gross proceeds may be issued in the names of the attorney and the client**
- **Gross proceeds may include an amount for the attorney's services**

Reporting Gross Proceeds



- If you cannot determine the attorney fees, report all of gross proceeds in **Box 14**

Reporting Gross Proceeds



- If you can determine the amount of attorney fees included in the gross proceeds:
 - Report the fee in Box 7
 - Report nothing in Box 14

Reporting Payments to Foreign Persons

“Foreign person” includes:

- **Nonresident alien individual**
- **Foreign corporation or partnership**
- **Foreign trust or estate**
- **Foreign government**
- **Foreign branch of a U.S. financial institution if the foreign branch is a qualified intermediary**
- **Any other person that is not a U.S. person**



Reporting Payments to Foreign Persons

Subject to 30% withholding on U.S. source income

Treaty with country of residence may provide reduced rate or exemption



U.S. Taxpayer ID Numbers for Foreign Persons

- Request payee provide U.S. Taxpayer ID No. (TIN)
- If person is eligible for, but doesn't have, Social Security Number, use SS-5 to get one

- 
- **If person is not eligible for SSN, apply for individual taxpayer ID No. (ITIN) using W-7**
 - **Any person other than individual who is an employer or is engaged in U.S. business uses SS-4 to get an employer ID No. (EIN)**

ID Exceptions -- Payments to Foreign Persons

Income from marketable securities

- Dividends & interest from actively trade stocks & debts
- Dividends from mutual fund
- Dividend/interest/royalties from registered unit investment trust

Unexpected payment to an individual

- Nonresident alien must receive unexpected payment
- Payer cannot reasonably delay making the payment
- IRS authorized Payer to help aliens get expedited ITIN
- IRS is not issuing ITINs when payment is made
- Payer submits W-7 for payee 1st business day after pmt

Reporting Payments to Foreign Persons

To claim exemption or reduced rate, payee submits Form W-8 to:

- Establish foreign status
- Claim beneficial owner of income received
- Claim reduced rate or exemption under income tax treaty

Reporting Payments to Foreign Persons

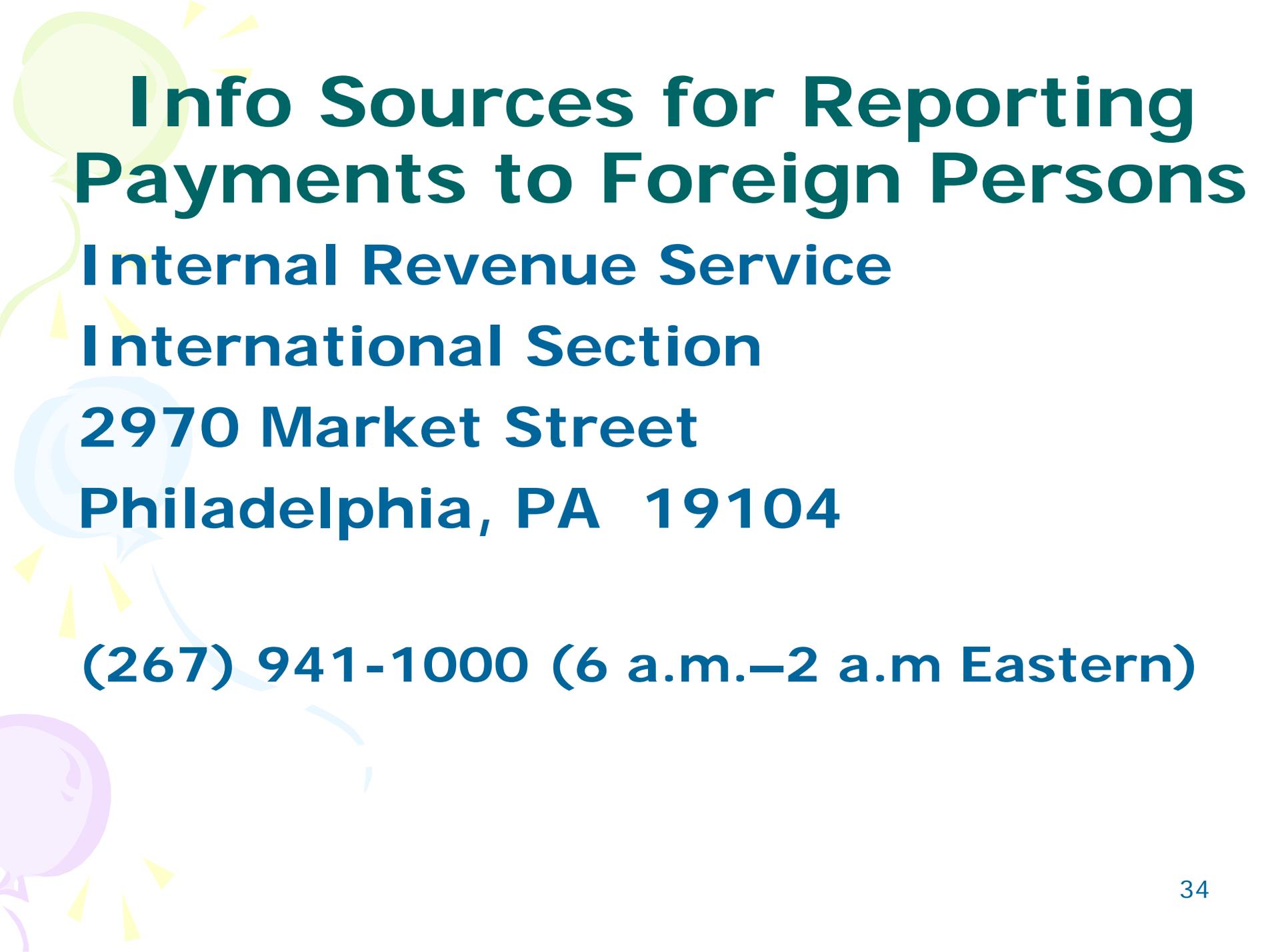
Report payments and withholdings on Form 1042-S for:

- Interest, dividends, royalties
- Pensions and annuities
- Gambling winnings
- Compensation for personal services

Report total withholdings annually on Form 1042

Info Sources for Reporting Payments to Foreign Persons

- Pub 515 Withholding of Tax on Nonresident Aliens and Foreign Entities**
- Pub 901 U.S. Tax Treaties**
- Instructions for Form 1042-S Foreign Person's U.S. Source Income Subject to Withholding**
- Instructions for the Requester of Forms W-8BEN, W-8ECI, W-8EXP and W-8IMY**



Info Sources for Reporting Payments to Foreign Persons

Internal Revenue Service

International Section

2970 Market Street

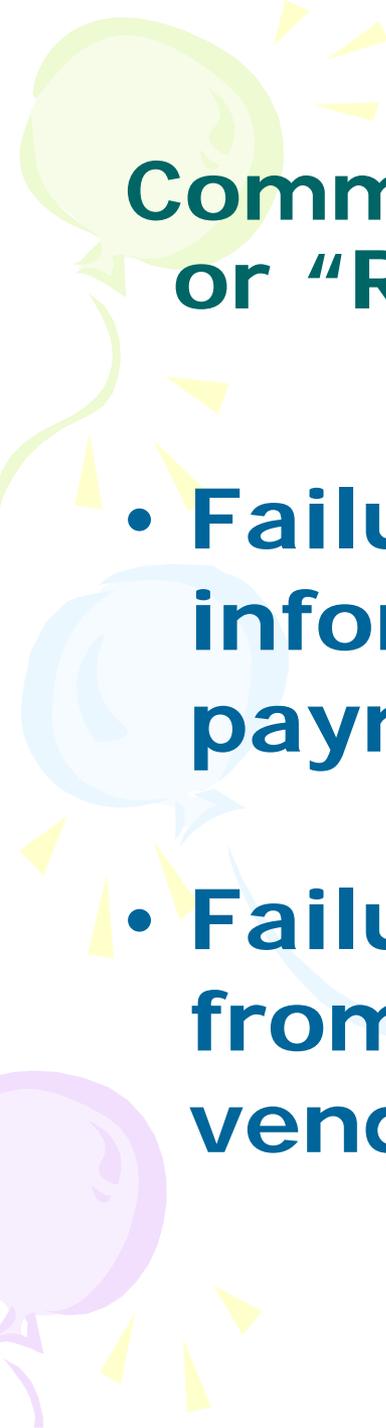
Philadelphia, PA 19104

(267) 941-1000 (6 a.m.–2 a.m Eastern)



When to File Forms 1099-MISC

- **Report payments on calendar-year basis**
- **Provide copy of Form 1099-MISC to recipient by Jan. 31 of the following year**
- **File with IRS by Feb. 28 of the following year**
- **Use Form 1096 transmittal form to submit Forms 1099 to IRS**



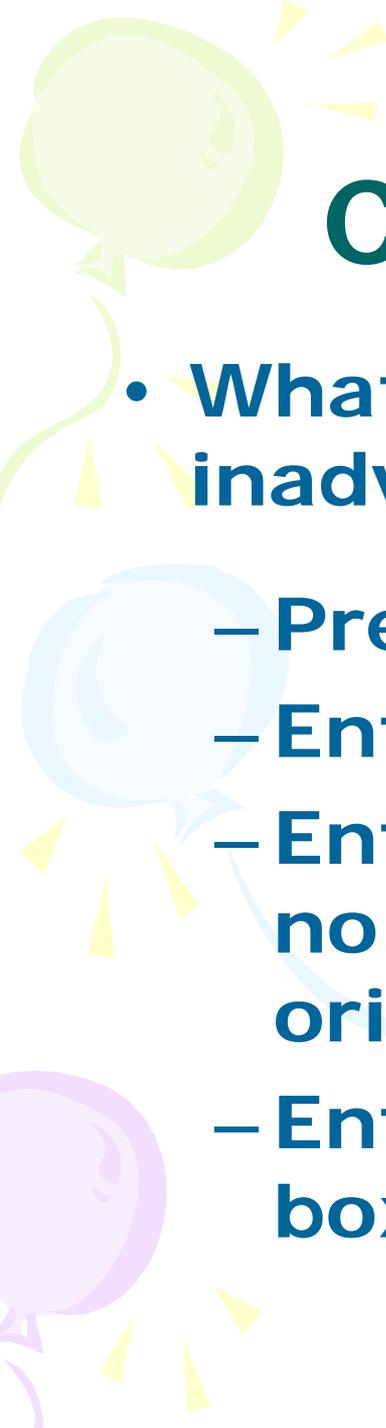
Common Errors Preventing “Correct” or “Required” Information Returns

- **Failure to obtain identifying information before making payment** (use Form W-9)
- **Failure to aggregate payments from all expense categories (use vendor files)**



Common Questions

- **What if a vendor provides service part of the year under one TIN then provides the remainder under another?**
 - **Depends on W-9 entity info**
 - **If sole proprietor gave SSN & now gives EIN without change of entity type, use SSN, put individual's name on 1st line of 1099 and business name on 2nd line.**
 - **If changing from sole proprietor to corporation or if company has changed hands, issue separate 1099s.**



Common Questions

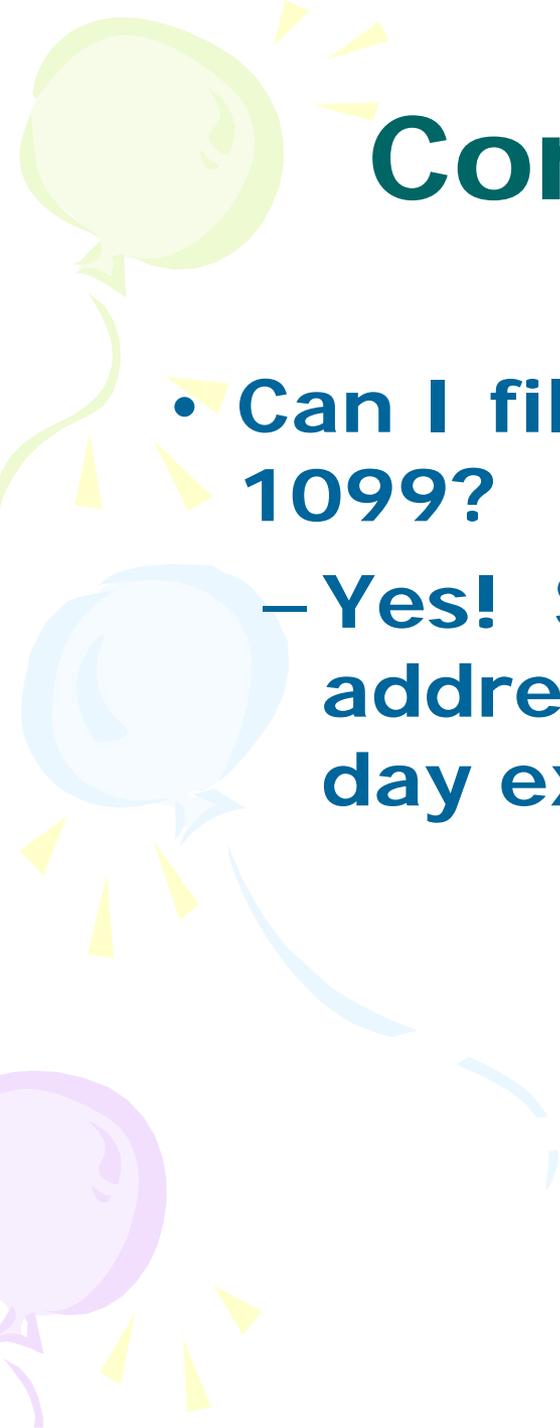
- **What if a vendor is exempt and I inadvertently sent a 1099?**
 - **Prepare a new 1099**
 - **Enter "X" in the "CORRECTED" box**
 - **Enter payer, recipient, and account no. exactly as it appeared on the original incorrect 1099**
 - **Enter zero money amount in correct box**



Common Questions

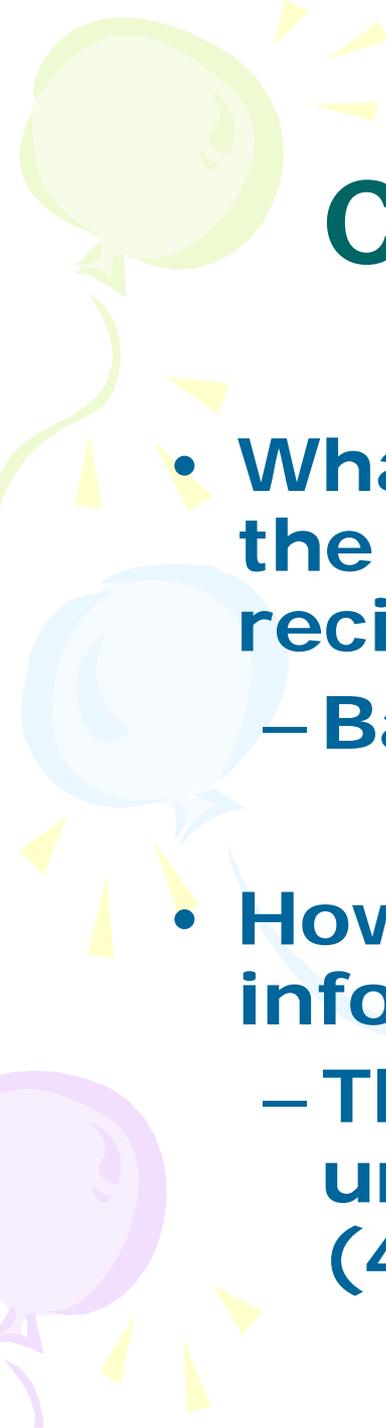
- **Where do I send the information returns?**

- **Internal Revenue Service Center listed for your area on the Form 1096 Instructions (250 or more magnetic media)**



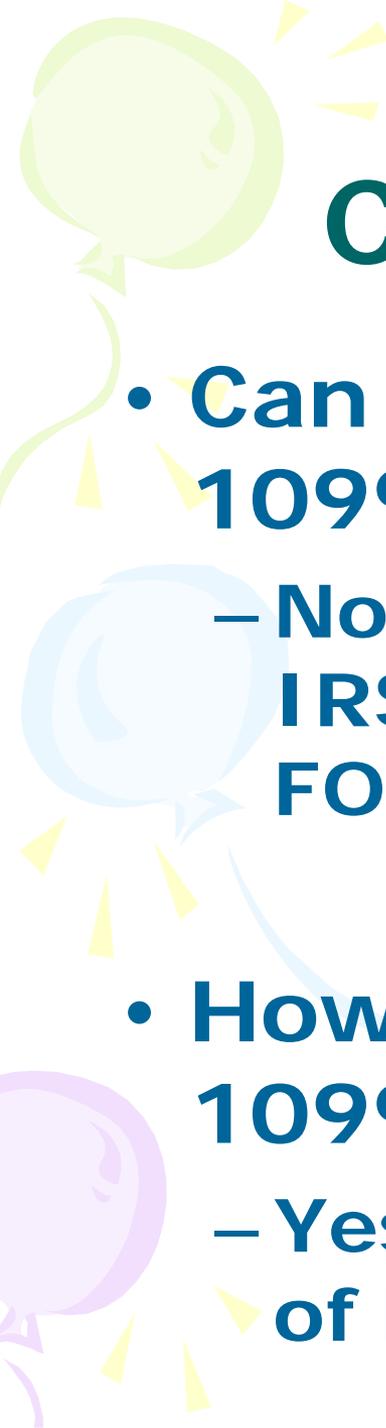
Common Questions

- **Can I file an extension to file Forms 1099?**
 - **Yes! Send Form 8809 to the address shown by Jan. 31 for a 30 day extension.**



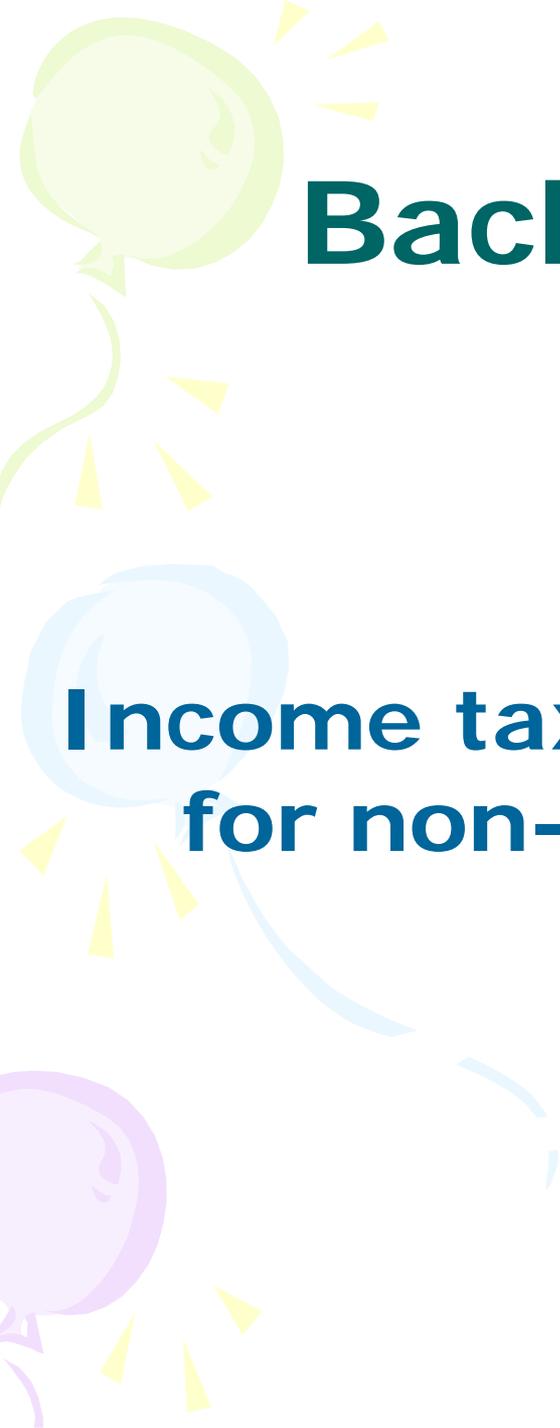
Common Questions

- **What if I can't get a Form W-9 or the Form W-9 information from the recipient?**
 - **Backup withholding applies.**
- **How long do I keep copies of information returns?**
 - **Three years from the due date, unless backup withholding applies (4 years).**



Common Questions

- **Can I use photocopies of Forms 1099?**
 - No. You can get official forms at IRS offices or by calling 1-800-TAX FORM
- **How about substitute Forms 1099?**
 - Yes, if they meet the requirements of Publication 1179



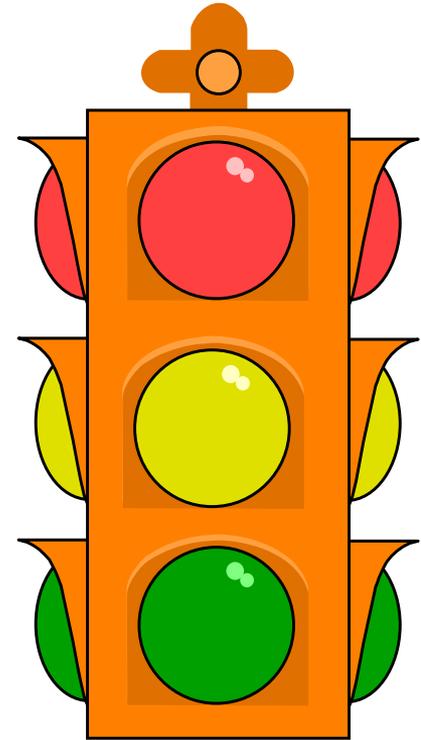
Backup Withholding

**Income tax withholding at the source
for non-payroll types of payments
and compensation**

Is Backup Withholding Required?

If you make reportable payments to persons (or corporations) who have not furnished their valid TIN

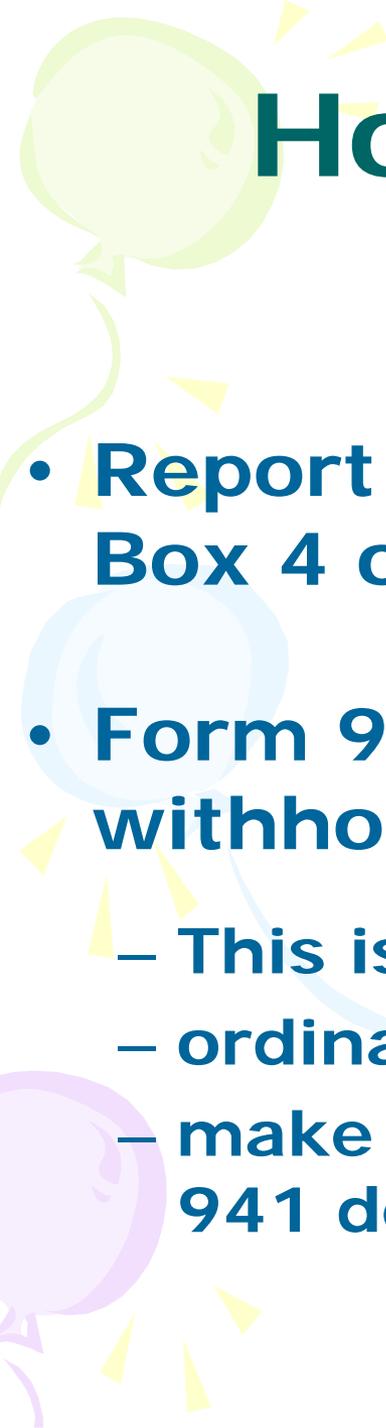
- The withholding rate is 28% (2011)
- Backup withholding applies to many payments reported on Form 1099-MISC, some are:
 - Box 1 = rents (surface royalties)
 - Box 2 = royalties
 - Box 7 = nonemployee compensation



When to Begin Backup Withholding

- Backup withholding begins when aggregate payments for the calendar year equal or exceed \$600*, or
- Immediately if:
 - Payee was paid more than \$600 in prior year and an information return was issued, or
 - Payee was subject to backup withholding in the prior year
- * \$10 for Dividends and Interest





How to Report Backup Withholding

- **Report withholding to payee and to IRS in Box 4 of Form 1099-MISC**
- **Form 945 is used to report and pay backup withholding to the IRS.**
 - **This is an annual return, due 1/31/xx**
 - **ordinary deposit rules apply**
 - **make Form 945 deposits separate from Form 941 deposits**

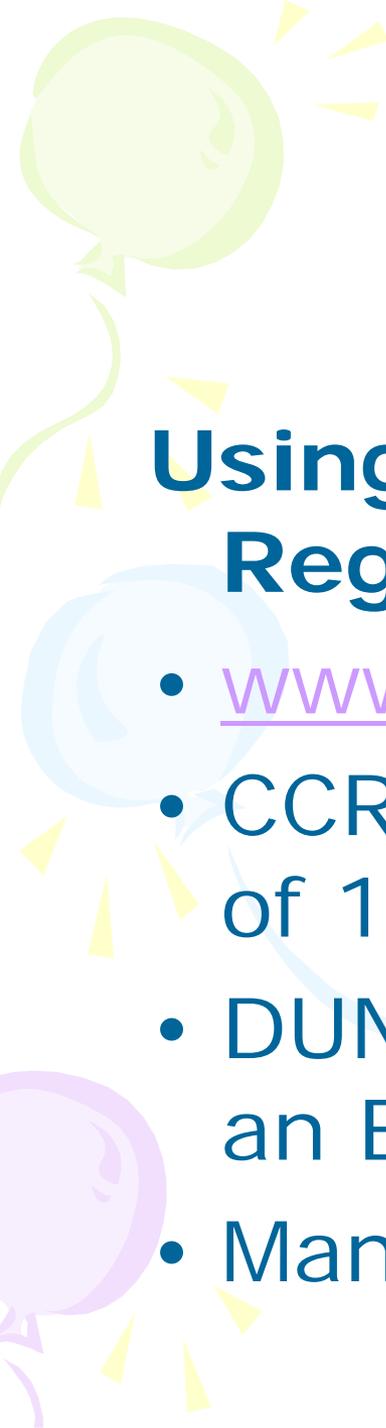
Benefits of TIN Matching

- Register for IRS TIN Matching through IRS e-services
<http://www.irs.gov/taxpros/article/0,,id=109646,00.html>
- If you have questions call our **e-services helpdesk @ 1-866-255-0654**, M-F 7:30 a.m. to 7:00 p.m., EST,



Benefits of TIN Matching

- Offered to authorized Payers / filers of 1099 information reporting returns subject to BWH (Forms 1099-B, INT, DIV, OID, PATR, and MISC).
- Interactive TIN Matching - can match up to 25 payee TIN and name combinations.
- Bulk TIN Matching - to match up to 100,000 TIN and name combinations.



Benefits of TIN Matching

Using the Central Contractor Registry (CCR) for TIN Matching:

- www.ccr.gov
- CCR TIN Matched to IRS Records as of 10/2007
- DUNS number is Public information, an EIN is NOT
- Many DUNS may fall under one EIN

Verifying TINs - Check It Out !

- You may verify
 - Up to 5 SSNs by calling the SSA at 800-772-1213 *or* 800-772-6270 7am-7pm
 - Up to 50 by writing the SSA local office
 - More than 50 faxing 410-966-3366 or 410-966-9439
 - 6 or more at www.ssa.gov/employer/evs2000.html
- For problem SSNs, call the Employer Verification Hotline at 410-965-7140
- Examples of invalid SSNs:
 - Beginning #'s 8xx or 9xx or above 728
 - Middle or ending numbers - all 0's



For More Information

- **Instructions for Forms 1099, 1098, 5498, & W-2G**
- **Internal Revenue Code Sections 6041 thru 6053**
- **Publication 1281 – Backup Withholding on Missing and Incorrect Name/TINs**
- **Publication 1179 – Rules & Specifications for Private Printing of Substitute Forms 1096, 1098, 1099, Series 5498 & W-2G**

Three balloons are visible on the left side of the slide. The top one is light green, the middle one is light blue, and the bottom one is light purple. Each balloon has a string and several small yellow triangular shapes around it, resembling streamers or confetti.

Questions?