

September 1 ,2022

1099 Processing Training Course

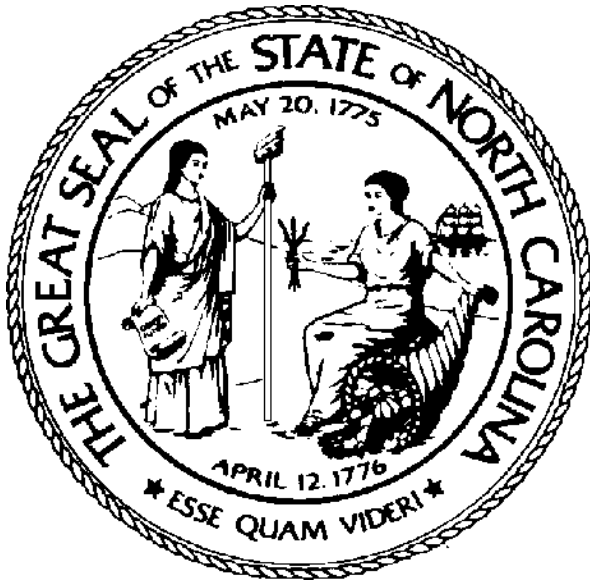


State of North Carolina

NC Accounting System

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North Carolina Accounting System
1099 Processing
Training Course



Office of the State Controller
September 1, 2022

This training was prepared by:
The Office of the State Controller

<http://www.osc.nc.gov>

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1099 Course Overview

This course provides an agency's Accounts Payable (AP) management and staff with the information necessary to complete 1099 processing each calendar year.

Audience

Accounts Payable management
Accounts Payable staff

Objectives

The primary objective of this course is to enable AP managers and staff to process 1099s using the North Carolina Accounting System (NCAS). Upon successful completion of this course, participants will be able to:

- Understand NCAS 1099 processing
- Understand 1099 reports
- Validate vendor 1099 information
- Correct vendor 1099 errors
- Prepare 1099 forms for vendors
- Understand state and federal backup withholding procedures
- Understand the policies and procedures to process a Non-resident Alien

Quick Reference Guide

Quick Reference Guides are job aids that help participants complete the tasks involved with their jobs. They are referenced throughout the walkthroughs and activities.

Procedures

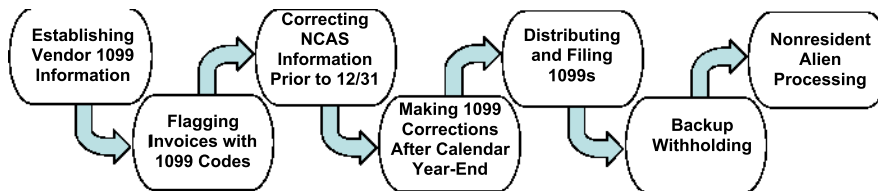
The Procedures section includes detailed process steps that describe how to complete the tasks associated with a participant's job. Use these "step-by-steps" after training as a reference detailing the use of the NCAS to perform job functions.

Reports

The Reports section includes explanations of reports used in performing 1099 processing tasks.

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1099 Process Overview



Process Overview

All state agencies must report 1099 information to the Internal Revenue Service (IRS) on a calendar-year basis to comply with IRS tax requirements. Accurate reporting of 1099 information is dependent upon decisions made by an agency throughout the year. For example, every time a vendor is set up or an invoice is created, 1099 information may be required. Special attention paid to these and other activities throughout the year reduces the amount of year-end work necessary to complete 1099 processing.

Agencies rely on the North Carolina Accounting System (NCAS) and the Office of the State Controller (OSC) to help process 1099s:

The Office of the State Controller (OSC) assist your agency to ensure the following activities occur with regards to 1099 processing:

- Establishing vendor 1099 information for trade vendors
- Verifying and correcting NCAS information prior to December 31
- Verifying and making 1099 corrections after calendar year-end

Establishing Vendor 1099 Information

The first step in the 1099 process is establishing vendor 1099 information. For trade vendors, OSC will establish a non-printable 1099 code for vendors that may be 1099 eligible. This non-printable 1099 code will display a message to AP Processors that the vendor may be eligible for a 1099. Agencies are responsible for setting the appropriate 1099 code for any non-trade vendors.

Flagging Invoices with 1099 Codes

The second step in 1099 processing is to flag the invoices with the appropriate 1099 codes. This should be done throughout the fiscal year to minimize the amount of work at year-end.

Correcting NCAS Information Prior to 12/31

The next step in 1099 processing is to ensure the accuracy of NCAS information before calendar year-end. This process entails the following tasks:

- Reviewing 1099 reports
- Adjusting vendor information
- Correcting errors
- Adjusting 1099 totals

Making 1099 Corrections after Calendar Year-End

After calendar year-end, corrections may still be made to 1099 information. The corrections may entail performing invoice maintenance on the *Invoice Maintenance Worksheet (IMW)* screen, entering a zero-dollar invoice, recording a manual check and issuing a corrected 1099 to the vendor.

Distributing and Filing 1099s

Using the Department of Information Technology's software named NCXCloud, the agencies are now able to print their own NCAS 1099 forms locally. Instructions on how to use the NCXCloud software to print 1099 forms is on OSC's website under the Training section.

[NCAS-2 Printing Instructions for Calendar Year 2021 1099s | NC OSC](#)

After the 1099 forms are printed, the agency is responsible for ensuring that forms are correct and are mailed to the recipients by January 31. Each agency will be responsible for procuring the needed supplies to mail the recipient's 1099 forms. In addition, Information Returns must be reported to the IRS by January 31. OSC creates and files one electronic file that includes all NCAS agencies' 1099 information to be reported to the IRS. **No reporting, paper or electronic should be sent to the IRS by the agency prior to January 31.**

Individual state agencies will be responsible for filing their own 1099 information to the NC Department of Revenue (NCDOR). For details of when to file any required 1099s to NCDOR please see the NCDOR website. <https://www.ncdor.gov/taxes-forms/withholding-tax>

Starting calendar year 2021, the IRS announced that they would reduce the threshold for filing 1099 changes. Currently, the IRS has this threshold change on hold. Once this threshold change is in effect with the IRS, the OSC will generate and submit a change file for all 1099 changes. This 1099 change file will be reported to the IRS weekly. To obtain an accurate change file, all agency 1099 changes need to be recorded. The change file will be generated weekly until the Friday before April 15th for the current 1099 calendar year. After the last file is generated, it will be the responsibility of the agencies to notify the IRS of any 1099 changes.

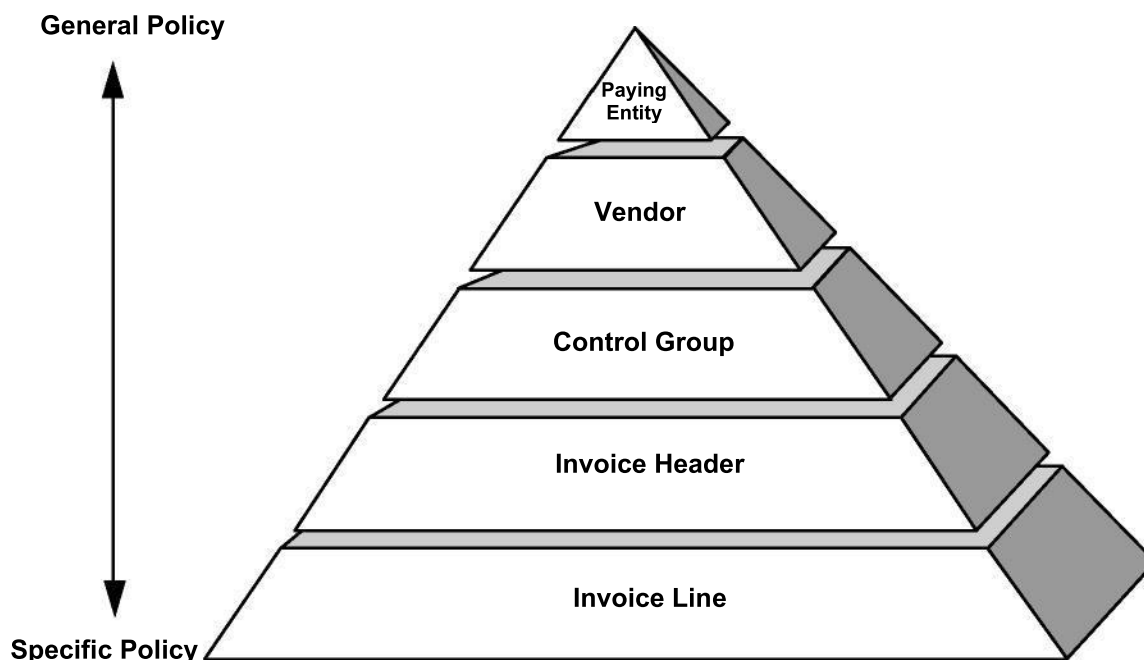
Tax and Backup Withholding

Under certain circumstances, agencies are required to withhold taxes from vendor payments. State laws require 4% withholding for payments to nonresident contractors for specific personal services provided. Federal law requires 24% backup withholding for vendor's refusal to supply a taxpayer identification number and 30% for foreign vendor payments.

Policy Hierarchy

A goal of NCAS is to maintain consistent financial processes across the state while simultaneously meeting the individual needs of agencies. To achieve this goal, system policy is established at a high level but can be overridden at lower levels. This classification is reflected in the policy hierarchy.

The policy hierarchy, represented in the following diagram, reflects the levels at which policy is established and maintained.



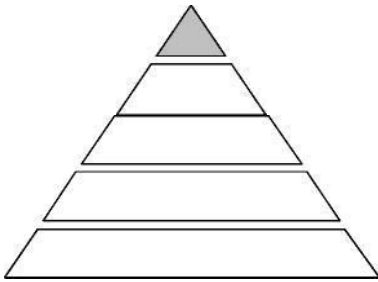
At the highest level, the **paying entity** acts as an umbrella under which the most general 1099 policies are established and maintained. This information is set up to default into all NCAS documents.

As you progress down the pyramid, each layer provides an opportunity to override previously established policies. (Note that the control group level does not apply to 1099 processing.) *The last opportunity to override default information is at the invoice line.* Policy established at the invoice line is specific to a specific document.

For example, the default 1099 code for all trade vendors is the non-printable 1099 code of “**NO.**” This code will display a message that the vendor may be eligible for a 1099. This requires all users to enter a 1099 code on the invoice line if the invoice line is a 1099 reportable transaction.

Paying Entity Policy Options

OSC uses the *Accounting Options and Defaults (AOD)* screen to record the following agency-specific 1099 processing options.

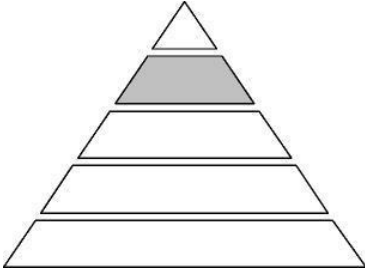


- TAX CERTIFICATION NUMBER**
This field identifies the tax identification number (TIN) for your agency. If this number is incorrect, **notify OSC immediately.**
- 1099 WITHHOLDING OPTION**
This field indicates how the system will process an invoice if the vendor’s TIN is not on file. This field may be set at **H** (Hold Invoice). If this field has been set to **H** and there is no TIN on file, payments are held until the TIN is on file.
- 1099 TRANSMITTER CNTL NBR**
This field displays the five-character alphanumeric Transmitter Control Code (TCC) issued and required by the IRS for filing electronically. OSC uses one code for the entire state. One file is sent to the IRS for all NCAS agencies for calendar year 1099s.

OCP	ACCOUNTING OPTIONS AND DEFAULTS		AOD
NEXT FUNCTION: _____	ACTION: _____		03/30/2011 08:09:48
REQUEST: _____			
=====			
PAY ENTITY	:		
ACCRUAL OR CASH ACCOUNTING:	—	GROSS OR NET DISCNT MTHD :	—
ADDITIONAL COST PRORATION :	—	FREIGHT PRORATION :	—
SALES TAX/VAT PRORATION :	—	SLS TAX/VAT PRORATE MTHD :	—
TAX INDICATOR DEFAULT :	—	TAX CALC MTHD DIFFERENCE :	—
PROVISIONAL ACCTG ALLOWED :	—	PROVISIONAL TAX METHOD :	—
AUTOMATIC VOUCHER NBR OPT :	—	LAST VOUCHER NUMBER USED :	_____
SALES TAX/VAT VERIFY OPT :	—	TAX TOLERANCE AMOUNT :	_____
TAX TOLERANCE PERCENT :	_____	VAT INCLUSIVE ALLOWED :	—
TAX FORMULA BASIS :	—	DISCOUNT TAX FORMULA :	—
TAX CERTIFICATION NUMBER	:	-----	-----
1099 WITHHOLDING OPTION :	—	1099 TRANSMITTER CNTL NBR:	_____
1099 WITHHOLDING RATE :	_____	COMBINED FED/STATE FILE :	—
1099 PAYER TYPE	:	-----	-----

Vendor Policy Options

When a vendor is added to NCAS, the policy options are recorded on the *Vendor Payable Information (VPN)* screen as follows:



- **TAX ID NUMBER**

This field indicates the nine-character TIN that is unique to each vendor.

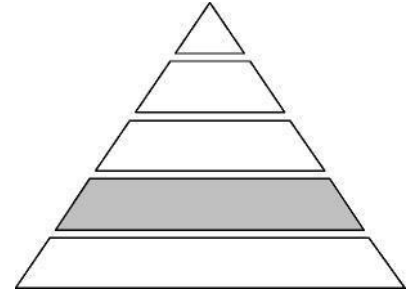
- **1099 CODE**

This field indicates the default 1099 code for the specified vendor. This code will default for *all invoices* for this vendor. A list of 1099 codes can be found in **QRG 1: 1099 Codes List** or on the *1099 Codes List (TNL)* screen.

OCP	VENDOR PAYABLE INFORMATION	VPN
NEXT FUNCTION: _____	ACTION: _____	03/30/2011 09:04:07
REQUEST: _____		
=====		
PAY ENTITY : _____		
SHORT NAME : _____		
VENDOR NUMBER: _____	GROUP: _____	
DISCOUNT DELAY DAYS : _____	PAYMENT DELAY DAYS : _____	
DOC ALERT MAX AMOUNT: _____	COMBINED OR SINGLE PYMT: _____	
DIRECT INVC ALLOWED : _____	PAYMENT PRINT SEQUENCE : _____	
FACTOR NUMBER : _____	FACTOR GROUP NUMBER : _____	
PAYMENT ROUTE CODE : _____	VAT INCLUSIVE : _____	
SIGN APPROVAL CODES : _____	USE TAX : _____	
TAX ID NUMBER : _____	TAX ID EXPIRATION DATE : _____	
1099 CODE : _____	1099 WITHHOLDING RATE : _____	
1099 PAYEE NAME : _____	1099 USE NAME : _____	
VENDOR CURR CODE : _____		
DUNS NUMBER: _____	TYPE : _____	
CORPORATE CREDIT CARD 2: _____	TYPE : _____	

Invoice Header Policy Options

The *Invoice Worksheet 2 (IWS-2T)* screen is used by agencies to enter a 1099 code on an invoice header. This code applies to all invoice lines attached to the invoice header and overrides a 1099 code entered on the *VPN* screen.

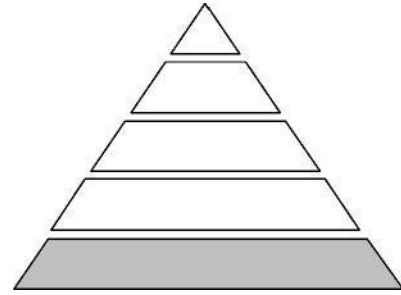


LINE	IND	SALES TAX/VAT	IND	OPTIONAL	AMNT	1099	USE	I	REC	AR	
		FREIGHT		ADDITIONAL COST		DESCRIPTION		PRORATE(T F A D)			
0001											
0002											
0003											
0004											
SALES TAX 2		:		SALES TAX 3		:		GROSS AMOUNT			: .00

OCP AP INVOICE WORKSHEET 2 IWS-2T
 NEXT FUNCTION: _____ ACTION: _____ 03/30/2011 09:16:16
 REQUEST: _____
 =====
 HANDLING CODE : _____ REASON CODE : _____
 GL EFFECTIVE DATE: _____ FACTOR NUMBER : _____
 PROVISIONAL DATE : _____ IND: _____ SIGNATURE APPR CD: _____
 PAYMENT ROUTE CD : _____ BANK PYMT: _____ ACCT RULE : _____ VAT INCL : _____
 IND - PAYABLES : _____ DISCOUNT : 001 INTER PAY : _____ 1099 TAX CODE: _____
 EXPENSE : _____ CO: _____ ACCT: _____ CENTER: _____

Invoice Line Policy Options

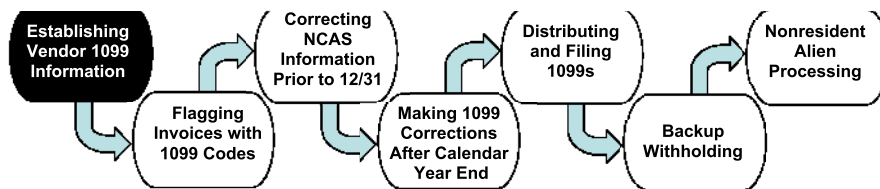
The *Invoice Worksheet 1 (IWS-1T)* screen is used to enter a 1099 code on individual invoice lines. This code applies to individual invoice lines only and overrides any 1099 code entered on the *Invoice Worksheet 2 (IWS-2T)* screen or the *VPN* screen.



OCP	INVOICE WORKSHEET 1	IWS-1T	
235 - ENTER REQUIRED KEY FIELDS			
NEXT FUNCTION: _____ ACTION: _____		03/30/2011 09:28:14	
REQUEST: _____			
=====			
INVOICE NUMBER : _____	DATE: _____	MODEL: - _____	
VENDOR SHORT NM: _____		CURR : _____	
VENDOR NUMBER : _____		CM/DM : _____	
PO REFERENCE : _____	COUNTY CODE: _____	MULTI PYMT: - _____	
TERMS CODE: _____	PYMT DUE DATE: _____	DISCOUNT AMT/PCT: _____	
REMIT MSG: _____			
SIGNATURE APPR CD: _____			
LINE	AMOUNT/PERCENT	EXP CO ACCOUNT CENTER	BID PROJECT
QUANTITY UNIT	ITEM NUMBER	DESCRIPTION	PRORATE (T F A D) USE 99 NCG FED
0001	_____	_____	_____
0002	_____	_____	_____
0003	_____	_____	_____
0004	_____	_____	_____
SALES TAX/VAT : _____	FREIGHT : _____		
ADDITIONAL COST: _____	GROSS AMOUNT: _____		

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Establishing Vendor 1099 Information



1099 Vendors

A **1099 vendor** is a vendor for whom you must report payment for services to the Internal Revenue Service (IRS). All reporting of 1099 information must be in accordance with Internal Revenue code.

Below are categories of 1099 vendors that may need to receive a 1099:

- Individuals
- Sole proprietorships
- Partnerships
- Medical/health corporations
- Attorney Payments (on behalf of clients)

Below are types of 1099s that may be sent to vendors.

- 1099 – MISC
- 1099 – INT
- 1099 – G
- 1099 – NEC

1099 Trade Vendors

Trade vendors are people and companies outside of your agency who provide goods and services to your agency. Trade vendors are primarily engaged in providing the goods and/or services typically purchased by your agency.

Before entering a document in NCAS, a trade vendor must exist in the Central Trade Vendor File. This file is established and maintained by OSC. To establish a trade vendor, the requesting agency will need to obtain a completed [OSC Substitute W9 form](#) or [W-8](#) form from the vendor. The vendor will indicate on the Substitute W-9 form if he/she is a 1099 vendor. The form is then submitted to OSC Support Services through the Support Services SharePoint Site (each agency has an official who submits the forms through the site). A substitute W-9 form is not needed if the vendor is foreign. The appropriate W-8 form or OSC Substitute W-8 form can be submitted.

If the vendor is a *possible* 1099 vendor, OSC sets the 1099 code on the *Vendor Payable Information (VPN)* screen to “NO.” The “NO” code indicates to the agency that the vendor may be

a 1099 vendor and prompts the agency to enter an appropriate 1099 code for each 1099 reportable invoice line. For all invoices for this vendor, the 1099 “NO” code defaults to the “99” field on the *Invoice Worksheet 1 (IWS-1T)* screen. Also, the message **076-VENDOR MAY BE 1099 ELIGIBLE** displays at the top of the screen.

- If an invoice line *is* a 1099 transaction, you must override the default code “NO” with the appropriate 1099 code. The codes that identify these transactions are listed on the *1099 Codes List (TNL)* screen or in **QRG 1: 1099 Codes List**.
- If the invoice line is *not* a 1099 transaction, do not override the “NO.”

It is very important to match the vendor’s name with his/her federal identification number or social security number for 1099 reporting. The IRS can fine your agency for each 1099 that is issued incorrectly.

1099 Employee Vendors

An employee who has been established under an employee paying entity should not be a 1099 vendor. However, an employee established as a trade or non-trade vendor may be a 1099 vendor. (Expense reimbursements that are not related to an employee’s job should be reported in a trade or non-trade paying entity.) For example, an employee in your agency provides catering services to other agencies. If this employee has been established as a non-trade vendor to receive expense reimbursements, he/she may be 1099 reportable for payment of catering services.

1099 Non-Trade Vendors

A **non-trade vendor** is a vendor to whom payments are made for other than purchased goods or services. For example, awards or scholarships are typically made to non-trade vendors, unless the awards/scholarships are inclusive of income. If they are inclusive of income the vendors should be entered in the payroll system for W-2 reporting. As with a trade vendor, a non-trade vendor must *exist* in the NCAS before a transaction can be entered. **Since non-trade vendors are not shared with other agencies, each agency is responsible for correctly setting up its non-trade vendors.** 1099 information for non-trade vendors is set up using the *VPN* screen.

OSC does not require that the vendor’s federal ID number or social security number be used as the vendor number. However, the federal ID number or social security number must be entered in the TAX ID number field on the Vendor Payable Information (VPN) screen to issue the 1099.

Short names for non-trade vendors should be set up on the *Vendor Setup (VSU)* screen. You should set up vendors who are individuals with the last name first (e.g., Smithjohn). Remember that spaces and punctuation are *not* typed in the SHORT NAME field.

Adding a non-trade vendor requires entries on three screens:

- The **Vendor Setup (VSU)** screen is used to set up the vendor’s name, short name, address, and telephone information.

- The **Vendor General Information (VGN)** screen is used to indicate any special characteristics of the vendor and vendor add date.
- The **Vendor Payable Information (VPN)** screen is used to set up 1099 and backup withholding information. The FEDERAL TAX ID field must be completed on this screen to avoid inadvertent backup withholding.

For a non-trade vendor, a 1099 code can be entered on the *VPN* screen. If entered, the 1099 code defaults to every transaction for that vendor. You can also enter a “NO” on the *VPN* screen to flag the vendor as a *possible* 1099 vendor.

- If the invoice line *is* a 1099 transaction, you *must* override the default code “NO” on the invoice screen with the appropriate 1099 code.
- If the invoice line is *not* a 1099 transaction, do not override or delete the “NO.”

If an individual or company is doing business under another name, enter both names into NCAS. On the *VSU* screen, enter the name that should display on the checks in the VENDOR NAME field. On the *VPN* screen, enter the name as it is registered with the IRS or Social Security Office in the 1099 PAYEE NAME field (this should correspond to the legal name on line 4 of the substitute W-9 form). This ensures that any applicable reporting is processed with the correct name.

For example, you want to add vendor XYZ, Inc. DBA (doing business as) ABC Company. On the *VSU* screen, type **ABC Company** in the VENDOR NAME field and on the *VPN* screen, type **XYZ Inc** in the 1099 PAYEE NAME field.

You cannot delete a non-trade vendor. You can only inactivate a non-trade vendor so that this vendor can no longer be used. To inactivate a vendor, enter a “C” in the REQUEST field on the *VSU* screen and press **ENTER**. Type an “I” in the VENDOR STATUS field on the *VSU* screen and press ENTER to make the vendor inactive.

The following walkthrough demonstrates how to designate a **non-trade** vendor as a 1099 vendor.

WALKTHROUGH: Adding a Non-Trade 1099 Vendor

SCENARIO

Add the following vendor to your non-trade paying entity.

Dr. Barbara Laker
831 West Morgan St.
Raleigh, NC 27611-2863

This vendor is a 1099 vendor. You need to indicate that she will receive medical payments. She would like the name of her clinic, Laker Medical Office, to print on the checks.

Her social security number is 333-44-5555.

1. Type **VSU** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Setup (VSU)* screen.

OCP	VENDOR SETUP		VSU
NEXT FUNCTION: 16	ACTION: _____		01/12/2006 11:34:20
REQUEST: 15			
=====			
PAY ENTITY : 2	VENDOR NO : 3	GROUP : 4	
VENDOR NAME : 5		VENDOR TYPE : 6	
SHORT NAME : 7		EDI/FAX CODE : -	
--- ORDER FROM ---	HOLD: _	DEFAULT ADDR: _	FAX : _____
ADDR LINE 1: _____			PHONE : _____
ADDR LINE 2: _____			STATE CODE : _ VAL: _
ADDR LINE 3: _____			POSTAL CODE : _____
OPT ADDR 1: _____			OPT ADDR USE : -
OPT ADDR 2: _____			OPT STATE CD : _ VAL: _
CONTACT : _____			OPT POSTAL CD: _____
--- REMIT TO ---	HOLD: _		
ADDR LINE 1: _____			PHONE : 8
ADDR LINE 2: 9			STATE CODE : 10 VAL: _
ADDR LINE 3: 11			POSTAL CODE : 12
OPT ADDR 1: _____			OPT ADDR USE : -
OPT ADDR 2: _____			OPT STATE CD : _ VAL: _
CONTACT : _____			OPT POSTAL CD: _____
PAYMENT TERMS: 13			VENDOR STATUS: -
CONSL REPORTING INFO -	PAY ENTITY: _____	VEND NBR: _____	GROUP NBR: _____

2. Type **your non-trade paying entity (XXPN)** in the PAY ENTITY field.
 - ☞ Your agency and OSC have determined the non-trade paying entity code. For purposes of this course, we will use **XXPN** as the non-trade paying entity.
3. Type **333445555** in the VENDOR NO field.
4. Type **A** in the GROUP field. The letter indicates the vendor's location.
5. Type **Laker Medical Office** in the VENDOR NAME field.
 - ☞ Laker Medical Office is the name Dr. Laker wants to display on the check. For 1099 purposes, your agency needs to report the information under the name Barbara Laker since it is her social security number. Her name will be entered on another screen.
6. Type **D** in the VENDOR TYPE field to indicate that Ms. Laker is a direct vendor.
7. Type **lakermedicaloff** in the SHORT NAME field.
 - ☞ Because non-trade vendors are not added by OSC, type a name in the SHORT NAME field to search and retrieve this non-trade vendor.
8. Type **919-715-3253** in the PHONE field of the REMIT TO section.

9. Type **831 W Morgan St** in the ADDR LINE 2 field.
 - 📁 Because this is not a matching vendor, you need to enter the address information in the REMIT TO section of the screen.
10. Type **NC** in the STATE CODE field.
11. Type **Raleigh** in the ADDR LINE 3 field.
12. Type **27611-0831** in the POSTAL CODE field.
 - 📁 Always include the additional 4 digits in the zip code. Complete zip codes can be located on the US Postal Service's web site: <http://www.usps.gov/zip4>.
13. Type **N30** (or a calculated payment due date) in the PAYMENT TERMS field.
14. Press **ENTER** to add this vendor to your non-trade paying entity and to clear the screen.
15. Type **G** in the REQUEST field and press **ENTER** to display the vendor record to verify the information was entered.
16. Type **VGN** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor General Information (VGN) screen*.

The system may pull in an incorrect short name for this record. The correct short name is being stored for this record. Delete the incorrect short name and proceed with processing the vendor.

```

OCP                                VENDOR GENERAL INFORMATION                                VGN
218 - PLEASE ENTER DESIRED REQUEST
NEXT FUNCTION: 21 ACTION: _____ 01/12/2006 11:53:50
REQUEST: 20
=====
PAY ENTITY      : _____
SHORT NAME     : _____
VENDOR NUMBER:  _____ GROUP:  ___

CATEGORY CODES 1: ___ 2: ___ 3: ___ 4: ___ 5: 17
DUNS NUMBER    : _____
VENDOR FILING DATE : _____
D & B RATING   : _____
D & B APPRAISAL : _____
QUESTIONNAIRE CODE : _____
NEXT QUEST. MAIL DATE: _____
EST EXPENDITURE : _____
NC CORPORATE ID NBR : _____ VEND ADD: 18
ORDER FROM EMAIL : _____
REMIT TO EMAIL   : _____
    
```

You can locate the corresponding Category Codes on the *Description Table (DTL)* screen.

- Type **DTL** in the NEXT FUNCTION field and press **ENTER** to access the *Description Table (DTL)* screen.
- Type your **paying entity (XXPN)** in the ENTITY field.
- Type **PAY** in the ENTITY TYPE field and press **ENTER**.
- Once you have located the appropriate code, access the *VGN* screen to add the code.
 - An example of a commonly used Category Code is **TAX**. This code is used to describe a “Tax Exempt, Non-Profit Vendor.”

An abbreviated list of the most used Category Codes can be found in **QRG 2: Post Office and Incorporated Cities and Towns**.


17. Type **092**, which is the remit-to county code for Wake County, in the CATEGORY CODE 5 field.

If you know the city in the remit-to address on the *VSU* screen, you can identify the county code **using QRG 2: Post Office and Incorporated Cities and Towns**.


If you know the county name, you can find the corresponding code on the *Description Table (DTL)* screen.

Once you have located the appropriate code, access the *VGN* screen to add the code.

18. Type **today’s date** in the VEND ADD field to track the date of the addition of the vendor to the system.

 The year must be typed as a four-digit year, ie., 02262006.

19. Press **ENTER** to add the vendor add date and to clear the screen.


 Note that if you change the vendor’s city/county address, the *VGN* screen must be changed correspondingly.

20. Type **G** in the REQUEST field and press **ENTER** to display and verify the vendor record.


21. Type **VPN** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Payable Information (VPN)* screen.

OCF	VENDOR PAYABLE INFORMATION		VPN
NEXT FUNCTION: _____	ACTION: _____	01/12/2006 11:59:13	
REQUEST: _____	=====		
PAY ENTITY : _____			
SHORT NAME : _____			
VENDOR NUMBER: _____	GROUP: _____		
DISCOUNT DELAY DAYS : _____	PAYMENT DELAY DAYS : _____		
DOC ALERT MAX AMOUNT: _____	COMBINED OR SINGLE PYMT: _____		
DIRECT INVC ALLOWED : _____	PAYMENT PRINT SEQUENCE : _____		
FACTOR NUMBER : _____	FACTOR GROUP NUMBER : _____		
PAYMENT ROUTE CODE : _____	VAT INCLUSIVE : _____		
SIGN APPROVAL CODES : _____	USE TAX : _____		
TAX ID NUMBER : 22 _____	TAX ID EXPIRATION DATE : _____		
1099 CODE : 23 _____	1099 WITHHOLDING RATE : _____		
1099 PAYEE NAME : 24 _____	1099 USE NAME 25 _____		
VENDOR CURR CODE : _____			
DUNS NUMBER: _____	TYPE : _____		
CORPORATE CREDIT CARD 2: _____	TYPE : _____		

22. Type **333445555** in the TAX ID NUMBER field to identify Dr. Laker's social security number.


 If there is not a tax ID number in this field, transactions to this vendor may be put on 1099 hold. This would require the AP clerk to release the payments.

23. Type **NO** in the 1099 CODE field.

 By typing **NO** in the 1099 CODE field on the VPN screen, you have flagged the vendor as a *possible* 1099 vendor. This means that whenever a transaction for this vendor is entered in NCAS, the system displays the following warning message: **076 – VENDOR MAY BE 1099 ELIGIBLE.**

24. Type **Barbara Laker** in the 1099 PAYEE NAME field.

25. Type **Y** in the 1099 USE NAME field.

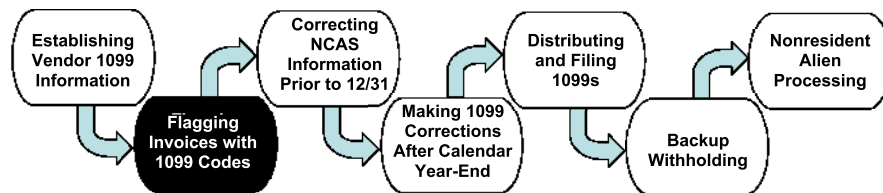
 This field is required when the 1099 PAYEE NAME field is completed. You will receive an error message if you do not complete this field.

26. Press **ENTER** to process the information and clear the screen.

With 1099 reporting, it is very important to match the vendor's name with his or her federal identification number or social security number. This name should correspond to the name listed on line 4 of the OSC Substitute W-9. The IRS may fine your agency for each 1099 that is issued and filed incorrectly.

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Flagging Invoices with 1099 Codes



Entering 1099 Codes on Invoices

The value that is entered in the 1099 CODE field on the *VPN* screen defaults to the 99 field on the *IWS-1T* screen.

- If a 1099 code was entered on the *VPN* screen that code defaults to the 99 field on the *IWS-1T* screen.
- If “NO” was entered on the *VPN* screen, that code defaults to the *IWS-1T* screen.

For each transaction that is a 1099 transaction, you must either accept the default value in the “99” field or override it with the appropriate 1099 code for that invoice line.

For all transactions, a 1099 code may be entered on the *IWS-1T* screen. This code applies to the individual invoice line to which it is attached and overrides any code entered on the *VPN* screen. **It is important to verify that any default 1099 code on the *IWS-1T* screen is the appropriate code for that invoice line.** On any statewide vendor that you know is reportable, and a 1099 “NO” code or message did **not** default, please call the OSC Support Services Center so that the vendor can be identified as a possible 1099 vendor.

WALKTHROUGH: Entering a 1099 Code on a Direct Invoice

SCENARIO
You have received two invoices attached to the following Control Group Header sheet. Process the control group.
The first invoice is for medical services. The vendor receives a 1099 for this invoice line. Process this invoice.
The accounting distribution is XX01 532199 10001000.

Agency Name

Accounts Payable Control Group Header

PAYING ENTITY

XXPT

Other

ENTRY METHOD

DIRECT INVOICES

MATCHING INVOICES

EMPLOYEE INVOICES

CONTROL GROUP DATE: TODAY'S DATE

CONTROL GROUP NUMBER: 126

OPERATOR ID: _____ YOUR INITIALS
DBS# INITIALS

	INVOICE NUMBER	NUMBER OF DOCUMENTS	AMOUNT
PER TAPE		2	2,750.00
ADJUSTMENTS			
AMOUNT ENTERED		2	2,750.00

1. Remember to first enter the control group header information on the *Control Document Entry (CDE)* screen. (Refer to **Procedure 2: Entering a Control Group.**)
 - To indicate that this control group includes *direct* invoices, type **D** in the ENTRY METHOD field.
 - The trade paying entity is **XXPT**.

2. Press **ENTER** to process the control group header information and to access the *Invoice Worksheet 1 (IWS-1T)* screen.

Invoice: Andrew Markham, M.D. 1045 Fordgate Dr Bowman, NC 29992-0992		Invoice Number: 5246179824 Invoice Date: 03/11/06 Terms: Net 30	
Description:	Quantity:	Unit Price:	Total Price:
Physicals	15	50.00	750.00
		Freight: Tax: Total	750.00

```

OCP                               INVOICE WORKSHEET 1                               IWS-1T
235 - ENTER REQUIRED KEY FIELDS
NEXT FUNCTION: 14 ACTION: _____ 02/16/2006 07:45:22
REQUEST: _____
=====
INVOICE NUMBER : 3 DATE: 4 MODEL: _____
VENDOR SHORT NM: 5 CURR : _____
VENDOR NUMBER : _____ CM/DM : _____
PO REFERENCE : _____ COUNTY CODE: _____ MULTI PYMT: _____
TERMS CODE: _____ PYMT DUE DATE: _____ DISCOUNT AMT/PCT: _____
REMIT MSG: _____
SIGNATURE APPR CD: _____
LINE AMOUNT/PERCENT EXP CO ACCOUNT CENTER BID PROJECT
QUANTITY UNIT ITEM NUMBER DESCRIPTION PRORATE (T F A D) USE 99 NCG FED
0001 8 9 10 11
_____ 12
0002 _____
0003 _____
0004 _____
SALES TAX/VAT : _____ FREIGHT : _____
ADDITIONAL COST: _____ GROSS AMOUNT: _____
    
```

3. Type **5246179824** in the INVOICE NUMBER field.
4. Type **031106** in the DATE field.
5. Type **mark@** in the VENDOR SHORT NM field and press **ENTER** to display the vendor number.

6. The following message is displayed: **476-THIS VENDOR IS NORMALLY A MATCHING VENDOR**. This message is informational only. Press **ENTER** to override the message and continue to enter the invoice as a direct invoice.
7. Press **ENTER** to override the following message: **076 VENDOR MAY BE 1099 ELIGIBLE**. This message indicates that the vendor is a possible 1099 vendor.
 - ☞ Check your invoice to make sure it is for services, rents, medical payments, or other 1099 reportable items. If it is reportable, you must enter a 1099 code for this transaction. You enter this code when you enter the details of this transaction.
8. At the 0001 line, type **750.00** in the AMOUNT/PERCENT field.
9. Type your **company number (XX01)** in the CO field.
10. Type **532199** in the ACCOUNT field.
11. Type **10001000** in the CENTER field.
12. Type **physicals (10)** in the DESCRIPTION field.
13. Press **ENTER** to save the entered information.
 - ☞ "NO" has defaulted to the 99 field. Because Dr. Markham receives a 1099, you must override the "NO" with a 1099 code on line 0001.
14. Type **TNL** in the NEXT FUNCTION field and press **ENTER** to access the *1099 Codes List (TNL) screen*.
15. Press **ENTER** to view the 1099 codes. Scroll down by pressing **ENTER** to **M6**, which represents miscellaneous medical and health care payments.

1099 CODE	1099 GROUP	ABBREV	DESC	DESCRIPTION
M6		1099-M-MED	HLTH	1099-MISCELLANEOUS-MEDICAL AND HEALTH CARE PAYMENTS
M7		1099-M-NON-EMP		1099-NONEMPLOYEE COMPENSATION

16. Type **R** in the NEXT FUNCTION field and press **ENTER** to return to the *Invoice Worksheet 1 (IWS-1T) screen*.

OCP	INVOICE WORKSHEET 1	IWS-1T					
NEXT FUNCTION: _____	ACTION: _____	02/16/2006 07:52:48					
REQUEST: 19	=====						
INVOICE NUMBER : _____	5246179824	DATE: 03/11/2006					
VENDOR SHORT NM: MARKHAMANDREWMD	ANDREW MARKHAM MD	MODEL: _____					
VENDOR NUMBER : _____	777889999 A	BOWMAN					
PO REFERENCE : _____	COUNTY CODE: _____	MULTI PYMT: N					
TERMS CODE: N30	PYMT DUE DATE: _____	DISCOUNT AMT/PCT: _____					
REMIT MSG: _____	SIGNATURE APPR CD: _____						
LINE	AMOUNT/PERCENT	EXP	CO	ACCOUNT	CENTER	BID	PROJECT
QUANTITY	UNIT	ITEM	NUMBER	DESCRIPTION	PRORATE (T F A D)	USE	99 NCG FED
0001	_____	750.00	001	XX01 532199	_____	10001000	_____
				PHYSICALS	_____	Y Y Y Y	17
0002	_____	_____	_____	_____	_____	_____	_____
0003	_____	_____	_____	_____	_____	_____	_____
0004	_____	_____	_____	_____	_____	_____	_____
SALES TAX/VAT :	_____	FREIGHT :	_____				
ADDITIONAL COST: _____	_____	GROSS AMOUNT: 18	_____				

17. Type **M6** over "NO" in the 99 field of line 0001 to indicate that this is a 1099 transaction for Medical and Healthcare payments.
18. Type **750.00** in the GROSS AMOUNT field. Delete the zeros at the end of the field.
19. Type **N** in the REQUEST field to balance the document and press **ENTER** to access a blank *Invoice Worksheet 1 (IWS-1T)* screen.

You have completed keying in the first document in **control group 126**.

WALKTHROUGH: Entering a 1099 Code on a Matching Invoice

SCENARIO

You have received an invoice from Loren B Bell, DDS for semiannual checkups for prisoners. This invoice is for services and the signature payment basis applies to this invoice.

Because this invoice is for services, use **XXBS** for the buying entity. The vendor number is **888990000 A**. This vendor is 1099 eligible. The 1099 code for this vendor is **M6**.

Process the invoice header and line information and then pass the invoice to your *Invoice Reapplication Work Queue (IRQ)*. After you receive the requester's signature, finish processing the invoice.

Invoice: Loren B Bell, D.D.S. PO Box 3959 Attaway, NC 28454-3959		Invoice Number: 7594863011 Invoice Date: 02/02/2006 Terms: Net 30	
Description:	Quantity:	Unit Price:	Total Price:
Semiannual Checkups for Prisoners	1	2000.00	2000.00
PO# XX90000001		Freight: Tax: Total:	2000.00

1. Type **4** in the **REQUEST** field and press **ENTER** to select a blank *Invoice Matching (IMP) screen* in **control group 126**.
2. Enter the **invoice header information** on the *IMP* screen. (Refer to **Procedure 4: Entering Invoice Header Information for Matching Invoices.**)
 - 📁 Remember that the buying entity for this transaction is **XXBS**.
3. Press **ENTER** to process the information. The system displays the message: **076 - VENDOR MAY BE 1099 ELIGIBLE.**
4. Press **ENTER** to continue processing the invoice and to access the *Invoice Line Audit (ILA) screen*.
5. Tag the appropriate PO line that corresponds to the invoice line and press **ENTER**. (Refer to **Procedure 5: Entering Invoice Line Information for Matching Invoices.**)
6. Type **3** in the **REQUEST** field and press **ENTER** to access the *Invoice Worksheet 1 (IWS-1T) screen* to enter the vendor's 1099 code.

OCF	INVOICE WORKSHEET 1	IWS-1T
235 - ENTER REQUIRED KEY FIELDS		
NEXT FUNCTION:	ACTION:	02/16/2006 07:57:51
REQUEST: 8 9		
=====		
INVOICE NUMBER :	7594863011	DATE: 02/02/2006 MODEL: _____
VENDOR SHORT NM:	BELLLORENBDDS	LOREN B BELL DDS CURR : _____
VENDOR NUMBER :	888990000 A	ATTAWAY CM/DM : I
PO REFERENCE :	XXBS XX90000001	COUNTY CODE: _____ MULTI PYMT: N
TERMS CODE: N30	PYMT DUE DATE: _____	DISCOUNT AMT/PCT: _____
REMIT MSG: _____		
	SIGNATURE APPR CD: _____	
LINE	AMOUNT/PERCENT	EXP CO ACCOUNT CENTER BID PROJECT
QUANTITY	UNIT	ITEM NUMBER DESCRIPTION PRORATE (T F A D) USE 99 NCG FED
0001	2,000.00	XX01 534511 10003100 _____
	1 EA	GN94874 SEMIANNUAL_CHECKUPS_Y Y Y Y 7
0002		
0003		
0004		
SALES TAX/VAT :		FREIGHT : _____
ADDITIONAL COST: _____		GROSS AMOUNT: _____ 2,000.00

7. Type **M6** in the 99 field in the 0001 line.
8. Type **N** or **NEXT** in the REQUEST field and press **ENTER** to balance the invoice. The system displays the message: **445 - INVOICE HAS NOT BEEN PROCESSED BECAUSE OF SIGNATURE PAYMENT BASIS.**
9. Type **4** in the REQUEST field and press **ENTER** to return to the *IMP* screen.
10. Type **PASS** in the REQUEST field and press **ENTER** to pass the invoice to your *Invoice Reapplication Work Queue (IRQ)*.
11. Wait until you receive the *Matching Invoice Verification Report* or a signed invoice indicating that you have the required signature approval to pay the invoice for this transaction.
12. Type **IRQ** in the NEXT FUNCTION field and press **ENTER** to access your *Invoice Reapplication Work Queue (IRQ)* screen.
13. Type **XXPT** in the PAYING ENTITY field.
14. Type **XX** in the AP OPERATOR field.
15. Type **S** in the STATUS field and press **ENTER** to access a list of invoices pending signature verification.
16. Type **P** in the s field to *pay the invoice as is* and press **ENTER**.

The invoice disappears from the *IRQ* screen. The system has accepted invoice for payment.

Zero-Dollar Invoices

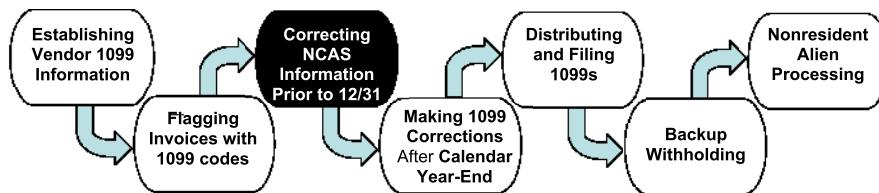
The purpose of a zero-dollar invoice is to update 1099 totals for reporting purposes. An invoice entered with a zero-dollar amount will have no net effect on the General Ledger, however zero-dollar invoice activity will display on the GL reports.

A zero-dollar invoice procedure is used to enter 1099 data when the invoice does not already exist in NCAS. In a zero-dollar invoice, one invoice line is entered for a positive amount and includes the appropriate 1099 code. The second invoice line is entered for the reverse (negative) amount without a 1099 code. The GROSS AMOUNT field for the document is zero. To minimize agency 1099 data entry, only one summary total for each 1099 code for each vendor can be entered as a zero-dollar invoice.

Since 1099 reporting is based on payment date, zero-dollar invoices must be entered and paid by December 31. To reduce data entry steps, OSC has established a specific Bank Account Payment (BAP) code (ZRO) for use in 1099 processing.

If the invoice is entered using the ZRO BAP code, a physical check is not generated. If the invoice is entered without using the ZRO BAP code, a check does print. You will have to pull the check and clear it manually. Refer to **Procedure 6: Entering Zero-Dollar Invoices**.

Correcting NCAS Information Prior to December 31



Overview

As invoices are being entered throughout the year, you must ensure the accuracy of NCAS information before calendar year-end. This process entails four steps:

- Reviewing 1099 reports
- Adjusting vendor information
- Correcting paying entity errors
- Adjusting 1099 totals

Reviewing 1099 Reports

To assist in 1099 reporting, OSC runs several reports as part of month-end processing. These reports should be reviewed and corrected monthly to determine whether any information has been omitted. Note that the reports do not validate the accuracy of the data. **Each agency is responsible for verifying and ensuring the accuracy of 1099 information in all reports.** These reports can be viewed through Systemware X/PTR or NCxCloud in report group OSCOP* 1099-1 AP 1099 REPORTS, 1099 COMPARE LIST, and 1099 COMPARE LIST EXCEL.

1099 Reports

OSC suggests you review these reports in the following order.

- **1099-1 AP 1099 REPORTS**

- **AP-TN005 & AP-TN05A - 1099 Error Report**

The AP-TN005 and AP-TN05A reports are comprised of two report sections. The first section is the “Vendor Error” report which identifies vendors with invalid Tax Identification Numbers (TIN) and/or invalid/incorrect addresses. If the Tax Identification Number is less/greater than 9 digits and/or contains letters, it is identified as an error in the system and must be corrected. If the vendor is a trade vendor, OSC is responsible for correcting any errors on the Statewide Trade Vendor File. However, if the vendor is an employee or non-trade vendor, each agency is responsible for making corrections on its vendor file. Some common errors and how to correct them will be discussed in detail later in the *Adjusting Vendor Information* section.

The second section is the “Tax Codes Not Requested” report which identifies 1099 codes not specified when extracting information. The codes “NO” and “ST” should be the only codes that display on this report. Each “NO” 1099 code invoice line should be verified to ensure that it is not 1099 applicable. If the “NO” code is incorrect, change the “NO” to the appropriate code on the invoice line. The “ST” code should apply to lines that are eligible for state withholding but not federal reporting. Refer to **Procedure 7: Changing a Document**.

It is important to review and correct ALL errors because these documents may require 1099 reporting, but they are excluded from the printed forms or 1099 file due to invalid or incomplete information. Items listed on this report do not display on detail reports.

The AP-TN005 report is sorted by account number, while the AP-TN005A is sorted by date, which easily allows you to determine which invoices need review since the prior month.

- **AP-TN002 - 1099 Detail Verification Report by Paying Entity**

This report lists, by paying entity, the basic invoice and payment information for each document for which a 1099 code is assigned. The report calculates the total expense amount and total amount withheld for each category code, vendor, and pay entity. A total is printed for the entire report.

Use the AP-TN002 report to verify that the 1099 codes are appropriate and assigned correctly. Also, use this report to identify vendors with an invalid TIN.

- **AP-TN003 - 1099 Detail Verification Report by Payer Tax ID Number**

This report lists supporting invoices for each 1099 code and vendor by Payer TIN. This report contains the same information as the AP-TN002 but is organized differently.

Use the AP-TN003 report to review documents from which 1099 information is reported and to identify vendors with an invalid TIN.

- **AP-TN004 - 1099 Exceptions Report**

This report lists the accumulated 1099 totals that are not reported to the IRS. Reporting is not required when the accumulated income (dividends, interest, or non-employee or miscellaneous) is negative, nets to zero, or is less than the amounts specified by law.

- **AP-TN05B- 1099 Totals Report**

This report is produced when generating the electronic files. The report compiles information to assist in the completion of the transmittal form that accompanies the electronic file.

Each block of the report shows the total amounts reported for each type of 1099. This report also indicates the quantity of 1099s produced for each type of 1099.

- **1099 COMPARE LIST**

The vendors and invoices that are selected for the **1099 Compare Report** are based on at least one line of at least one invoice being flagged as a 1099 transaction in the current calendar year for the agency. If there are vendors that have no lines flagged for any invoices for the agency, then these vendors will not appear on this report.

- **ALLINV**

This report will show all invoices regardless if they have the invoice lines flagged. The report will show columns to compare the amount paid, amount not flagged, and the amount flagged. The report also will list the actual 1099 code and the amount flagged on the invoice. Per invoice, the report can list up to three different 1099 codes. If the invoice has more than three different 1099 codes, then there is an indicator noting that there are more than three 1099 codes for that invoice.

- **CURINV**

This report will show the same information as in the ALLINV report; however, it will display only the current month's activity to condense the report. The other reports are cumulative for the year.

- **NOTALL**

This report will show only the invoices that have not been flagged at all or have been partially flagged. If the entire amount of the invoice has been flagged, then that invoice will not display on this report.

- **1099 COMPARE LIST EXCEL**

This report will display the same data as the ALLINV report in the 1099 COMPARE LIST report. However, this report is in an excel friendly format that can be easily converted to an excel spreadsheet. This report also has one additional column named >3CODES. This column indicates if an invoice has more than three different 1099 codes.

Adjusting Vendor Information

The 1099 month-end reports are used to identify errors from transactions flagged for 1099 reporting. Once the errors are identified, the appropriate steps must be taken to correct the error.

If an error relates to a trade vendor, notify the OSC according to your agency's procedures for changing trade vendor information. Changes to trade vendor information for 1099s are handled as corrections to the Statewide Trade Vendor File.

Correcting 1099 Vendor Errors

If an error relates to a non-trade vendor, correct the error using the appropriate steps. The following information lists the vendor errors that may display on the 1099 reports and describes the steps for correcting the error.

- **Invalid vendor tax ID**

The vendor taxpayer identification number (TIN) was not entered as nine numeric characters or the TIN is missing. An example of this error message can be seen on the sample report on the next page. When you receive this error, you should go to the screen *Vendor Payable Information (VPN)* screen and verify what was entered in the TAX ID NUMBER field.

OCF	VENDOR PAYABLE INFORMATION	VPN
NEXT FUNCTION: _____	ACTION: _____	02/16/2006 10:55:00
REQUEST: G _____		
=====		
PAY ENTITY : XXPN	MILLER	
SHORT NAME : MILLER	1680 S HORNER BLVD STE B	
VENDOR NUMBER: _XXXXX768	GROUP: __	RALEIGH
		NC 28609
DISCOUNT DELAY DAYS : ____	PAYMENT DELAY DAYS : ____	
DOC ALERT MAX AMOUNT: _____	COMBINED OR SINGLE PYMT: _	
DIRECT INVC ALLOWED : _	PAYMENT PRINT SEQUENCE : _____	
FACTOR NUMBER : _____	FACTOR GROUP NUMBER : ____	
PAYMENT ROUTE CODE : ____	VAT INCLUSIVE : _	
SIGN APPROVAL CODES : _____	USE TAX : _	
TAX ID NUMBER : XXXXX768	TAX ID EXPIRATION DATE : _____	
1099 CODE : ____	1099 WITHHOLDING RATE : ____	
1099 PAYEE NAME : _____	1099 USE NAME : _	
VENDOR CURR CODE : ____		
DUNS NUMBER: _____	TYPE : __	
CORPORATE CREDIT CARD 2: _____	TYPE : __	

Title: OSCOPC 1099-1 AP 1099 REPORTS Date: 07/31/2020 21:30:00

Zoom: 100% / Page 1,919 / 10,403 / Lines 1-60 of 60

Find Text Found **invalid 1 time on this page.

PAYING ENTITY: 02PN

1099 CATEGORY	INVOICE NUMBER	INVOICE DATE	PYMT NBR	PRTL NBR	INVC LINE	PAYMENT DATE	ACCOUNT NUMBER	EXPENSE AMOUNT	WITHHELD AMOL
	MILLER 1680 S HORNER BLVD STE B NC 27330-5634								
MISC-NONEMPL	52 19J8	10/08/2019	1	1	06/01/2020	532110032	957.00		
*** CATEGORY CODE M7 TOTALS							957.00		
**** VENDOR TOTALS							957.00		

TIN: [REDACTED] **INVALID VENDOR TAX ID**

The TAX ID NUMBER was typed as an 8-digit number. The correct number should be a 9-digit number. When the Vendor number is compared to the Tax ID number, it is evident that a number was omitted. To correct this error, use **Procedure 8: Designating a Non-Trade 1099 Vendor**.

If a non-trade vendor has an invalid TIN, verify that the vendor number matches the correct TIN. If the current vendor number does not match the correct TIN, re-add the vendor using the correct TIN and set the incorrect vendor number to inactive. Refer to **Procedure 1: Adding a Non-Trade Vendor**.

Although the incorrect vendor number will be set to inactive, the correct TIN must be on the *Vendor Payable Information (VPN)* screen. This ensures that 1099 payments to the vendor are accumulated correctly

Refer to the sample report that follows and the screen print of the corresponding VSU screen for an example of the next four error messages.

OCP	VENDOR SETUP	VSU
NEXT FUNCTION: _____ ACTION: _____		02/16/2006 10:04:01
REQUEST: G _____		
=====		
PAY ENTITY : XXPT	VENDOR NO : XXXXX891	GROUP : A_
VENDOR NAME : TAMMY HILL		VENDOR TYPE : D
SHORT NAME : HILLTAMMY		EDI/FAX CODE : _
--- ORDER FROM ---	HOLD: _	DEFAULT ADDR: _
ADDR LINE 1: _____	PHONE :	_____
ADDR LINE 2: _____	STATE CODE :	_____ VAL: _
ADDR LINE 3: _____	POSTAL CODE :	_____
OPT ADDR 1: _____	OPT ADDR USE :	_____
OPT ADDR 2: _____	OPT STATE CD :	_____ VAL: _
CONTACT :	OPT POSTAL CD:	_____
--- REMIT TO ---	HOLD: _	
ADDR LINE 1: _____	PHONE :	_____
ADDR LINE 2: 567 BLAND ST	STATE CODE :	NC VAL: Y
ADDR LINE 3: MONCURE	POSTAL CODE :	25745-1234
OPT ADDR 1: _____	OPT ADDR USE :	_____
OPT ADDR 2: _____	OPT STATE CD :	_____ VAL: _
CONTACT :	OPT POSTAL CD:	_____
PAYMENT TERMS: _____	VENDOR STATUS:	_____
CONSL REPORTING INFO -	PAY ENTITY: _____	VEND NBR: _____
		GROUP NBR: _____

- **Vendor remit-to record not established**
The vendor remit-to address was not established on the *Vendor Set-up (VSU) screen* or the order-from address default address indicator is not set to “Y” and the remit-to address is absent. Refer to **Procedure 1: Adding a Non-Trade Vendor**.
- **Invalid vendor street address**
The vendor street address is missing address line 2. Refer to **Procedure 1: Adding a Non-Trade Vendor**.
- **Invalid vendor city**
The vendor city was not established on the *VSU* screen (address line 3). Refer to **Procedure 1: Adding a Non-Trade Vendor**.
- **Invalid vendor postal code**
The vendor postal code was not established or is invalid. Refer to **Procedure 1: Adding a Non-Trade Vendor**.

REPORT-ID: AP-TN0005
TIME: 06:17:21

ACCOUNTS PAYABLE
1099 ERROR REPORT
2005

PAGE: 1
AS OF: 10/01/2005

PAYING ENTITY: XXPT ERROR TYPE VENDOR ERRORS
VENDOR NUMBER VENDOR NAME VENDOR TIN TIN ERROR

XXXXX891	TAMMY HILL	XXXXX7891	PAYER TIN: 56-1234567	PAYING ENTITY: XXPG
		[VENDOR REMIT-TO RECORD NOT ESTABLISHED INVALID VENDOR STREET ADDRESS INVALID VENDOR CITY INVALID VENDOR POSTAL CODE]		
XXXXX912	TREVOR GRANT	XXXXX912	PAYER TIN: 56-2345671	PAYING ENTITY: XXPG
		[VENDOR REMIT-TO RECORD NOT ESTABLISHED INVALID VENDOR STREET ADDRESS INVALID VENDOR CITY INVALID VENDOR POSTAL CODE]		
XXXXX234	BARTON CRAIG CRAVEN PAMELA B ROBERTS	XXXXX234	PAYER TIN: 56-3456712	PAYING ENTITY: XXPG
		[INVALID VENDOR CITY INVALID VENDOR POSTAL CODE]		

- **State code validation required**

The VAL field was left blank or was set to "N". The system requires that the VAL be "Y" in order to validate the State Code upon entry. Refer to **Procedure 1: Adding a Non-Trade Vendor**.

Refer to the sample report that follows and the screen print for an example of this error message.

OCP	VENDOR SETUP	VSU
NEXT FUNCTION: _____	ACTION: _____	02/16/2006 10:04:01
REQUEST: G _____		
=====		
PAY ENTITY : XXPT	VENDOR NO : _XXXXX567	GROUP : A_
VENDOR NAME : GORDON ROBIN _____		VENDOR TYPE : D
SHORT NAME : ROBINGORDON		EDI/FAX CODE : _
--- ORDER FROM ---	HOLD: _	DEFAULT ADDR: _
ADDR LINE 1: _____	PHONE :	_____
ADDR LINE 2: _____	STATE CODE :	VAL: _
ADDR LINE 3: _____	POSTAL CODE :	_____
OPT ADDR 1: _____	OPT ADDR USE :	_____
OPT ADDR 2: _____	OPT STATE CD :	VAL: _
CONTACT :	OPT POSTAL CD:	_____
--- REMIT TO ---	HOLD: _	
ADDR LINE 1: _____	PHONE :	_____
ADDR LINE 2: 124 KIMBERLY DR _____	STATE CODE :	AL VAL: []
ADDR LINE 3: AUBURN _____	POSTAL CODE :	36832-0124
OPT ADDR 1: _____	OPT ADDR USE :	_____
OPT ADDR 2: _____	OPT STATE CD :	VAL: _
CONTACT :	OPT POSTAL CD:	_____
PAYMENT TERMS: N30	VENDOR STATUS:	_____
CONSL REPORTING INFO -	PAY ENTITY: _____	VEND NBR: _____
		GROUP NBR: _____

REPORT-ID: AP-TN005
TIME: 06:21:21

ACCOUNTS PAYABLE
1099 ERROR REPORT

PAGE: 2
AS OF: 10/01/2005

PAYING ENTITY: XXPN

VENDOR ERRORS

ERROR TYPE

VENDOR NUMBER

VENDOR NAME

VENDOR TIN

TIN ERROR

XXXXXXXX123 CHARLES P WINTERS XXXXX123
OLD EDUCATION BLDG PAYER TIN: XXXXX223 PAYING ENTITY: XXPN
NC 27602
INVALID VENDOR CITY

XXXXX456 FREDERICK B SAWYER, COURT REP XXXX456
WILMINGTON PAYER TIN: XXXXX334 PAYING ENTITY: XXPN
NC 28402-0900

INVALID REMIT-TO RECORD NOT ESTABLISHED
INVALID VENDOR STREET ADDRESS
INVALID VENDOR CITY
INVALID VENDOR POSTAL CODE

XXXXX567 GORDON ROBIN XXXXX567
124 KIMBERLY DR PAYER TIN: XXXXX123 PAYING ENTITY: XXPN
AUBURN AL 36832-4547

STATE VALIDATION REQUIRED

Correcting 1099 Paying Entity Errors

The 1099 monthly reports are used to notify agencies of paying entity errors from transactions flagged for 1099 reporting. If any paying entity errors are listed on the 1099 reports, notify the OSC Support Services Center. Since these paying entity errors occur on policy screens, only the OSC can correct them.

The following information lists the pay entity errors that may appear on the 1099 reports and describes the appropriate steps for correcting the error.

- **Tax codes not requested**
The 1099 code used for this invoice was not entered on the parameter card (run-time variable) for report series AP-TN001. Verify that the correct 1099 code was used. If incorrect, call the OSC to correct the error.
- **Invalid pay entity Transmitter Control Code**
The paying entity Transmitter Control Code (TCC) was not established on the *Accounting Options and Defaults (AOD) screen*. Call the OSC to correct the error.
- **Transmitter Control Codes are not consistent**
The Transmitter Control Code on the *Accounting Options and Defaults (AOD) screen* is not consistent with the agency's other paying entities' Transmitter Control Code. An agency's TCC must be the same for all paying entities. Call the OSC to correct the error.
- **Invalid pay entity address**
The paying entity address is incomplete. Call the OSC to correct the error.
- **Invalid pay entity postal code**
The paying entity postal code was not established or is invalid. Call the OSC to correct the error.
- **Invalid pay entity tax ID number**
The paying entity taxpayer identification number was not established on the *Accounting Options and Defaults (AOD) screen* or is invalid. Call the OSC to correct the error.

Adjusting 1099 Details

Invoice lines that have been entered in the NCAS using incorrect 1099 information in the 99 field can be corrected by changing the invoice on the *Invoice Maintenance Worksheet 1 (IMW) screen*. The process updates 1099 totals if the only fields changed are the 1099 fields. During this process, if the invoice is dated prior to the current month, the GL EFFECTIVE DATE field will need to be changed to the current date. This will only change 1099 totals and not post any entries to the general ledger. If any other information is being changed on a previous month's invoice, a General Ledger Effective (GED) form will need to be submitted to OSC Support Services and approved by the OSC to open the general ledger to a prior period for the changes.

Performing Invoice Maintenance

An example of maintenance that can be completed on the *Invoice Maintenance Worksheet (IMW) screen* is as follows. While reviewing the AP-TN005 "Tax Codes Not Requested" report, you notice that an invoice was flagged with a "NO" meaning it was not 1099 reportable. You determine that the invoice should have been coded with an M6. To change the 1099 code, refer to **Procedure 7: Changing a Document**.

Entering Zero-Dollar Invoices

Zero-dollar invoices may need to be entered when a 1099 payment needs to be recorded on the system, but the invoice *does not* already exist on the NCAS. For example, some agencies interface payments directly into the NCAS without entering invoices. If a 1099 payment then needs to be recorded, a zero-dollar invoice can be entered to capture that information. Refer to **Procedure 6: Entering Zero-Dollar Invoices**.

If the invoice was entered using the ZRO BAP code, a physical check is not generated. If the invoice was entered without using the ZRO BAP code, a check does print. The check must be pulled and cleared manually on the *Payment Clearance (PCR) screen*.

SUMMARY

As invoices are entered throughout the year, verify the accuracy of NCAS information. This step ensures that all transactions entered in NCAS are included in 1099 reporting. The processes necessary to complete these tasks are as follows:

- **Reviewing 1099 reports**

Review the following monthly reports to determine if any information has been omitted. In addition, each agency is responsible for the verification and accuracy of 1099 information in all reports.

1099-1 AP 1099 REPORTS

- AP-TN005 & TN05A 1099 Error Reports
- AP-TN002 1099 Detail Verification Report by Paying Entity
- AP-TN003 1099 Detail Verification Report by Payer Tax ID
- AP-TN004 1099 Exceptions Report
- AP-TN005B 1099 Totals Report

1099 COMPARE LIST

- ALLINV
- CURINV
- NOTALL

1099 COMPARE LIST EXCEL

- **Adjusting vendor information**

The 1099 monthly reports identify vendor errors from transactions flagged for 1099 reporting. Once these errors are identified, take the appropriate steps to correct the error.

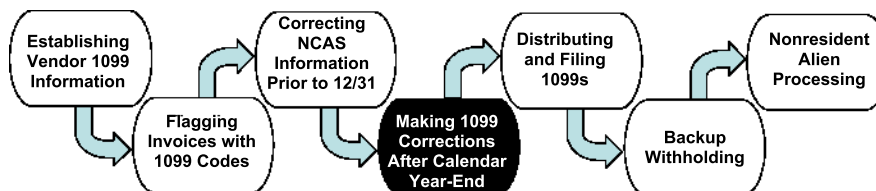
- **Correcting paying entity errors**

The 1099 monthly reports also identify paying entity errors from transactions flagged for 1099 reporting. Contact the OSC Support Services Center to correct these errors.

- **Adjusting 1099 Details**

Perform necessary invoice maintenance on the *Invoice Maintenance Worksheet (IMW)* screen or enter zero-dollar invoices to adjust the 1099 totals.

Making 1099 Corrections after Calendar Year-End



1099 Corrections after December 31, but before Forms are Printed

After calendar year-end, corrections may still be made to 1099 information in NCAS to reflect on the 1099 forms and 1099 file. Agencies would make these changes in NCAS till the 1099 print file and the 1099 IRS e-file have been created. Agencies can check the 1099 schedule for the 1099 dates for generating the 1099 print and IRS files. Agencies would use NCxCloud to print the 1099 forms locally and OSC will submit the 1099 electronic file to the IRS.

1099 Corrections after 1099 Forms are Printed and the IRS file has been created.

After 1099 forms are printed and the IRS file has been created for filing with the IRS, agencies may still need to make corrections for 1099 data in the NCAS. Once the IRS has passed the threshold change for filing 1099s, OSC will create a weekly “change” file to submit changes or new 1099 information with the IRS electronically. This weekly change file will be generated until the Friday before April 15th of the filing tax year. Agencies will be required to make all changes in NCAS for the changes to be reflected in the weekly “change” file. After the cutoff date, OSC will not generate a 1099 change file for that tax year to submit to the IRS. **Any new or 1099 changes will require the agencies to manually issue a corrected or new 1099 form to the vendor and inform the IRS of the change.**

Recording a Zero-Dollar Manual Check

After December 31, corrections to 1099 information can be completed two ways. If the invoice already exists in the system and has been paid as of December 31, invoice maintenance can be performed on the *Invoice Maintenance Worksheet (IMW)* screen. The 1099 codes can be added, changed, or deleted from the invoice lines.

If the invoice does not exist on the system (i.e., interfaced transactions), a zero-dollar invoice must be entered in NCAS and a manual check written on the *Manual Payment Entry (MPE)*

screen with a payment date no later than December 31. To backdate a check to December, submit a GED (General Ledger Effective Date) change form to OSC to be approved. Any zero-dollar checks must be cleared manually on the *Payment Clearance (PCR)* screen. It is imperative that invoice entry and recording of the manual check occur on the same business day so that the date of the check will be prior to December 31. OSC recommends that you record a manual check after entering each zero-dollar invoice.

Manual checks are recorded using the *Manual Payment Entry (MPE)* screen. However, before checks can be recorded on the *MPE* screen, the document must be balanced.

You can inquire on the status of documents by accessing the *Document List (DCL)* screen. The STATUS field on this screen reflects BALANCD for all balanced documents. If a document is not balanced, it will not display on the *MPE* screen.

For more information about recording a zero-dollar manual check, refer to **Procedure 9: Recording Zero-Dollar Manual Checks**.

SUMMARY

After calendar year-end, corrections can still be made to 1099 information. Corrections can occur during two different time periods in the reporting cycle.

- Before 1099 forms are printed

Corrections during this period are completed before 1099 forms have been sent to vendors. Make corrections using the following procedures options:

- Perform invoice maintenance on *IMW*, or
- Enter zero-dollar invoice and record manual check, verifying it has a payment date prior to December 31. Clear the manual check on *PCR*.

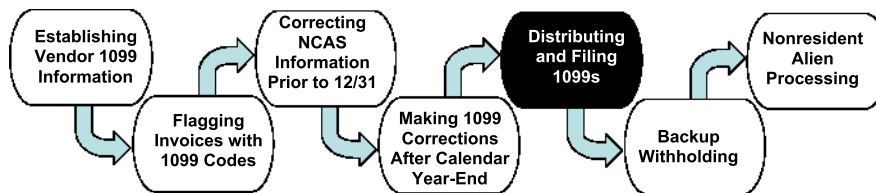
- After 1099 Forms are printed and Information Returns are Generated

Corrections during this time are made after the 1099 forms have been printed and OSC has submitted the original 1099 file to the IRS. Make corrections using the following procedures options:

- Perform invoice maintenance on *IMW*, or
- Enter zero-dollar invoice and record manual check, making sure it has a payment date prior to December 31. Clear the manual check on *PCR*.
- Issue a corrected or new 1099 to the vendor.

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Distributing and Filing 1099s



1099 Filing Requirements

Agencies file the following 1099 forms from NCAS based on varying 1099 requirements. For these 1099 requirements, please review the IRS website for the criteria that needs to be met that would generate the forms below.

<https://www.irs.gov/>

- **Form 1099-MISC *Miscellaneous Information***
- **Form 1099-INT *Interest Income***
- **Form 1099-G *Government Payments***
- **Form 1099-NEC *Nonemployee Compensation***

IRS regulations require that Form 1099 information returns must include the payer's phone number that leads to direct access to individuals that are able to resolve a taxpayer's question in an expeditious manner. The phone number requirement applies to payee statements reporting (1) payments of \$600 or more with a trade or business, (2) payments for services of \$600 or more, (3) direct sales of \$5000 or more, (4) payments of unemployment compensation, (5) payments of mortgage interest, (6) payments of interest, (7) cash receipts of \$10,000 or more, (8) foreclosures or abandonments of security, or (9) payments of royalties. Agencies should verify that this number is accurate from year to year.

Sending 1099s to Vendors

In early January, OSC will create the 1099 print file that the agencies will use to print the 1099 forms in NCxCloud. The instructions for using NCxCloud is located on OSC's website under the training section and NCAS Help Documents. See link below.

<https://www.osc.nc.gov/documents/ncas-2-printing-instructions-calendar-year-2020-1099s>

All 1099s must be postmarked and mailed no later than **January 31**

Filing 1099 Information Returns

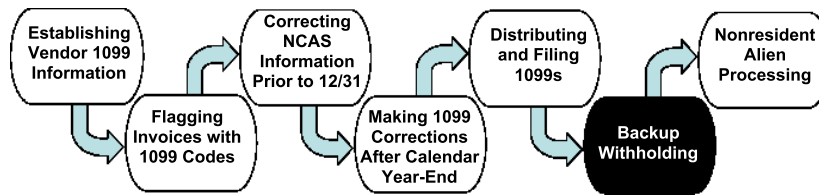
After the 1099 IRS file is generated in early January, OSC submits an electronic 1099 file with the IRS. This file identifies the vendors to whom your agency sent a 1099 and the amount of income reported for each vendor. Each agency is reported under its own Federal ID number and is responsible for the data.

Once the IRS changes the 1099 threshold for 1099 changes, OSC will run a weekly 1099 “**change**” file for new 1099 information or changes to the 1099 information that may have occurred in NCAS since the previous 1099 electronic file was generated. Currently, OSC is the ONLY transmitter for electronic filings to the IRS for all NCAS agencies. These filings include both original 1099s and changes to the 1099s. The agency is not responsible for submitting the data to the IRS until after the cutoff date in April of the tax filing period.

Refer to the OSC operations calendar on OSC’s website to be informed of the date that OSC will submit the electronic files to the IRS. **There should be no direct reporting of NCAS data by the agency to the IRS until after the cutoff date.** Refer to **Procedure 10: Filing and Correcting 1099 Returns**.

All 1099 reporting information that is not on NCAS is the responsibility of the agency to report to the IRS.

Backup Withholding



Backup Withholding

Under certain circumstances, your agency is required to withhold taxes from vendor checks. Laws for state withholding or federal backup withholding will affect this.

This section explains the laws that govern state and federal withholding. Also explained in this section are the procedures for processing withholding in the NCAS.

State Withholding

Every payer who pays a *nonresident individual or entity* more than \$1,500 during a calendar year for services performed in North Carolina must deduct and withhold income tax from compensation at a rate of 4%.

The *payer* is defined as a person who, in the course of their trade or business, pays a nonresident individual or a nonresident entity compensation for personal services performed in North Carolina.

“*Compensation*” means consideration a payer pays a nonresident individual or nonresident entity for personal services performed in this State.

“*Nonresident Individual or Entity*” means either:

- a. All services performed, in excess of \$1,500 cumulatively other than wages, by an individual or entity that fails to provide the payer a taxpayer identification number (TIN), a valid TIN or is in the “applied for” or “expired” TIN status will be subject to the 4% withholding provisions,

OR

- b. A nonresident of North Carolina providing personal services in connection with a performance, an entertainment or athletic event, a speech, or the creation of a film, radio, or television program for compensation in excess of \$1,500 cumulatively and provides you with a social security number or employer identification number and does not possess a certificate of authority from the Secretary of State, you must withhold 4% North Carolina tax.

A “*nonresident entity*” is defined as:

- a. A foreign limited liability company that has not obtained a certificate of authority from the Secretary of State, or
- b. A foreign limited partnership or a general partnership formed under the laws of any jurisdiction other than North Carolina, unless the partnership maintains a permanent place of business in this State; or
- c. A foreign corporation that has not obtained a certificate of authority from the Secretary of State.

The Certificate of Authorization numbers for corporations registered to do business in North Carolina can be found on the Secretary of State’s web site: <https://www.sosnc.gov/> Go to the website and enter the online corporate names database. The database for limited liability companies is now operational.

Threshold

Withholding is required only if the contractor is paid or is expected to be paid more than \$1,500 during the calendar year. The present law does not require the catch-up of under withheld tax if additional payments to an individual or entity cause the total payments for the year to exceed \$1,500.

Service Performance

Compensation must be withheld only if it is paid for services performed in this State. Where the service is provided entirely within North Carolina, 4% tax must be withheld from the total amount of compensation. If the nonresident contractor performs contracted services in more than one state, he must use a method of allocating income that is fair and equitable.

Generally, the duty day method should be used to allocate the compensation to North Carolina. A duty day is any day or part of a day in which activity connected with the services is performed. This includes meetings, delivery of products, promotional activities, etc. The individual’s North Carolina source income is determined by multiplying the total compensation for the contracted service by a fraction, the numerator of which is the number of duty days spent in North Carolina rendering services under the contract, and the denominator of which is the total number of duty days spent rendering services under the contract.

Reporting and Paying Withheld Tax

A payer who withholds tax must register with the Department of Revenue by completing Form NC-BR or online application; Registration Application for Sales and Use Tax and/or Income Tax Withholding. The registration process should be completed on the Department of Revenue's website at the following link:

<https://www.ncdor.gov/taxes-forms/sales-and-use-tax/sales-and-use-tax-forms-and-certificates/registration-applications>

The payer is assigned an account number, receives directions for paying the tax withheld (NC-5) from personal services income, and pays the tax. The taxes should be paid through the Department of Revenue's website at the following link: http://www.dorn.com/electronic/wh_tax.html.

Payers must report personal services income and tax withheld, in duplicate, on Form NC-1099M. The statement must be given to the contractor on or before January 31 following the year the compensation is paid. The payer also must electronically file a Form NC-3 through the Department of Revenue's website on or before January 31st reconciling the amounts withheld from each contractor. The link to file the NC-3 is <https://www.ncdor.gov/taxes-forms/withholding-tax/enc3>. The reports AP-NC002 and AP-NC003, which are located in Systemware group OSCOP* AP1099-A, NC W/H VERIFY can be used to assist with this reconciliation process. This reconciliation is due on or before January 31st.

Federal Withholding

The Internal Revenue Service requires 24% withholding from vendor payments under certain circumstances. The most common circumstance an AP clerk would encounter is the refusal to supply a Taxpayer Identification Number (TIN). If a vendor is unwilling to provide you with a valid federal identification number or social security number, you are required to withhold 24% on every payment to that vendor.

Withholding payment controls are established at the vendor level. OSC sets the controls for trade vendors. It is the responsibility of each agency to notify the OSC Support Services Center if a vendor requires flagging for withholding.

Reasons to Backup Withhold

The following four circumstances require you to backup withhold:

1. An agency requests a taxpayer identification number (TIN) from a 1099 vendor and one is not provided. The agency must backup withhold on any 1099 payments made to this vendor. Once backup withholding begins, the agency must continue to withhold until the vendor provides his/her TIN.
2. The IRS sends the agency a CP2100 report and from that, an agency sends a first B Notice to the vendor. If the vendor does not respond by the date on the first B Notice to the agency's request for certification of the TIN and/or the vendor's name, the agency must begin to backup withhold on any 1099 payment made to this vendor. Backup withholding continues until the vendor provides a TIN and/or name certified on IRS Form W-9. Copies of the CP 2100 Notice and the first B Notice can be shown in **QRG 12: CP 2100 Notice and QRG 5: First B Notice**.

3. The IRS sends the agency a CP2100 report and from that, an agency sends a second B Notice to the vendor because that vendor was on the CP2100 report twice within a three-year period. If the vendor does not respond by the date on the second B Notice to the agency's request, the agency must begin backup withholding immediately. Backup withholding continues until the IRS notifies the agency to stop withholding in the form of an IRS Letter 147C or SSA Form 7028. A copy of the second B Notice is shown in **QRG 6: Second B Notice**.
4. A **B Notice** is returned to the agency as "undeliverable." In this case, the agency should try to get the correct address for the vendor and resend the notice. If the agency cannot find the correct address, the agency should keep the undelivered document for their records and start backup withholding on future 1099 payments.

IRS CP2100 Notices

Each year the IRS issues CP2100 Notices for prior year information returns that contained missing, incorrect and/or currently not issued taxpayer identification numbers. For instance, the 2001 CP2100 Notice was issued in October 2002 and the 972CG Notice of Proposed Assessment that was based on these mismatches was issued in December 2004. Upon receipt of the CP2100, the IRS procedure requires each agency/recipient to compare their records with the information furnished by the IRS. There are two separate procedures that must be followed depending on whether the CP2100 listing agrees or disagrees with your records.

For account information that does not agree with your records, check to see if you gave the correct information on your return, if you changed the information after you filed, or if the IRS changed the information when processing the return. In these instances, you do not have to respond to the IRS, but you need to do the following:

1. If you did not put the correct information on the return, correct your records and include that information on any future information returns that you file. Do not send a B Notice to the payee.
2. If your information changed after you filed your return, be sure to include that information on any future information returns you file. Do not send a B Notice to the payee.
3. If the IRS changed your information, note your records, and take no further action.

For account information that **agrees with your records**, you must determine whether this is the first or second time within three calendar years that the IRS has notified you the TIN is incorrect. You **must** have procedures in place at your agency that allow you to determine whether this is the first or second notification since the procedure that you are required to follow is different for each notification.

- **First Notice**

1. Send the first B Notice, a copy of Form W-9, and an optional reply envelope to the vendor within 15 business days from the date of the CP2100 notice or the date you received it (whichever is later). Date the B Notice no later than 30 business days from the date of the CP2100 notice or the date you received it. The outer envelope must be clearly marked **IMPORTANT TAX INFORMATION ENCLOSED** or **IMPORTANT TAX RETURN DOCUMENT ENCLOSED**.

2. Allow the payee 30 calendar days to provide you with a newly signed Form W-9. **Keep this W-9 for your records.** Please note that once the IRS has informed you that the TIN of a vendor does not match, a telephone call is not sufficient documentation that you have followed procedure.
3. Update your records with the corrected information received from the vendor and include it on any future information returns you file.
4. **Begin backup withholding** on payments made to vendors who do not respond within 30 business days from the date of the CP2100.

- **Second Notice**

1. Send the second B Notice and an optional reply envelope to the vendor within 15 business days from the date of the CP2100 or the date you received it, whichever is later. Date the B notice no later than 30 business days from the date of the CP2100 notice or the date it was received. The outer envelope must be clearly marked IMPORTANT TAX INFORMATION ENCLOSED or IMPORTANT TAX RETURN DOCUMENT ENCLOSED. **Do not send a Form W-9.**
2. The **vendor must** contact the Social Security Administration (SSA) to have a social security number validated or the Internal Revenue Service (IRS) to validate an employer identification number (EIN).
3. Allow 30 business days from the date of your request to receive either SSA Form 7028, Notice to Third Party of Social Security Assignment from the SSA or a copy of IRS Letter 147C from the vendor.
4. **Begin backup withholding** on payments made to payees if you do not receive SSA Form 7028, or letter 147C within 30 business days. You must continue to backup withhold until you receive either validation.

Refer to the flowchart on the next page for the 1099 Backup Withholding Process. Also refer to the following procedures:

Procedure 11: Comparing your CP2100 Report to the VRS Screen

Procedure 12: Sending and Receiving First B Notices

Procedure 13: Sending and Receiving Second B Notices

Procedure 14: Making Name Only Changes to Non-Trade Vendors

Procedure 15: Making Taxpayer ID Number (TIN) Changes to Non-Trade Vendors

Procedure 16: Requesting OSC to Start Backup Withholding on Trade Vendors

Procedure 17: Starting Backup Withholding on Non-Trade Vendors

Procedure 18: Setting Up a Non-Trade Vendor for Withholding

Procedure 19: Making the Entries to Record Federal Daily Backup Withholding Payments

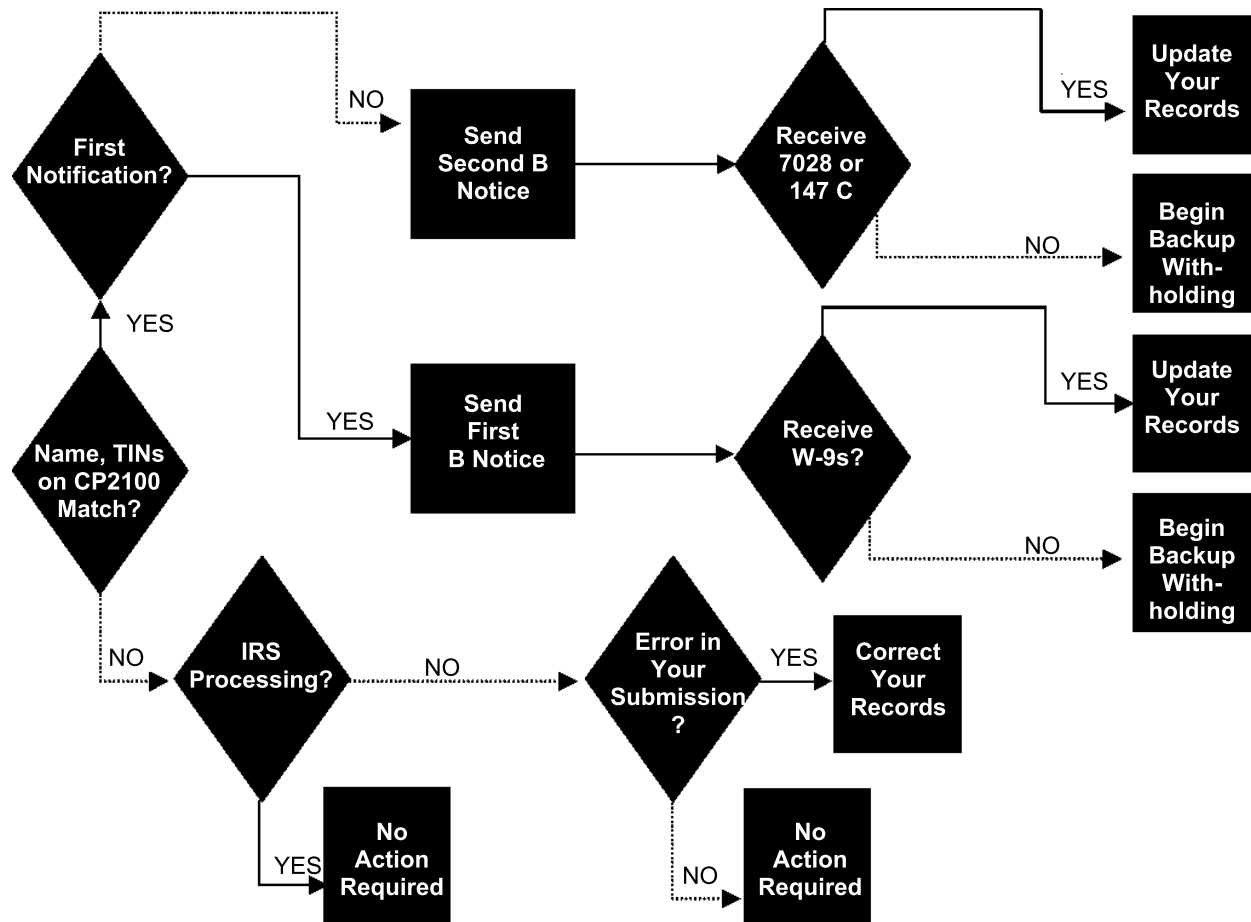
Procedure 20: Making the Entries to Record State Backup Withholding Payments

Procedure 21: Requesting OSC to Stop Backup Withholding on Trade Vendors

Procedure 22: Stopping Backup Withholding on Non-Trade Vendors

Procedure 23: Completing IRS Forms 945 and 945-A

Backup Withholding Flowchart



Depositing and Reporting Backup Withholding

It is the **agency's responsibility** to deposit and report backup withholding. Once funds are withheld, the withholding agent must deposit the money using the same rules as those used for employment taxes. See the general instructions for information on when the taxes must be deposited (IRS Circular E or IRS Forms 941 or 945). It varies from quarterly to semiweekly, depending on the size of the deposit to be made. Most deposit situations require that a deposit be made by the fifteenth day of the following month in which backup withholding occurred. Withheld taxes are deposited in a federal reserve bank using the EFTPS Procedures. IRS Form 945, Annual Return of Withheld Federal Income Tax must be used to report backup withholding. This return is due by January 31 of the following calendar year. Please reference **QRG 13: EFTPS Tax Processing Procedures**.

Backup withholding rules apply to taxable grants or agricultural payments reported on Form 1099-G, but they do not apply to any other Form 1099-G type payment. Backup withholding rules apply even if the amount is less than \$1,000 per year.

Currently, the backup withholding rate is 24% of the payment amount. Once begun, you must continue to withhold until the payee provides a TIN. Do not refund the amounts withheld before the TIN was provided. These amounts will be reflected on Form 1099; the payee receives credit for the withholding, just as employees receive credit for the wages withheld from their paychecks.

If you are required to withhold but fail to do so, you are liable for the amount you should have withheld. You are relieved of that liability only by obtaining an affidavit (Form 4669) from the payee stating that the payee included the payment on a tax return. Obtaining an OSC Substitute Form W-9 allows you to stop withholding (at least until the second B Notice), but it does not relieve you of liability for missing withholding.

The next section will explain the specialized processing for backup withholding within NCAS.

NCAS Processing of Withheld Payments

Processing withholding in NCAS is similar for both state and federal backup withholding. They both require that the *Vendor Payable Information (VPN)* screen and the *Vendor Default Distribution (VDD)* screen be set up for the vendor. The only differences between the data entered on the screens are the withholding rates and the mini-chart indicators.

While OSC is responsible for setting up these controls for trade vendors (it is encouraged to confirm the appropriate amount has been withheld prior to releasing the payment), agencies are responsible for setting the controls for non-trade vendors. To initiate withholding for a non-trade vendor:

- Type **yesterday's date** in the TAX ID EXPIRATION DATE field on the *Vendor Payable Information (VPN)* screen.
 - 📁 This date *must* be entered in MM/DD/YYYY format.
- Type the **withholding percentage** in the 1099 WITHHOLDING RATE field on the *VPN* screen. The rates are:
 - **24%** for federal withholding only
 - **4%** for state withholding only
 - **28%** for both state and federal withholding
 - **0% to 30%** for federal withholding for Nonresident Alien (NRA)

OCP	VENDOR PAYABLE INFORMATION	VPN
NEXT FUNCTION: _____	ACTION: _____	02/16/2006 14:20:33
REQUEST: _____		
=====		
PAY ENTITY : _____		
SHORT NAME : _____		
VENDOR NUMBER: _____	GROUP: _____	
DISCOUNT DELAY DAYS : _____	PAYMENT DELAY DAYS : _____	
DOC ALERT MAX AMOUNT: _____	COMBINED OR SINGLE PYMT: _____	
DIRECT INVC ALLOWED : _____	PAYMENT PRINT SEQUENCE : _____	
FACTOR NUMBER : _____	FACTOR GROUP NUMBER : _____	
PAYMENT ROUTE CODE : _____	VAT INCLUSIVE : _____	
SIGN APPROVAL CODES : _____	USE TAX : _____	
TAX ID NUMBER : _____	TAX ID EXPIRATION DATE : _____	
1099 CODE : _____	1099 WITHHOLDING RATE : _____	
1099 PAYEE NAME : _____	1099 USE NAME: _____	
VENDOR CURR CODE : _____		
DUNS NUMBER: _____	TYPE : _____	
CORPORATE CREDIT CARD 2: _____	TYPE : _____	

- Type the **appropriate mini-chart indicator** in the 1099 WITHHOLD field on the *Vendor Default Distribution (VDD)* screen. The mini-chart indicator determines how the accounting entries will post. The indicators are:

- **950** for federal withholding only
- **951** for state withholding only
- **952** for both state and federal withholding
- **953** for Non-resident alien withholding
- **954** for both state and Non-resident alien withholding

OCF	VENDOR DEFAULT DISTRIBUTION	VDD
NEXT FUNCTION: _____	ACTION: _____	02/16/2006 14:44:36
REQUEST: _____		
=====		
PAY ENTITY : _____		
SHORT NAME : _____		
VENDOR NUMBER: _____	GROUP: _____	
DISTRIBUTION INDICATORS	EXPENSE : _____	PAYABLES : _____
	DISCOUNT : _____	FREIGHT : _____
	TAX/VAT : _____	VARIANCE : _____
	ADD COST : _____	1099 WITHHOLD: _____
	BNK ACCT PYMT : _____	EMP ADVANCE : _____
	CURR GAIN/LOSS: _____	ACCOUNT RULE : _____
GL EXPENSE DISTRIBUTION	COMPANY : _____	
	ACCOUNT : _____	
	CENTER : _____	
	VALIDATE OPT : _____	
PROJECT ACCOUNTING INFORMATION . .	REQUIRED : _____	
	COMPANY : _____	
	NUMBER : _____	

Withholding is applied only to those invoice lines flagged with a 1099 code. All valid 1099 codes can cause withholding to occur, depending on if the vendor record has been appropriately flagged. Because state withholding applies to some corporations, there are times when state withholding must occur on transactions that are not reported on a 1099. For these instances, the **ST** code must be used. Invoice lines marked with **ST** incur withholding on the payment, but they are not included in federal 1099 processing. NCAS 1099 reporting does not include state withholding. For any invoices that require state withholding, please ensure you are following the state withholding process for paying and reporting this to the NC DOR.

- 📁 It is very important that you flag the line with a 1099 code when you enter the invoice. The line is not picked up for withholding and reporting without it.

To correct a transaction that has been withheld in error, please refer to the following procedures:

Procedure 24: Correcting Withholding for Non-1099 Transactions
Procedure 25: Correcting Withholding for 1099 Transactions

WALKTHROUGH: Setting up a Vendor for Backup Withholding

SCENARIO

You have been notified that Barbara Laker's clinic, Laker Medical Office, is subject to federal withholding.

You have received an invoice from her on which you will need to withhold. This invoice is attached to the following Control Group Header sheet. You will need to set Dr. Laker up for backup withholding, process the control group and then enter the invoice. This invoice will need to be flagged for 1099 reporting which will activate the backup withholding.

The accounting distribution is XX01 532199 10001000. The 1099 code is M6.

1. Type **VPN** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Payable Information (VPN) screen*.

OCP	VENDOR PAYABLE INFORMATION	VPN
NEXT FUNCTION: 10	ACTION: _____	02/16/2006 14:47:33
REQUEST: 5 9		
=====		
PAY ENTITY : 2		
SHORT NAME : 3		
VENDOR NUMBER: 4	GROUP: ____	
DISCOUNT DELAY DAYS : ____	PAYMENT DELAY DAYS : ____	
DOC ALERT MAX AMOUNT: _____	COMBINED OR SINGLE PYMT: ____	
DIRECT INVC ALLOWED : ____	PAYMENT PRINT SEQUENCE : ____	
FACTOR NUMBER : _____	FACTOR GROUP NUMBER : ____	
PAYMENT ROUTE CODE : ____	VAT INCLUSIVE : ____	
SIGN APPROVAL CODES : ____	USE TAX : ____	
TAX ID NUMBER : _____	TAX ID EXPIRATION DATE : 6	
1099 CODE : ____	1099 WITHHOLDING RATE : 7	
1099 PAYEE NAME : _____	1099 USE NAME: ____	
VENDOR CURR CODE : ____		
DUNS NUMBER: _____	TYPE : ____	
CORPORATE CREDIT CARD 2: _____	TYPE : ____	

2. Type **XXPN** in the PAY ENTITY field.
3. Type **lakermed@** in the SHORT NAME field.
4. Delete any data that defaulted in the VENDOR NUMBER and/or GROUP fields.
5. Type **C** in the REQUEST field and press **ENTER** to obtain the vendor information in the change mode.

6. Type **02282006** in the TAX ID EXPIRATION DATE field.
 - ☞ This date *must* be entered in **MM/DD/YYYY** format.
 - ☞ Normally yesterday's date is put in the TAX ID EXPIRATION DATE field. For purposes of the training environment today, use the set date of 02282006.
7. Type **24.00** in the 1099 WITHHOLDING RATE field to set the withholding percentage to 24%.
 - ☞ To withhold state taxes only, type **4.00**. To withhold both state and federal, type **28.00**.
8. Press **ENTER** to complete entry and process the changes.
9. Type **G** in the REQUEST field and press **ENTER** to display the vendor.
10. Type **VDD** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Default Distribution (VDD) screen*.

OCP	VENDOR DEFAULT DISTRIBUTION	VDD
NEXT FUNCTION: _____	ACTION: _____	02/16/2006 15:04:17
REQUEST: _____		
=====		
PAY ENTITY : XXPN		
SHORT NAME :		
VENDOR NUMBER: 333445555	GROUP: __	
DISTRIBUTION INDICATORS	EXPENSE : ____	PAYABLES : ____
	DISCOUNT : ____	FREIGHT : ____
	TAX/VAT : ____	VARIANCE : ____
	ADD COST : ____	1099 WITHHOLD: 11
	BNK ACCT PYMT : ____	EMP ADVANCE : ____
	CURR GAIN/LOSS: ____	ACCOUNT RULE : ____
GL EXPENSE DISTRIBUTION	COMPANY : ____	
	ACCOUNT : _____	
	CENTER : _____	
	VALIDATE OPT : _	
PROJECT ACCOUNTING INFORMATION . .	REQUIRED : _	
	COMPANY : ____	
	NUMBER : _____	

11. Type **950** in the 1099 WITHHOLDING field and press **ENTER** to indicate that you are withholding federal taxes from this vendor.
 - ☞ If you are withholding state taxes, type **951** in the 1099 WITHHOLDING field. If you are withholding both state and federal taxes, type **952** in the 1099 WITHHOLD field. This indicator controls the account to which the withheld amount is posted.

You are now ready to process the control group from the following Control Group Header Sheet.

Agency Name

Accounts Payable Control Group Header

PAYING ENTITY

XXPN

Other _____

ENTRY METHOD

DIRECT INVOICES

MATCHING INVOICES

EMPLOYEE INVOICES

CONTROL GROUP DATE: TODAY'S DATE

CONTROL GROUP NUMBER: 127

OPERATOR ID: _____ YOUR INITIALS

	INVOICE NUMBER	NUMBER OF DOCUMENTS	AMOUNT
PER TAPE		1	850.00
ADJUSTMENTS			
AMOUNT ENTERED		1	850.00

12. Remember to first enter the control group header information on the *Control Document Entry (CDE)* screen. (Refer to **Procedure 2: Entering a Control Group.**)

- To indicate that this control group covers *direct* invoices, type **D** in the ENTRY METHOD field.
- The non-trade paying entity is **XXPN**.

13. Press **ENTER** to process the control group header information and to access the *Invoice Worksheet 1 (IWS-1T)* screen.


```

OCP                               INVOICE WORKSHEET 1                               IWS-1T
235 - ENTER REQUIRED KEY FIELDS
NEXT FUNCTION: _____ ACTION: _____                                02/16/2006  15:09:27
REQUEST: _____
=====
INVOICE NUMBER : 14 _____ DATE: 15 _____ MODEL: _____
VENDOR SHORT NM: 16 _____ CURR : _____
VENDOR NUMBER  : _____ CM/DM : _____
PO REFERENCE   : _____ COUNTY CODE: _____ MULTI PYMT: _____
TERMS CODE: _____ PYMT DUE DATE: _____ DISCOUNT AMT/PCT: _____
REMIT MSG: _____
SIGNATURE APPR CD: _____
LINE  AMOUNT/PERCENT EXP  CO  ACCOUNT          CENTER          BID  PROJECT
QUANTITY UNIT  ITEM NUMBER  DESCRIPTION PRORATE (T F A D) USE 99 NCG FED
0001 _____
0002 _____
0003 _____
0004 _____
SALES TAX/VAT : _____ FREIGHT : _____
ADDITIONAL COST: _____ GROSS AMOUNT: _____
    
```

Invoice: Laker Medical Office 831 West Morgan St. Raleigh, NC 27611-0831		Invoice Number: 862496658 Invoice Date: 03/01/2006 Terms: Net 30	
Description:	Quantity:	Unit Price:	Total Price:
Physicals	10	85.00	850.00
		Freight:	
		Tax:	
		Total:	850.00

14. Type **862496658** in the INVOICE NUMBER field.

15. Type **030106** in the DATE field.
16. Type **lakermed@** in the VENDOR SHORT NM field and press **ENTER** to obtain the vendor number.
17. The following message is displayed: **U50-VENDOR SUBJECT TO FEDERAL WITHHOLDING PRESS ENTER TO CONTINUE.** Press **ENTER** to override the message and continue processing the invoice.
18. The following message is displayed: **VENDOR MAY BE 1099 ELIGIBLE.** Press **ENTER** to continue.

 You must enter a 1099 code for this transaction. Enter this code when you enter the details of this transaction.

```

OCP                               INVOICE WORKSHEET 1                               IWS-1T
235 - ENTER REQUIRED KEY FIELDS
NEXT FUNCTION: _____ ACTION: _____                               02/16/2006  15:17:03
REQUEST: _____
=====
INVOICE NUMBER : _____ 862496658 DATE: 03/01/2006   MODEL:  __ _____
VENDOR SHORT NM: LAKERMEDICALOFF LAKER MEDICAL OFFICE   CURR   : _____
VENDOR NUMBER  : _333445555 A_ RALEIGH                   CM/DM   : I
PO REFERENCE   : _____ COUNTY CODE: _____     MULTI PYMT: N
TERMS CODE: NET PYMT DUE DATE: _____ DISCOUNT AMT/PCT: _____
REMIT MSG: _____
SIGNATURE APPR CD: _____
LINE  AMOUNT/PERCENT EXP  CO  ACCOUNT          CENTER          BID PROJECT
QUANTITY UNIT  ITEM NUMBER  DESCRIPTION PRORATE (T F A D) USE 99 NCG FED
0001  19 _____ 20 _____ 21 _____ 22 _____
                                           23 _____
0002  _____
0003  _____
0004  _____
SALES TAX/VAT : _____ FREIGHT : _____
ADDITIONAL COST: _____ GROSS AMOUNT: _____
    
```

19. At the 0001 line, type **850.00** in the AMOUNT/PERCENT field.
20. Type **your company number (XX01)** in the CO field.
21. Type **532199** in the ACCOUNT field.
22. Type **10001000** in the CENTER field.
23. Type **physicals** in the DESCRIPTION field.
24. Press **ENTER** to process the information.

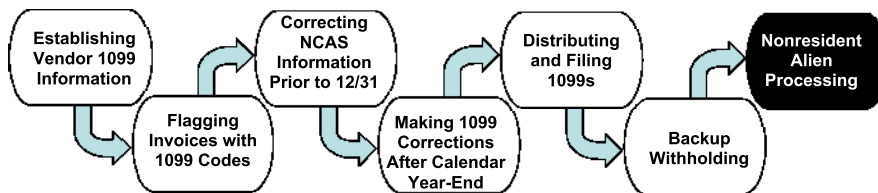


“NO” has defaulted to the 1099 field. Laker Medical will receive a 1099 for this service and is subject to backup withholding, so you must override the “NO” with a 1099 code on line 0001. The valid 1099 code triggers backup withholding for this line.

OCP	INVOICE WORKSHEET 1	IWS-1T
235 - ENTER REQUIRED KEY FIELDS		
NEXT FUNCTION: _____	ACTION: _____	02/16/2006 15:19:28
REQUEST: 27		
=====		
INVOICE NUMBER :	862496658	DATE: 03/01/2006 MODEL: _____
VENDOR SHORT NM:	LAKERMEDICALOFF LAKER MEDICAL OFFICE	CURR : _____
VENDOR NUMBER :	_333445555 A_ RALEIGH	CM/DM : I
PO REFERENCE :	_____ COUNTY CODE: _____	MULTI PYMT: N
TERMS CODE: NET	PYMT DUE DATE: _____	DISCOUNT AMT/PCT: _____
REMIT MSG:	_____	
SIGNATURE APPR CD:	_____	
LINE	AMOUNT/PERCENT EXP CO ACCOUNT CENTER	BID PROJECT
QUANTITY UNIT	ITEM NUMBER DESCRIPTION PRORATE (T F A D) USE	99 NCG FED
0001	850.00 XX01 532199 10001000	_____
	PHYSICALS	Y Y Y Y 25
0002	_____	
0003	_____	
0004	_____	
SALES TAX/VAT :	_____	FREIGHT : _____
ADDITIONAL COST: _____	_____	GROSS AMOUNT: 26

25. Type **M6** over “NO” in the 99 field of line 0001 to indicate that this is a 1099 transaction and is also subject to backup withholding.
26. Type **850.00** in the GROSS AMOUNT field. Delete the zeros at the end of the field.
27. Type **N** or **NEXT** in the REQUEST field and press **ENTER** to balance the document and access a blank *Invoice Worksheet 1 (IWS-1T)* screen.

Nonresident Alien Processing



Overview

The Taxation of Nonresident Aliens (NRA) is a Federal legal requirement set forth in Internal Revenue Code (IRS) Section 1441.

The Office of the State Controller (OSC) manual Policy and Procedures Pertaining to Payments and Compensation of Foreign Nationals, Governments and Corporations, dated June, 2020 sets forth procedures that must be followed in making payments to NRAs to ensure proper tax withholding occurs.

For purposes of the North Carolina Accounting System (NCAS) Accounts Payable system, payments to Independent contractors, honoraria, and travel expenses are the primary payments we will address. Payments to contractors that meet the common law definition of employee should be paid through OSC HR-Payroll system, not the NCAS.

For additional information on NRA taxation, please refer to IRS Publication 515 Withholding of Tax on Nonresident Aliens and Foreign Entities.

Identifying NRAs

For purposes of Accounts Payable transactions, an NRA is identified as follows:

- Individual does not have SSN - withhold at 24% backup withholding rate or 30% NRA tax rate. Agency must follow up with vendor to determine under which system to tax vendor. When in doubt withhold at the highest rate.
- If ID number furnished by vendor starts with a 9, the vendor is probably an NRA and subject to 30% withholding.
- If remit-to address is outside the US, vendor may be an NRA subject to 30%. Further inquiry must be made.
- The vendor can voluntarily identify themselves as an NRA - withhold 30%.
- All services performed by contractors with Individual Taxpayer Identification Numbers (ITINs), in excess of \$1,500 cumulatively, will be subject to 4% state tax withholding.

IRS Publication 515 defines the types of entities eligible for NRA withholding and their reporting requirements. If an agency determines that payments will be made to an entity other than an NRA individual for labor or personal services performed in this country, or if the individual claims a treaty benefit, call the OSC Support Services Center at (919) 707-0795 to determine withholding and reporting requirements.

Withholding Process

The withholding process works identically to the current process for both State and Federal 1099 withholding. A 1099 indicator, **NR**, has been added to identify nonresident aliens. For statewide (trade) vendors, OSC attaches this indicator to the vendor, per instruction from the agency adding the vendor, so that NR will default to every invoice processed. For non-trade vendors, each agency will be responsible for setting up this code when adding the vendor. NR codes display on the 1099 error report, just as the NO codes display, for easier identification. These transactions will not post on a 1099 but will be posted by OSC into the International Tax Navigator system for the required 1042-S reporting. In addition, a new liability account **211953** and a mini-chart indicator **953** are used to track the withheld amounts for these payments. This account and indicator function the same as the 24% Federal withholding account 211950, the 4% State withholding 211951, and the 28% Federal and State withholding combined account 211952. The NRA withheld amounts are available in the same reports currently in place for the State and Federal withholdings.

Displayed below are examples of the *VPN* screen and the *VDD* screen:

OCP	VENDOR PAYABLE INFORMATION	VPN
NEXT FUNCTION: _____	ACTION: _____	01/18/2006 11:23:31
REQUEST: _____		
=====		
PAY ENTITY : XXPN		
SHORT NAME : CITIZENNADA_____		
VENDOR NUMBER: FOR0000001	GROUP: 01	
DISCOUNT DELAY DAYS : ____	PAYMENT DELAY DAYS : ____	
DOC ALERT MAX AMOUNT: _____	COMBINED OR SINGLE PYMT: ____	
DIRECT INVC ALLOWED : -	PAYMENT PRINT SEQUENCE : _____	
FACTOR NUMBER : _____	FACTOR GROUP NUMBER : ____	
PAYMENT ROUTE CODE : ____	VAT INCLUSIVE : ____	
SIGN APPROVAL CODES : ____	USE TAX : ____	
TAX ID NUMBER : _____	TAX ID EXPIRATION DATE : 10/07/2006	
1099 CODE : NR	1099 WITHHOLDING RATE : 30.00	
1099 PAYEE NAME : _____	1099 USE NAME : ____	
VENDOR CURR CODE : ____		
DUNS NUMBER: _____	TYPE : ____	
CORPORATE CREDIT CARD 2: _____	TYPE : ____	

OCP	VENDOR DEFAULT DISTRIBUTION		VDD
NEXT FUNCTION: _____	ACTION: _____		02/16/2006 09:21:50
REQUEST: _____			
=====			
PAY ENTITY	: XXPN		
SHORT NAME	: CITIZENNADA		
VENDOR NUMBER:	FOR0000001	GROUP: 01	
DISTRIBUTION INDICATORS	EXPENSE	: _____	PAYABLES : _____
	DISCOUNT	: _____	FREIGHT : _____
	TAX/VAT	: _____	VARIANCE : _____
	ADD COST	: _____	1099 WITHHOLD: 953
	BNK ACCT PYMT	: _____	EMP ADVANCE : _____
	CURR GAIN/LOSS:	_____	ACCOUNT RULE : _____
GL EXPENSE DISTRIBUTION	COMPANY	: _____	
	ACCOUNT	: _____	
	CENTER	: _____	
	VALIDATE OPT	: -	
PROJECT ACCOUNTING INFORMATION . .	REQUIRED	: -	
	COMPANY	: _____	
	NUMBER	: _____	

As with all withholding, the agency must complete the **NCAS Backup Withholding form**, ensuring that the appropriate box for NRA withholding is checked. This form must be completed for starting and stopping the withholding process.

Deposit Requirements

IRS Form 1042 contains complete instructions for the reporting of withheld tax. The instructions on this form must be followed.

Per Internal Revenue Service Publication 515, beginning January 1, 2011, you must deposit all withheld taxes by electronic funds transfer. Forms 8109 and 8109-B, Federal Tax Deposit Coupon, cannot be used after December 31, 2010. Generally, electronic funds transfers are made using the Electronic Federal Tax Payment System (EFTPS). Processing payments via the EFTPS is a multi-step process and will be detailed in the EFTPS Tax Processing Procedures Manual. Please note that there is a delay in posting for EFTPS. The transaction will not post to your account until

- 1. If at the end of any quarter-monthly period the total amount of undeposited taxes is \$2,000 or more**, you must deposit the taxes within three banking days after the end of the quarter-monthly period. (A quarter-monthly period ends on the 7th, 15th, 22nd, and last day of the month.) To determine banking days, do not count Saturdays, Sundays, legal holidays, or any local holidays observed by authorized financial institutions.

The deposit rules are considered met if:

- You deposit at least 90% of the actual tax liability for the deposit period **and**
- If the quarter-monthly period is in a month other than December, deposit any underpayment with your first deposit that is required to be made after the 15th day of the following month.

Any underpayment of \$200 or more for a quarter-monthly period ending in December must be deposited by January 31.

- 2. If at the end of any month the total amount of undeposited taxes is at least \$200 but less than \$2,000**, you must deposit the taxes within 15 days after the end of the month. If you make a deposit of \$2,000 or more during any month **except December** under rule 1 above, carry over any end-of-the-month balance of less than \$2,000 to the next month. If you make a deposit of \$2,000 or more during December, any end-of-December balance of less than \$2,000 should be paid directly to the IRS along with your Form 1042 by March 15.
- 3. If at the end of a calendar year the total amount of undeposited taxes is less than \$200**, you may either pay the taxes with your Form 1042 or deposit the entire amount by March 15.

Deposit Requirements:

U.S. SOURCE WITHHOLDING ON FOREIGN PERSONS	
Amount of Deposit (Tax Withholding)	IRS Deposit Requirements
IF at Year-End, Less than \$200	Deposit or submit with Form 1042 by March 15
IF at Month-End, More than \$200 and Less than \$2,000	Deposit within 15 days of Month-End
IF on the 7th, 15th, 22nd, or last day of the month, More than \$2,000	Deposit within 3 banking days

--SEE FORMS FOR COMPLETE FILING AND DEPOSIT REQUIREMENTS--

There is no penalty for paying small amounts early, so the agency may decide to make deposits monthly within the 15 days allowed to facilitate ease in reporting. However, if the withholding ever exceeds the \$2,000.00 threshold, the three banking days rule must be followed.

Special Considerations

As with all payments that require withholding, no payments should be entered through the *Manual Process Entry (MPE)* screen. The withholding process requires that payments go through overnight processing.

Step-by-step instructions requesting the addition of a vendor to the system are located in the *Procedures* section of this training manual. These procedures instruct users how to set up vendors and invoices for NRA backup withholding. The procedures for processing NRAs are listed below:

Procedure 26: Adding a Trade NRA Vendor

Procedure 27: Adding a Non-Trade NRA Vendor

Procedure 28: Setting Up a NRA Vendor for Withholding

Procedure 29A: Processing a 1099 Applicable NRA Payment (Direct Invoice)

Procedure 29B: Processing a 1099 Applicable NRA Payment (Matched Invoice)

The requirements for State and Federal withholding still apply, and 1099 codes are required on all invoice lines subject to any type of backup withholding, as well as the proper set-up of the vendor.

It is each agency's responsibility to ensure that the "NR" code has defaulted, remains on the invoice for all applicable payments made to NRAs, and that payments have been appropriately withheld.

Regarding trade vendors, if the status of the vendor changes from nonresident alien to resident alien, the agency must advise OSC to change the withholding status so that the NR 1099 code will not default to the invoice. The NCAS Backup Withholding form must be completed and received by OSC Support Services Center so withholding can be stopped. On non-trade vendors, the agency must change the withholding status themselves. The NR default code can be changed on the invoice line, if appropriate, to change or eliminate the withholding process, regardless of whether the vendor default has been adjusted.

Withheld amounts cannot be adjusted after the payments have been disbursed. It is important to verify all withholdings to ensure their accuracy prior to payments being sent.

Contact the OSC Support Services Center at (919) 707-0795 if you have any questions regarding the addition of trade, non-trade, and NRA vendors.

Summary

Forms

Nonresident Aliens (Foreign Nationals) are not eligible to receive 1099s. However, they do receive a 1042S form which is similar to the 1099 form. Please note, an IRS issued Central Withholding Agreement will not exempt the 4% NC state withholding. This is the rare case you will issue an NC DOR NC-1099M for this withholding.

Payments to Nonresident Aliens

No payments should be made to NRAs without receiving all the documentation (visa, passport, green card, refugee card, resident alien documents, etc.) from the individual regarding their residency/tax status. These documents will determine any applicable withholding for payments for that person. This information can be gathered on a Foreign National Data Gathering Form. If no documentation is received, then the maximum amount (30%) for federal and for those payments with ITINs or no TIN a potential 4% for state should be withheld from the payment. (The individual can

file for taxes in the US to get this or any portion of this withheld amount back, if applicable, as per their current documented residency/tax status.) All completed/signed documentation should be housed at the agency in a secure file for audit purposes.

General

If you have any doubts or questions regarding the individual's residence/ tax status when working with any vendor for payments, do not hesitate to call the OSC Support Services Center at (919) 707-0795 or email the Foreign Nationals Team at OSC at OSC.Foreign.National.Team@osc.nc.gov.

Failure to properly withhold the correct amounts for these payments or comply with the policies and procedures mandated by the IRS will result in steep fines by the IRS to your agency.


Course Summary

This course provided a detailed overview of 1099 processing using NCAS. Accounts payable staff should be able to:






- Understand NCAS 1099 processing
- View and understand 1099 reports
- Validate vendor 1099 information
- Correct vendor 1099 errors
- Understand state and federal backup withholding
- Process Foreign National data (NRAs)

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Procedure 1: Adding a Non-Trade Vendor

 Non-trade vendors are not shared with any other agencies.

After accessing the Accounts Payable module:

1. Type **VSU** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Setup (VSU)* screen.
2. Type the **non-trade paying entity (XXPN)** in the PAY ENTITY field.
 -  Your agency and OSC determines the non-trade paying entity code.
3. Type the **vendor's federal ID number** or the **social security number** in the VENDOR NO field. (Do not type the hyphens.)
4. Type the **vendor's group letter** in the GROUP field, if applicable.
5. Type the **vendor's name** in the VENDOR NAME field.
6. Type **D** in the VENDOR TYPE field to indicate that this is a *direct* vendor.
7. Type the **vendor name** in the SHORT NAME field. (Do not type any spaces between the names.)
 -  For an individual, type the last name followed by the first name.
8. Type the **vendor's phone number** in the PHONE field.
9. Type the **vendor's street address** in the ADDR LINE 2 field of the REMIT TO section.
10. Type the **vendor's state** in the STATE CODE field.
 -  If this address is located outside the US, leave this field *blank*.
11. Type **Y** in the VAL field for US addresses.
 -  For foreign addresses, type an **N**.
12. Type the **vendor's city** in the ADDR LINE 3 field of the REMIT TO section.
 -  If the address is located outside the US, type the city name, province (if applicable) and nation in the ADDR LINE 3 field of the REMIT TO section.
13. Type the **vendor's zip code** (including the "plus 4" zip) in the POSTAL CODE field.


14. Type a **contact name** at the vendor's company in the CONTACT field.
15. Press **ENTER** to add this vendor to your non-trade paying entity and to clear the screen.
16. Type **G** in the REQUEST field and press **ENTER** to display the vendor record.
17. Type **VGN** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor General Information (VGN)* screen.
18. Type the vendor's business characteristic in the CATEGORY CODES 1 field.

You can locate the corresponding Category Codes on the *Description Table (DTL)* screen.

- Type **DTL** in the NEXT FUNCTION field and press **ENTER** to access the *Description Table (DTL)* screen.
- Type your **paying entity (XXPN)** in the ENTITY field.
- Type **PAY** in the ENTITY TYPE field and press **ENTER**.
- Once you have located the appropriate code, access the VGN screen to add the code.
 - An example of an often-used Category Code is **TAX**. This code is used to describe a "Tax Exempt, Non-Profit Vendor."

An abbreviated list of the most used Category Codes can be found in **QRG 2: Post Office and Incorporated Cities and Towns**.

19. Type the remit-to county code in the CATEGORY CODE 5 field.

-  Type **999** in the CATEGORY CODE 5 field to indicate that a vendor is an out-of-state vendor.

If you know the city in the remit-to address on the *VSU* screen, you can identify the county code using **QRG 2: Post Office and Incorporated Cities and Towns**.

If you know the county name, you can find the corresponding code on the *Description Table (DTL)* screen.

Once you have located the appropriate code, access the *VGN* screen to add the code.

20. Type **today's date** in the VEND ADD field to track the date of the addition of the vendor to the system.
21. Press **ENTER** to process the *VGN* screen.
22. Type **G** in the REQUEST field and press **ENTER** to display the vendor record.
23. Type **VPN** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Payable Information (VPN)* screen.
24. Type **the vendor's tax identification number (TIN)** in the TAX ID NUMBER field to add the tax ID number.
25. Press **ENTER** to add the vendor as a non-trade vendor.

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Procedure 2: Entering a Control Group

 Make sure you have received a completed Control Group Header sheet.

After accessing the Accounts Payable module:



1. Type **CDE** in the NEXT FUNCTION field and press **ENTER** to access the *Control Document Entry(CDE)* screen.
2. Type your **paying entity (XXPT)** in the PAY ENTITY field.
3. Type **the control group number** in the CONTROL NUMBER field. This number corresponds to the control group number on the Control Group Header sheet.
4. **Type the control group total amount** in the CNTL AMT field. This field reflects the total of all invoices in the control group.
5. Type **your first and last initials** in the APPL AREA field.
6. Type a **valid entry method** for matching entry in the ENTRY METHOD field. The following are valid entry types:
 - D** = *direct* entry
 - M** = *matching* entry
 - E** = *employee reimbursement* entry
7. Press **ENTER** to process the control header information and to access the *Invoice Matching (IMP)* screen. The following screens apply:
 - D** accesses the *Invoice Worksheet 1 (IWS-1T)* screen
 - M** accesses the *Invoice Matching (IMP)* screen
 - E** accesses the *Employee Worksheet 1 (EWS-1T)* screen


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Procedure 3: Entering Direct Invoices

 Make sure you have received a completed Control Group Header sheet.

After completing the *Control Document Entry (CDE)* screen and accessing the *Invoice Worksheet 1 (IWS-1T)* screen:

1. Type the **invoice number** in the INVOICE NUMBER field.
2. Type the **invoice date** in the DATE field. This date is used to determine the payment due date based on the payment terms code.
3. Type the **vendor short name@** in the VENDOR SHORT NM field and press **ENTER**.
 -  If you access the *Vendor Setup (VSL)* screen, choose the appropriate vendor. Type **R** in the ACTIVITY field and press **ENTER** to *return* to the *IWS-1T* screen.
4. If any messages display, read the messages and press **ENTER** to override the messages and continue entering the invoice.
5. Verify that the appropriate payment terms have defaulted into the TERMS CODE field. Update this field if necessary.
 -  You can access the *Payment Terms Code List (PTL)* screen to obtain a List of payment terms and their corresponding codes. Type **BACK** in the NEXT FUNCTION field and press **ENTER** to return to the *IWS-1T* screen.
6. To add a remit message to the check, access the *Remit Message List (RML)* screen by typing **RML** in the NEXT FUNCTION field and pressing **ENTER** (or enter the message directly on the *IWS-1T* screen and press **ENTER**. Then skip to Step 10.)
7. Type **your paying entity (XXPT)** in the PAY ENTITY field and press **ENTER** to review the remit message.
8. Once you have found the appropriate message on the *RML* screen, type **R** in the NEXT FUNCTION field and press **ENTER** to *return* to the *IWS-1T* screen.
9. Type the **three-character code** that corresponds to the message in the first REMIT MSG field.
10. At the 0001 line, type the **first line total amount** in the AMOUNT/PERCENT field to indicate the amount of the first line of the invoice.
11. Type **your company number** in the CO field.

12. Type the **account number** in the ACCOUNT field.
13. Type the **center number** in the CENTER field.
 -  If there is only one line of expense, proceed to the next step. If there is more than one line of expense, repeat Steps 10 through 13 and then proceed with Step
- 14.
14. If there is a **NO** in the 99 field, you must override the NO with the applicable 1099 code.
15. Type **TNL** in the NEXT FUNCTION field and press **ENTER** to access the *1099 Codes List (TNL)* screen.
16. Press **ENTER** to view the 1099 codes. Scroll down to find the correct 1099 code to process the invoice line.
17. Type **R** in the NEXT FUNCTION field and press **ENTER** to *return* to the *Invoice Worksheet 1 (IWS-IT)* screen.
18. Type the **1099 code** over the NO in the 99 field of the invoice line.
19. Type the **total invoice amount** in the GROSS AMOUNT field.
20. Type **NEXT** or **N** in the REQUEST field and press **ENTER** to balance the document.

Procedure 4: Entering Invoice Header Information for Matching Invoices

After completing the *Control Document Entry (CDE)* screen and accessing the *Invoice Matching (IMP)* screen:

1. Type the **invoice number** in the INVOICE NUMBER field.
2. Type the **invoice date** in the DATE field.
3. Type **part of a vendor name@** in the VENDOR SHORT NAME field. (If you know the vendor number, type the **vendor and group number** in the VENDOR NUMBER field and press **ENTER** to return the vendor number and address to the *IMP* screen. Then, skip to step 8).
4. Press **ENTER** to return the vendor number and address to the *IMP* screen.
 - 📁 If the short name is unique to a vendor, the vendor name and address is returned to the *IMP* screen. In this case, skip to Step 8.
 - 📁 If the short name is not unique to a vendor name and address, the *Vendor Short Name List (VSL)* screen is displayed with a list of all the vendors that match the specified short name.
5. Type **B** in the ADDRESS TYPE field to display *both* the order-from and the remit-to address.
6. Press **ENTER** to scroll through the list until you find the required vendor.
7. Type **R** in the ACTIVITY field for the required vendor and press **ENTER** to *return* the vendor number and address to the *IMP* screen.
8. To verify that the correct vendor name and address have been returned to the *IMP* screen, type **VRS** in the NEXT FUNCTION field and press **ENTER** to access the *Remit to Vendor Setup (VRS)* screen. The *VRS* screen displays detailed information about the vendor.
9. Type **R** in the NEXT FUNCTION field and press **ENTER** to *return* to the *Invoice Matching (IMP)* screen.
10. Type the **buying entity (XXBG)** in the PO BUY ENTITY field.
11. Type the **purchase order number** in the PO NUMBER field and press **ENTER** to process the entered information.

12. If a PO is not referenced, type **F** in the REQUEST field and press **ENTER** to access the *PO Finder (POF)* screen. The *POF* screen lists open purchase orders by vendor within a buying entity.
13. View the listed purchase orders and choose the corresponding purchase order.
14. Type **S** in the SEL field next to the required PO and press **ENTER** to access the *Invoice Matching (IMP)* screen. The purchase order information defaults from the *POF* screen.
15. Verify that the payment terms that defaulted into the TERMS CODE field are correct. Change the terms code to match the terms indicated on the invoice, if necessary.
16. Type the **total amount of the invoice** in the GROSS AMOUNT field.
17. Press **ENTER** to process the information and to access the *Invoice Line Audit (ILA)* screen.

Procedure 5: Entering Invoice Line Information for Matching Invoices

After accessing the *Invoice Line Audit (ILA)* screen:

1. Verify that the correct accounting distribution is being used.
2. Compare the value in the UOP field to the unit of measure used on the invoice (UOI).
 - 📁 If the UOP and the UOI are the same, skip to Step 4.
 - 📁 If the UOP and the UOI are not the same, convert the UOP to the UOI, using *either* Step 3a *or* Step 3b.
3. Type the **Unit of Invoice (UOI)** in the UOP field if:
 - UOI is defined on the *Units of Measure List (UML)* screen *and*
 - the system-calculated conversion factor equals the true numerical relationship between the UOP and the UOI.

OR

Type the **manually calculated conversion factor** in the CONV FACTOR field if *either* of the two conditions in Step 3 are not satisfied.




4. Compare the PO line quantity in the QUANTITY field to the invoice quantity.
 - If they are the same, skip to Step 5.
 - If the values are not the same, type the **invoice quantity** in the QUANTITY field.
 - If the invoice quantity is a fraction, convert the UOI to a unit of measure that permits the quantity to be a whole number. Use any option in Step 3 that applies to change the UOI.
5. Compare the PO line amount in the AMOUNT field to the invoice amount. If the values are the same, skip to Step 6.
 - 📁 If the values are not the same, type the **invoice amount** in the AMOUNT field.
6. Type **A** in the REQUEST field to tag a line.
 - 📁 Each sequence letter (A, B, C) corresponds to a specific line on the purchase order. To indicate each line that is to be paid, you must tag the line. To tag a line, type the sequence letter in the REQUEST field and press **ENTER**. If all lines are to be paid, type **S** in the REQUEST field and press **ENTER**.
7. Press **ENTER** to process the information.

8. If the invoice is a 1099 transaction, type **3** in the REQUEST field and press **ENTER** to access the *Invoice Worksheet (IWS-IT)* screen. (If the invoice is not a 1099 transaction, go to Step 13.)
9. Type **TNL** in the NEXT FUNCTION field and press **ENTER** to access the *1099 Codes List (TNL)* screen.
10. Press **ENTER** to scroll down the possible 1099 codes until the correct code is found.
11. Type **R** in the NEXT FUNCTION field and press **ENTER** to *return* to the *Invoice Worksheet (IWS-IT)* screen.
12. Type the **correct 1099 code** over the NO in the 99 field to categorize the payment on the 1099 form.
13. Type **N or NEXT** in the REQUEST field and press **ENTER** to complete the invoice entry. A blank *Invoice Matching (IMP)* screen is displayed.

Procedure 6: Entering Zero-Dollar Invoices

NOTE: Make sure that you have completed a Control Group Header sheet.

After entering a zero-dollar control group header:

1. Type the **invoice number** in the INVOICE NUMBER field.
2. Type the **invoice date** in the DATE field. This date is used to determine the payment due date based on the payment terms code.
3. Type the **vendor short name@** in the VENDOR SHORT NM field and press **ENTER**.
 -  If you access the *Vendor Setup (VSL)* screen, choose the appropriate vendor. Type **R** in the ACTIVITY field and press **ENTER** to return to the *VSL* screen.
4. If any messages display, read the messages and press **ENTER** to override them and continue entering the invoice.
5. At the 0001 line, type the **first line total amount** in the AMOUNT/PERCENT field to indicate the total amount of payments to the vendor for the specified 1099 code.
 -  A description is not necessary for 1099 zero-dollar invoices. However, if you would like to use a description, the OSC suggests you use Load 1099 zero-dollar invoices.
6. Type the **correct 1099 code** in the 99 field.
7. At the 0002 line, type the **reverse (negative)** of the amount entered on line 0001.
 -  If the vendor has payments under more than one 1099 code, enter the total for each 1099 code on a separate invoice line. The last invoice line should be the reverse (negative) of all of the amounts entered for that vendor.
8. Type **0.00** in the GROSS AMOUNT field.
9. Type **NEXT** or **N** in the REQUEST field to balance the document.
10. Continue entering documents or type **BAL** in the REQUEST field and press **ENTER** to balance the control group. A blank *Control Document Entry (CDE)* screen is displayed.

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Procedure 7: Changing a Document


After accessing the Accounts Payable Module:

1. Type **DEM** in the NEXT FUNCITON field and press **ENTER** to access the *Document Entry (DEM)* screen.
2. Type **IMW** in the NEXT FUNCITON field to access the *Invoice Maintenance Worksheet 1 (IMW-1T)* screen and press **ENTER**.
3. Type your **trade paying entity (XXPT)** in the PAY ENTITY field.
4. Type the **invoice number** in the INVOICE NBR field.
5. Type the **vendor number** in the VENDOR NUMBER field.
6. Press **ENTER** to access the document information.
7. Type the **correct information** over the incorrect information in any of the unprotected fields.
8. Type **N** or **NEXT** in the REQUEST field to process the change and press **ENTER** to access a blank *IMW-1T* screen.

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Procedure 8: Designating a Non-Trade 1099 Vendor

After accessing the Accounts Payable module:

1. Type **TNL** in the NEXT FUNCTION field and press **ENTER** to access the *1099 Codes List (TNL)* screen.
2. Press **ENTER** to view the 1099 codes. Scroll down the list until you find the correct 1099 code for the vendor. (For example, M7 identifies the vendor as a non-employee compensation vendor.)
3. Type **VPN** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Payable Information (VPN)* screen.
4. Type the **non-trade paying entity (XXPT)** in the PAY ENTITY field.
5. Type the **vendor's short name@** in the SHORT NAME field.
6. Type the **vendor's social security number or federal ID number** in the TAX ID NUMBER field.
7. Type the **valid 1099 code** in the 1099 CODE field. You could also type **NO** in this field.
 -  Typing **NO** in the 1099 CODE field alerts the AP clerk of possible 1099 transactions. It is then the clerk's responsibility to determine the appropriate 1099 code for each transactions.
8. Press **ENTER** to process the information.

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Procedure 9: Recording Zero-Dollar Manual Checks

After accessing the Accounts Payable module:

1. Type **MPE** in the NEXT FUNCTION field and press **ENTER** to access the *Manual Payment Entry (MPE)* screen.
2. Type **ZRO** in the BANK ACCT PAY CODE field.
3. Type the **manual check number** in the PYMT REF NBR field.
4. Type **0.00** in the PAYMENT AMOUNT field.
5. Type the **date of the manual check** in the PAYMENT DATE field.
6. Type the **paying entity** in the PAY ENTITY field to indicate the paying entity of the vendor or employee.
7. Type the **vendor short name@** in the SHORT NAME field to identify the vendor.
8. Press **ENTER** to access the *Vendor Short Name (VSL)* screen.
9. Type **R** in the ACTIVITY field and press **ENTER** to return to the *Manual Payment Entry (MPE)* screen.
10. Type **S** in the NET AMOUNT field to identify that the net amount of the document was paid.
11. Type **N** or **NEXT** in the REQUEST field and press **ENTER** to process the information and access a blank *MPE* screen.

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Procedure 10: Filing and Correcting 1099 Returns

Agencies will need to enter all 1099 changes in NCAS to ensure that the corrections are captured in the weekly 1099 change file that is generated and submitted by OSC. All 1099 changes need to be recorded in NCAS after the initial 1099 IRS file is generated and submitted.

1099 Changes may include:

- 1099 Payee Amount Change
- 1099 Payee Filed in Error
- 1099 Payee Payment Type Change
- 1099 Payee Not Reported
- 1099 Payee TIN Incorrect
- 1099 Payee Name Incorrect


1099 Corrections are performed by using Invoice Maintenance on the **IMW** screen, entering zero-dollar invoices, and/or recording manual payments in the NCAS. Contact OSC Support Services at osc.support.services@osc.nc.gov or (919) 707-0795 for assistance in how to make 1099 changes in the NCAS.

- Once IRS approves threshold changes for 1099s, OSC will file all new 1099s and 1099 changes in NCAS weekly with the IRS up to the Friday before April 15th of the filing year.
- After the April cutoff date, the agency will be responsible for filing any new or 1099 changes with the IRS.
- Agencies will prepare Corrected 1099 Forms (1099-G, 1099-MISC, 1099-NEC, 1099-INT)
 - For a corrected 1099 form, enter an **X** in the CORRECTED box at the top of the forms
 - Enter the new or corrected information on the appropriate 1099 form to be sent to the recipient.

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Procedure 11: Comparing Your CP2100 Report to the VRS Screen

After accessing the Accounts Payable module:

1. Type **VRS** in the NEXT FUNCTION field and press **ENTER** to access the *Remit to Vendor Setup (VRS)* screen.
2. Type the **nine-digit account number** from the CP2100 report in the VENDOR NUMBER field.
3. Type the **letter at the end of the account number**, if applicable, from the CP2100 report in the GROUP NUMBER field and press **ENTER** to access the information on this account number.
 **Note:** If you cannot find the vendor under the account number, you can use the VSL screen to inquire on the vendor's name from the CP2100 report.
4. Compare the information on the VRS screen with the information provided from the IRS on the CP2100 report.

If the name and/or TIN on the VRS screen does not match the information on the CP2100 report:

5. Take no further action.

If the name and TIN on the VRS screen matches the information on the CP2100 report, do one of the following:

6. If this is the first time in the last three years that this vendor has appeared on the CP2100 report, refer to **Procedure 12: Sending and Receiving First B Notices**.
7. If this is the second time in the last three years that this vendor has appeared on the CP2100 report with the exact same name and TIN, refer to **Procedure 13: Sending and Receiving Second B Notices**.


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Procedure 12: Sending and Receiving First B Notices

If this is the first time the name and TIN appear on the CP2100 report:

Sending First B Notices

- 1 Send the first B notice, a copy of Form W-9, and an optional reply envelope to the vendor within 15 business days from the date of the CP2100 notice or the date you received it (whichever is later). Date the B notice no later than 30 business days from the date of the CP2100 notice or the date you received it (whichever is later). The outer envelope must be clearly marked **IMPORTANT TAX INFORMATION ENCLOSED** or **IMPORTANT TAX RETURN DOCUMENT ENCLOSED**.

 **Note:** Once the IRS has informed you that the TIN of the vendor does not match, a telephone call is not sufficient documentation. You must send out the first B notice and receive a certified W-9.

Receiving First B Notices

- 2 After receiving the Form W-9, complete one of the following steps:
 - a) If the vendor is a trade vendor, **contact OSC Support Services** and follow procedures for adding the vendor under the correct information.
 - If you receive a Form W-9, the vendor is a trade vendor and there are no changes to that vendor's information, please fax or mail the Form W-9 along with a copy of the first B notice to the OSC Support Services Center.
 - b) If the vendor is a non-trade vendor, refer to **Procedure 14: Making Name Only Changes to Non-Trade Vendors** or **Procedure 15: Making Taxpayer ID Number (TIN) Changes to Non-Trade Vendors**.
 - Be sure to keep the Form W-9 for your records.
3. If you do not receive a Form W-9 by the date on the first B notice, you must start backup withholding on this vendor. Refer to **Procedure 16: Requesting OSC to Start Withholding on Trade Vendors** for trade vendors or to **Procedure 17: Starting Backup Withholding on Non-Trade Vendors** for non-trade vendors.

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Procedure 13: Sending and Receiving Second B Notices

If this is the second time within three years that this exact same name and TIN appears on the CP2100 report:

Sending Second B Notices

1. Send the second B notice and an optional reply envelope to the vendor within 15 business days from the date of the CP2100 notice or the date you received it (whichever is later). Date the second B notice no later than 30 business days from the date of the CP2100 notice or the date you received it (whichever is later). The outer envelope must be clearly marked **IMPORTANT TAX INFORMATION ENCLOSED** or **IMPORTANT TAX RETURN DOCUMENT ENCLOSED**. Do *not* send a Form W-9.
2. The vendor must contact either the Social Security Administration (SSA) to have a social security number validated or the Internal Revenue Service (IRS) to validate an employee identification number (EIN).

Receiving Second B Notices

3. After receiving either the SSA Form 7028, Notice to Third Party of Social Security Assignment from the SSA or a copy of IRS Letter 147C from the vendor, complete one of the following steps:
 - a) If a trade vendor, **contact OSC Support Services** and follow procedures for adding the vendor under the correct information.
 - If you receive either an SSA Form 7028 or IRS Letter 147C, the vendor is a trade vendor and there are no changes to that vendor's information, please fax or mail the SSA Form 7028 or IRS Letter 147C along with a copy of the second B notice to the OSC Support Services Center.
 - b) If a non-trade vendor, refer to **Procedure 14: Making Name Only Changes to Non-Trade Vendors** or **Procedure 15: Making Taxpayer ID Number (TIN) Changes to Non-Trade Vendors**.
4. Be sure to keep either the SSA Form 7028 or the IRS Letter 147C for your records. If you do not receive either an SSA Form 7028 or a copy of IRS Letter 147C by the date on the second B notice, you must start backup withholding on this vendor. Refer to **Procedure 16: Requesting the OSC to Start Withholding on Trade Vendors** for trade vendors or to **Procedure 17: Starting Backup Withhold on Non-Trade Vendors** for non-trade vendors.

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Procedure 14: Making Name Only Changes to Non-Trade Vendors

After receiving the Form W-9, SSA Form 7028 or IRS Letter 147C, access the Accounts Payable module:

1. Type **VSU** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Setup (VSU)* screen.
2. Type **C** in the REQUEST field to change the vendor's information.
3. Type your **non-trade paying entity** in the PAY ENTITY field.
4. Type the **vendor number** in the VENDOR NO field.
5. Type the **group number**, if applicable, in the GROUP field and press **ENTER** to view the information on this vendor.
6. Type **I** in the VENDOR STATUS field to inactivate the group with the incorrect vendor name.
7. Press ENTER.

At this point, a new group can be added for the vendor number with the new vendor name and address if applicable.

8. Type the **correct vendor name** from the corrected W-9 in the VENDOR NAME field.
9. Type the **correct vendor short name** in the SHORT NAME field and press **ENTER** to make the name change.

The following steps are to add the tax ID number on the Vendor Payable Information (VPN) screen so that the system will not withhold automatically:


10. Type **VPN** in the NEXT FUNCTION field and press **ENTER** to access the *VPN* screen.
11. Type **G** in the REQUEST field to get the vendor's information.
12. Type your **non-trade paying entity** in the PAY ENTITY field.
13. Type the **vendor number** in the VENDOR NUMBER field.
14. Type the **group number**, if applicable, in the GROUP field and press **ENTER** to access the vendor information.

On VPN screen, access the original vendor group and change the 1099 USE NAME field to the new vendor name so that the 1099 will generate the current vendor name information.


15. Type **C** in the REQUEST field and enter the vendor number and group (if applicable) for the original vendor.
16. Press **ENTER** to put record in change mode.
17. Type **new vendor name** in the 1099 PAYEE NAME field and a **Y** in the 1099 USE NAME field press **ENTER** to change the 1099 Vendor use name on the original.




Procedure 15: Making Taxpayer ID Number (TIN) Changes to Non-Trade Vendors


If the change is to the taxpayer identification number (TIN), access the Accounts Payable module:

 Note: When making a change to the taxpayer identification number, you have to set up a new vendor under that new identification number.

1. Type **VRS** in the NEXT FUNCTION field and press **ENTER** to access the *Remit to Vendor Setup* (VRS) screen.
2. Type your **non-trade paying entity** in the PAY ENTITY field. Your agency and OSC determine your agency's non-trade paying entity.
3. Type the **new TIN** from the Form W-9, SSA Form 7028 or IRS 147C in the VENDOR NUMBER field and press **ENTER** to display any vendor records with that TIN.
4. Verify that there is not already a vendor listed with the new TIN. If there is already a vendor set up, type **VPN** in the NEXT FUNCTION field and press **ENTER** to access the *VPN* screen and proceed to Step 30. If not, continue to the next step.
5. Type **VSU** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Setup* (VSU) screen.
6. Type your **non-trade paying entity** in the PAY ENTITY field.
7. Type the **correct taxpayer identification number** from the Form W-9, SSA Form 7028 or IRS Letter 147C in the VENDOR NO field.
8. Type the **group letter**, if applicable, in the GROUP field.
9. Type the **vendor's name** in the VENDOR NAME field.
10. Type the **vendor type** in the VENDOR TYPE field.
11. Type the **vendor short name** in the SHORT NAME field.

 Because non-trade vendors are not added by OSC, use a name in the SHORT NAME field that can be used to search for and retrieve this non-trade vendor.
12. Type the **vendor's street or mailing address** in the ADDRESS LINE 2 field of the REMIT TO section.
13. Type the **vendor's city** in the ADDRESS LINE 3 field.
14. Type the **vendor's state** (two-letter abbreviation) in the STATE CODE field.

15. Type a **Y** in the VAL field.
16. Type the **vendor's zip code** in the POSTAL CODE field. The OSC requires the use of a nine-digit zip code.
17. Type the **vendor's phone number** in the PHONE field.
18. Type the **vendor's contact name** in the CONTACT field.
19. Type the **vendor's payment terms** in the PAYMENT TERMS field.
20. Press **ENTER** to add this vendor to your non-trade paying entity.
21. Type **G** in the REQUEST field and press **ENTER** to display the vendor record.
22. Type **VGN** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor General Information (VGN)* screen.
23. Type the **appropriate code** in the CATEGORY CODES 5 field.
 -  The codes entered in the CATEGORY CODES fields are used to generate reports about vendors used by NC state agencies. The first three CATEGORY CODES fields are used to input one or more vendor characteristics such as female-owned business, minority- owned business, and non-profit organization. The codes that you need to enter in these first three fields can be found on the *Description Table (DTL)* screen.
 -  The CATEGORY CODE 4 field is used to enter the vendor's order-from county code. The CATEGORY CODE 5 field is used to enter the vendor's remit-to county code. The county codes for the fourth and fifth CATEGORY CODE fields can also be located in the *Description Table (DTL)* screen.
24. Press **ENTER** to add the category codes.
25. Type **G** in the REQUEST field and press **ENTER** to display the vendor record.
26. Type **VPN** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Payable Information (VPN)* screen.
27. Type the **tax ID number** in the TAX ID NUMBER field and press **ENTER** to add the tax ID number.
28. Type **C** in the REQUEST field to change the tax ID number on the original vendor number.
 -  You must change the tax ID number on the original vendor number to the correct TIN number from the Form W-9, SSA Form 7028 or IRS Letter 147C.
29. Type the **vendor number** listed on the CP2100 in the VENDOR NUMBER field.

30. Type the **group letter** listed on the CP2100, if applicable, in the GROUP field and press **ENTER** to access the original vendor information.
31. Type the **correct tax ID number** from the Form W-9 in the TAX ID NUMBER field and press **ENTER** to change the tax ID number.
32. Type **G** in the REQUEST field and press **ENTER** to display the vendor record.
33. Type **VSU** in the NEXT FUNCTION field and press **ENTER** to access the *VSU* screen.
34. Type **C** in the REQUEST field to change the status of the original vendor to inactive.
35. Type your **non-trade paying entity** in the PAY ENTITY field.
36. Type the **vendor number** listed on the CP2100 in the VENDOR NO field.
37. Type the **original group letter** listed on the CP2100, if applicable, in the GROUP field and press **ENTER** to access the original vendor information.
38. Type "**Use Vendor**" and the **correct vendor number** from the Form W-9, SSA Form 7028 or IRS Letter 147C and **group number** in both ADDRESS LINE 2 and ADDRESS LINE 3 fields.
 -  This information defaults to the *VSL* screen as a reminder that the vendor number has changed.
39. Type **H** in the ORDER HOLD field to hold any orders using the original vendor number.
40. Type **I** in the STATUS field and press **ENTER** to inactivate the original vendor number.

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Procedure 16: Requesting the OSC to Start Backup Withholding on Trade Vendors

If you do not receive a Form W-9, SSA Form 7028 or IRS Letter 147C by the date on the B notice, you must start withholding. To start backup withholding on trade vendors:

- 1 Send the backup withholding form to the OSC Support Services Center.
 - See **QRG 8: NCAS Backup Withholding Form, Trade Vendors** for a copy of the request form.

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Procedure 17: Starting Backup Withholding on Non-Trade Vendors

If you do not receive a Form W-9, SSA Form 7028 or IRS Letter 147C by the date on the B notice, you must start withholding.



To start backup withholding on non-trade vendors, see **Procedure 18: Setting a Non-Trade Vendor for Withholding.**

The next time a 1099 payment is made to this vendor, the payment will be withheld.

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Procedure 18: Setting up a Non-Trade Vendor for Withholding

This procedure outlines the steps for setting up the vendor for backup withholding. However, a 1099 code is still required on all invoice lines subject to backup withholding.

1. Type **VPN** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Payable Information (VPN)* screen.
2. Type **XXPN** in the PAY ENTITY field.
3. Type the **vendor's federal ID number** or the **social security number** in the VENDOR NO. field.
4. Type **C** in the REQUEST field and press **ENTER** to indicate that you are changing information about the vendor.
5. Type **yesterday's date** in the in the TAX ID EXPIRATION DATE field.
6. Type the **appropriate percentage** in the 1099 WITHHOLDING RATE field.
 -  To withhold federal taxes only, type **24.00**. To withhold state taxes only, type **4.00**. To withhold both state and federal, type **28.00**.
7. Press **ENTER** to complete entry and process the changes.
8. Type **VDD** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Default Distribution (VDD)* screen.
9. Type **A** in the REQUEST field and press **ENTER** to indicate that you are adding information.
10. Type the **appropriate withholding indicator** in the 1099 WITHHOLD field and press **ENTER** to complete the entry.
 -  If you are withholding federal taxes only, type **950** in the 1099 WITHHOLD field. If you are withholding state taxes only, type **951** in the 1099 WITHHOLD field. If you are withholding both state and federal taxes, type **952** in the 1099 WITHHOLD field. This indicator controls the accounts to which the withheld amount is posted.

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Procedure 19: Making the Entries to Record Federal Daily Backup Withholding Payments

 Perform the following procedure if you had funds backup withheld on the previous day.

On a daily basis, view the 1099 Withholding Transaction Report located in OSCOP* AP 1099-7 DAILY WITHHOLD. Withholding payments will be made on a daily basis.

Option A – If the remittance to the IRS needs to be reflected in Accounts Payable:

1. Key an invoice to the IRS vendor in NCAS to the appropriate federal liability account that was flagged during the initial withholding
 - 211950 – Federal withholding
 - 211953 – Non-resident alien withholding
2. Manually pay the invoice on the MPE screen but do not print the payment.
3. Manually clear the manual payment on the PCR screen since a payment will never be printed.
4. Key in a cash requisition journal voucher in the BC module in NCAS using the normal procedures for keying cash requisitions.
5. Enter a manual cash requisition in NCFS using the normal procedures for keying in cash requisitions.
6. Complete the Federal Tax Withholding Core Banking template that will move the money from the agency disbursing account to the account where the IRS can retrieve the withholding amount.
 - *Any assistance needed with the Federal Tax Withholding template in Core Banking will need to be directed to Department of State Treasurer.*
7. Complete the EFTPS procedures (QRG 13: EFTPS Tax Processing Procedures) to notify the IRS that the withholding amount is ready to be remitted.
 - Training video is available for the EFTPS

Option B – If the remittance to the IRS does not need to be reflected in Accounts Payable.

1. Key a journal voucher in the BC module in NCAS to debit the federal withholding account (211950 or 211953) and credit the cash disbursing account 111250.
2. Key in a cash requisition journal voucher in the BC module in NCAS using the normal procedures for keying cash requisitions.
3. Enter a manual cash requisition in NCFS using the normal procedures for keying in cash requisitions.
4. Complete the Federal Tax Withholding Core Banking template that will move the money from the agency disbursing account to the account where the IRS can retrieve the withholding amount.
 - a. *Any assistance needed with the Federal Tax Withholding template in Core Banking will need to be directed to Department of State Treasurer.*
5. Complete the EFTPS procedures (QRG 13: EFTPS Tax Processing Procedures) to notify the IRS that the withholding amount is ready to be remitted.

Procedure 20: Making the Entries to Record State Backup Withholding Payments

1. Enter in direct invoice to Department of Revenue (561611838 A) using the state withholding account 211951 in order to record the state withholding amount.
2. Once this invoice is paid to DOR, fill out the NC-5 form to report the state withholding to DOR.

(QRG 10: Form NC-5 Employer's Report of NC Income Tax Withheld from Wages and Personal Services Compensation)

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Procedure 21: Requesting the OSC to Stop Backup Withholding on Trade Vendors

When you receive a Form W-9, SSA Form 7028 or IRS Letter 147C, you must stop withholding. To stop backup withholding on trade vendors:

- 1 Send a copy of the backup withholding form along with a copy of the Form W-9, SSA Form 7028 or IRS Letter 147C to the OSC Support Services Center. From this form, NCAS Support Services makes the appropriate changes to the vendor file and stop backup withholding.
 - See **QRG 8: NCAS Backup Withholding Form, Trade Vendors** for a copy of the request form.

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Procedure 22: Stopping Backup Withholding on Non-Trade Vendors

When you receive a Form W-9, SSA Form 7028 or IRS Letter 147C, you must stop withholding. To stop backup withholding on non-trade vendors:

1. Make the appropriate changes to the vendor file. Refer to **Procedure 14: Making Name Only Changes to Non-Trade Vendors** or **Procedure 15: Making Taxpayer ID Number (TIN) Changes to Non-Trade Vendors**.
2. Type **VPN** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Payable Information (VPN)* screen.
3. Type **C** in the REQUEST field to change the vendor's information.
4. Type your **non-trade paying entity** in the PAY ENTITY field.
5. Type the **vendor number** in the VENDOR NUMBER field.
6. Type the **vendor group letter**, if applicable, in the GROUP field and press **ENTER** to access this vendor's information.
7. Delete the **date** in the TAX ID EXPIRATION DATE field and press **ENTER** to stop backup withholding.


The next time a 1099 payment is made to this vendor, nothing will be withheld.

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Procedure 23: Running IE Report for Backup Withholding

 This form needs to be filed by January 31 of the next calendar year.



To find out your backup withholding for the year, access the Information Expert (IE) Module:



1. Type **1** and press **ENTER** to access the *Information Access Facility* screen.
2. Type **1** and press **ENTER** to access the *Expert Reporting Support Facility* screen.
3. Type **APPUBLIC** in the LIBRARY field.
4. Type **SMLS** in the ACTION field and press **ENTER** to access the *Source Management Directory List (SMLS)* screen.
5. Type **S** next to the run statement for the report series that needs to be run and press **ENTER**. (**C-U-AP-WITHHOLDING-RUN**)
6. Type **over the variables** in the run statements to specify selection criteria for the report.
 - To generate the report into the financial library for your agency, type **finanxx** after "INTO LIBRARY," where XX indicates your agency identification number.
 - Type **SUB** in the COMMAND INPUT field and press **ENTER** to submit the run job.
 - Press **ENTER** to continue.
 - Type **CAN** in the COMMAND field and press **ENTER** to cancel the changes you made to the run statements.
 - While working in APPUBLIC, you are unable to use the SAVE command in order to save changes to the run statements. If you need customization to the report run statements to be permanent, you can copy the run statements into your own library and then customize them.
7. Type **RVLS** in the ACTION field and press **ENTER** to access the *Report Viewing Directory (RVLS)* screen.
8. Type the **name of the library** to which you sent the report series in the LIBRARY field and press **ENTER**
 -  If the report series is not displayed yet, it may be that the series is still being processed.
9. Type **S** next to the report series you wish to view, and press **ENTER** to access the reports in the series.

10. Type **S** next to the specific report you want to view from the report series and press **ENTER** to view the report.

Procedure 24: Correcting Withholding for Non-1099 Transactions



Use this procedure when the invoice should not have been 1099 reportable and the payment was erroneously withheld.




1. If the vendor is a non-trade vendor, type **VPN** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Payable Information (VPN)* screen.
2. Verify that the TAX ID EXPIRATION DATE field has an expired date.
3. Verify that the 1099 WITHHOLDING RATE field contains the appropriate withholding percentage.
4. Type **VDD** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Default Distribution (VDD)* screen.
5. Verify that the 1099 WITHHOLD field contains the appropriate indicator.
 -  Refer to **Procedure 18: Setting Up a Non-trade Vendor for Withholding** to set up the TAX ID EXPIRATION DATE and 1099 WITHHOLDING RATE fields, if necessary. If the vendor is a trade vendor, contact the OSC Support Services Center at (919) 707-0795 to verify the information.
6. Type **CDE** in the NEXT FUNCTION field and press **ENTER** to access the *Control Document Entry (CDE)* screen.
7. Type **your paying entity (XXPT or XXPN)** in the PAY ENTITY field.
8. Type the **control group number** in the CONTROL NUMBER field.
9. Type **.00** in the CNTL AMT field. Since the invoice is a zero-dollar invoice, the control group total is zero.
10. Type **your first and last initials** in the APPL AREA field.
11. Type **D** in the ENTRY METHOD field to indicate this is a direct invoice.
12. Type **your bank account payment code** in the BANK ACCT PYMT IND field and press **ENTER** to access the *Invoice Worksheet 1 (IWS-1T)* screen.
 -  Do *not* type **ZRO** in the BANK ACCT PYMT IND field.
13. Type the invoice information on the *IWS-1T* screen. Use the same vendor as the original invoice.

14. Type **NET** in the TERMS CODE field.
15. On line 0001, type the **positive dollar amount** in the AMOUNT/PERCENT field.
16. Type the **company number** in the CO field.
17. Type the **account number** in the ACCOUNT field.
18. Type the **center number** in the CENTER field.
 Use the same accounting distribution as the original invoice. Do *not* type a 1099 code for this line.
19. On line 0002, type the **negative dollar amount** in the AMOUNT/PERCENT field.
20. Type the **company number** in the CO field.
21. Type the **account number** in the ACCOUNT field.
22. Type the **center number** in the CENTER field.
 Use the same accounting distribution as the first line.
23. Type the **1099 code** in the 99 field. Use the same 1099 code that appeared on the original invoice.
24. Type **R** in the REQUEST field and press **ENTER** to access the *Invoice Worksheet 2 (IWS-2T)* screen. Verify that the BANK PYMT field contains your BAP code (not ZRO).
25. Type **N** or **NEXT** in the REQUEST field and press **ENTER** to balance the invoice.
26. When this invoice is paid, the invoice will create a payment for the amount that was withheld in error.

Procedure 25: Correcting Withholding for 1099 Transactions

Use this procedure when the invoice should still be 1099 reportable and the payment was erroneously withheld.






1. If the vendor is a non-trade vendor, type **VPN** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Payable Information (VPN)* screen.
2. Verify that the TAX ID EXPIRATION DATE field has an expired date.
3. Verify that the 1099 WITHHOLDING RATE field contains the appropriate withholding percentage.
4. Type **VDD** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Default Distribution (VDD)* screen.
5. Verify that the 1099 WITHHOLD field contains the appropriate indicator.
 -  Refer to **Procedure 18: Setting Up a Non-trade Vendor for Withholding** to setup the TAX ID EXPIRATION DATE and 1099 WITHHOLDING RATE fields, if necessary. If the vendor is a trade vendor, contact the OSC Support Services Center at (919) 707-0795 to verify the information.
6. Type **CDE** in the NEXT FUNCTION field and press **ENTER** to access the *Control Document Entry (CDE)* screen.
7. Type **your paying entity (XXPT or XXPN)** in the PAY ENTITY field.
8. Type the **control group number** in the CONTROL NUMBER field.
9. Type **.00** in the CNTL AMT field. Since the invoice is a zero-dollar invoice, the control group total is zero.
10. Type **your first and last initials** in the APPL AREA field.
11. Type **D** in the ENTRY METHOD field to indicate this is a direct invoice.
12. Type **your bank account payment code** in the BANK ACCT PYMT IND field and press **ENTER** to access the *Invoice Worksheet 1 (IWS-1T)* screen.
 -  Do *not* type ZRO in the BANK ACCT PYMT IND field.
13. Type the invoice information on the *IWS-1T* screen. Use the same vendor as the original invoice.
14. Type **NET** in the TERMS CODE field.
15. On line 0001, type the **positive dollar amount** in the AMOUNT/PERCENT field.



-
16. Type the **company number** in the CO field.
 17. Type the **account number** in the ACCOUNT field.
 18. Type the **center number** in the CENTER field.
 Use the same accounting distribution as the original invoice.
 19. Type **NO** in the 99 field.
 20. On line 0002, type the **negative dollar amount** in the AMOUNT/PERCENT field.
 21. Type the **company number** in the CO field.
 22. Type the **account number** in the ACCOUNT field.
 23. Type the **center number** in the CENTER field.
 Use the same accounting distribution as the first line.
 24. Type **the same 1099 code that was keyed on the original invoice** in the 99 field.
 25. Type **R** in the REQUEST field and press **ENTER** to access the *Invoice Worksheet 2 (IWS-2T)* screen. Verify that the BANK PYMT field contains your BAP code (not ZRO).
 26. Type **N** or **NEXT** in the REQUEST field and press **ENTER** to balance the invoice.
 27. After the check has been produced for the amount withheld in error, access the Invoice Maintenance 1 (IMW-1T) screen and **change the 1099 field on line 0001 from NO to the same 1099 code used on line 0002.**
 Step 27 will ensure that the 1099 reports reflect that the withholding is zeroed out and will have zero net effect on the 1099 totals for this vendor.

Procedure 26: Adding a Non-Trade NRA Vendor

When an NRA vendor is added as a non-trade vendor, the addition is similar to adding a trade vendor, except that the agency is responsible for completing the withholding information required for the NRA. The agency must complete the information for non-trade vendors in the same manner that OSC does for trade vendors. Non-trade vendors are not shared with other agencies.

After accessing the Accounts Payable module:

1. Type **VSU** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Setup (VSU)* screen to add a NRA non-trade vendor.
2. Type the **non-trade paying entity (XXPN)** in the PAY ENTITY field.
 -  Your agency and OSC have determined the non-trade paying entity code.
3. Type the **numbering scheme** utilized by your agency for non-trade NRA vendors in the VENDOR NO field. (Do not type hyphens.)
 -  When an NRA vendor is added to NCAS they will not have a standard tax identification number (TIN) as our US vendors. OSC suggests using a ten-digit numbering scheme such as FOR0000001, FOR0000002, etc.
4. Type the **vendor group number** in the GROUP field, if applicable.
5. Type the **vendor's name** in the VENDOR NAME field.
6. Type **D** in the VENDOR TYPE field to indicate that this is a *direct* vendor.
7. Type the **vendor name** in the SHORT NAME field. (Do not type any spaces between the names.)
 -  For an individual, type the last name first followed by the first name.
8. Type the **vendor's fax number** in the FAX field, if available.
 -  This field is *not* required.
9. Type the **vendor's phone number** in the PHONE field.
10. Type the **vendor's address** (PO box or street address) in the ADDR LINE 2 field of the REMIT TO section.
11. Type the correct **state code** in the STATE CODE field.
 -  If the address is located outside the US, leave this field *blank*.


12. Type the correct **validation code** in the VAL field.
 -  For US addresses, type a Y. For foreign addresses, type an N.
13. Type the **vendor's city** in the ADDR LINE 3 field of the REMIT TO section.
 -  If the address is located outside of the US, type the city name, province (if applicable) and nation in the ADDR LINE 3 field of the REMIT TO section.
14. Type the **vendor's postal code** (zip) in the POSTAL CODE field. (Use the "plus 4" zip)
15. Type a **contact name** at the vendor's company in the CONTACT field.
16. Press **ENTER** to add this vendor to your non-trade paying entity and to clear the screen.
17. Type **G** in the REQUEST field and press **ENTER** to display the vendor record.
18. Type **VGN** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor General Information (VGN)* screen.
19. Type the vendor's business characteristic in the CATEGORY CODES 1 field.

The corresponding Category Codes are located on the *Description Table (DTL)* screen.

- Type **DTL** in the NEXT FUNCTION field and press **ENTER** to access the *Description Table (DTL)* screen.
- Type your **paying entity (XXPN)** in the ENTITY field.
- Type **pay** in the ENTITY TYPE field and press **ENTER**.
- Once you have located the appropriate code, access the *VGN* screen to add the code.
 - An example of an often-used Category Code is **TAX**. This code is used to describe a "Tax Exempt, Non-Profit Vendor."

An abbreviated list of the most used Category Codes can be found in **QRG 2: Post Office and Incorporated Cities and Towns**.

20. Type the remit-to county code in the **CATEGORY CODE 5** field.

 Type **999** in the **CATEGORY CODE 5** field to indicate that a vendor is an out-of-state vendor.

If you know the city in the remit-to address on the **VSU** screen, you can identify the county code using **QRG 2: Post Office and Incorporated Cities and Towns**.

If you know the county name, you can find the corresponding code on the *Description Table (DTL)* screen.

Once you have located the appropriate code, access the **VGN** screen to add the code.

21. Type **today's date** in the **VEND ADD** field to track the date of the addition of the vendor to the system.

 This date must be entered in **MM/DD/YYYY** format

22. Press **ENTER** to process the **VGN** screen.

23. Type **G** in the **REQUEST** field and press **ENTER** to display the vendor record.

24. Type **VPN** in the **NEXT FUNCTION** field and press **ENTER** to access the *Vendor Payable Information (VPN)* screen.

25. To initiate withholding for a non-trade vendor, type **yesterday's date** in the **TAX ID EXPIRATION DATE** field.

 This date must be entered in **MM/DD/YYYY** format.

26. Type **the withholding rate** in the **1099 WITHHOLDING RATE** field.

27. Type the **1099 code** in the **1099 CODE** field.

 The code for NRA withholding is **NR**.

28. Press **ENTER** to process the **VPN** screen.



29. Type **G** in the **REQUEST** field and press **ENTER** to display the vendor record.

30. Type **VDD** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Default Distribution (VDD)* screen.
31. Type the appropriate **mini-chart indicator** in the 1099 WITHHOLD field.
 - ☞ The mini-chart indicator determines how the accounting entries will post. The indicator for NRA withholding is **953**.
32. Press **ENTER** to process the *VDD* screen.

Procedure 27: Setting Up an NRA Vendor for Withholding

Processing NRA withholding in NCAS is similar to both State and Federal backup withholding. NRA withholding requires that the *Vendor Payable Information (VPN)* screen and the *Vendor Default Distribution (VDD)* screen be set up. The only differences are the withholding rates and the mini-chart indicators.

After accessing the Accounts Payable module:




1. Type **VPN** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Payable Information (VPN)* screen.
2. Type **XXPN** in the PAY ENTITY field.
3. Type the **vendor's number** in the VENDOR NUMBER field (if it does not default.)
4. Type the **vendor's group** in the GROUP field, if applicable. (Do NOT press **ENTER** here!)
5. Type **yesterday's date** in the TAX ID EXPIRATION DATE field.
6. Type the **appropriate percentage** in the 1099 WITHHOLDING RATE field.
 -  To withhold NRA taxes only, type **30.00**.
7. Type the **NR code** in the 1099 CODE field.
8. Press **ENTER** to complete the entry and process the changes.
9. Type **G** in the REQUEST field and press **ENTER** to display the vendor record.
10. Type **VDD** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Default Distribution (VDD)* screen.
11. Type the **appropriate withholding indicator** in the 1099 WITHHOLD field.
 -  If you are withholding NRA taxes, type **953** in the 1099 WITHHOLD field. This indicator controls the accounts to which the withheld amount is posted.
12. Press **ENTER** to complete the entry.

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Procedure 28A: Processing a 1099 Applicable NRA Payment (Direct Invoice)

After accessing the Accounts Payable module:

After completing the *Control Document Entry (CDE)* screen and accessing the *Invoice Worksheet 1 (IWS-1T)* screen:

1. Type the **invoice number** in the INVOICE NUMBER field.
2. Type the **invoice date** in the DATE field.
 -  This date is used to determine the payment due date based on the payment terms code.
3. Type the **vendor short name@** in the VENDOR SHORT NM field and press **ENTER**.
 -  If you access the *Vendor Setup (VSL)* screen, select the appropriate vendor. Type **R** in the ACTIVITY field and press **ENTER** to *return* to the *IWS-1T* screen.
4. If any messages display, read the messages and press **ENTER** to override the messages and continue entering the invoice.
5. Verify that the appropriate payment terms have defaulted into the TERMS CODE field. Update this field if necessary.
 -  Access the *Payment Terms Code List (PTL)* screen to obtain a list of payment terms and their corresponding codes.
6. Type **BACK** in the NEXT FUNCTION field and press **ENTER** to return to the *IWS-1T* screen.
7. To add a remit message to the check, access the *Remit Message List (RML)* screen by typing **RML** in the NEXT FUNCTION field and pressing **ENTER** (or enter the message directly on the *IWS-1T* screen and press **ENTER**. Then skip to Step 11.)
8. Type **your paying entity (XXPT)** in the PAY ENTITY field and press **ENTER** to review the remit message.
9. Once you have located the appropriate message on the *RML* screen, type **R** in the NEXT FUNCTION field and press **ENTER** to *return* to the *IWS-IT* screen.
10. Type the **three-character code** that corresponds to the message in the first (small) REMIT MSG field.
11. At the 0001 line, type the **first line total amount** in the AMOUNT/PERCENT field to indicate the amount of the first line of the invoice.

12. Type your **company number** in the CO field.
13. Type the **account number** in the ACCOUNT field.
14. Type the **center number** in the CENTER field.

If there is only one line of expense, proceed to the next step. If there is more than one line of expense, repeat Steps 11 through 14 and then proceed with Step 15.

Once the NRA vendor has been setup for withholding a 1099 code of NR should default automatically to the 99 field.

15. Ensure that all payments to NRAs are coded with the NR 1099 code so withholding will occur. Otherwise, override the 1099 code with the appropriate code from the *TNL* screen.
16. Type **TNL** in the NEXT FUNCTION field and press **ENTER** to access the *1099 Codes List (TNL)* screen.
17. Press **ENTER** to view the 1099 codes. Scroll down to locate the correct 1099 code to process the invoice line.
18. Type **R** in the NEXT FUNCTION field and press **ENTER** to *return* to the *Invoice Worksheet 1(IWS-IT)* screen.
19. Type the **total invoice amount** in the GROSS AMOUNT field.
20. Type **NEXT** or **N** in the REQUEST field and press **ENTER** to balance the document.


Procedure 28B: Processing a 1099 Applicable NRA Payment (Matched Invoice)

After accessing the Accounts Payable module:

After completing the *Control Document Entry (CDE)* screen and accessing the *Invoice Matching (IMP)* screen:

1. Type the **invoice number** in the INVOICE NUMBER field.
2. Type the **invoice date** in the DATE field.
 - ☞ This date is used to determine the payment due date based on the payment terms code.
3. Type **part of a vendor name@** in the VENDOR SHORT NAME field.
 - ☞ If you know the vendor number, type the **vendor** and **group number** in the VENDOR NUMBER field and press **ENTER** to return the vendor number and address to the *IMP* screen. Then skip to step 8.
4. Press **ENTER** to return the vendor number and address to the *IMP* screen.
 - ☞ If the short name is unique to a vendor, the vendor name and address are returned to the *IMP* screen. In this case, skip to Step 8. If the short name is not unique to a vendor name and address, the *Vendor Short Name List (VSL)* screen is displayed with a list of all vendors that match the requested short name.
5. Type **B** in the ADDRESS TYPE field to display *both* the order-from and the remit-to address.
6. Press **ENTER** to scroll through the list until you locate the required vendor.
7. Type **R** in the ACTIVITY field for the required vendor and press **ENTER** to *return* the vendor number and address to the *IMP* screen.
8. To verify that the correct vendor name and address have been returned to the *IMP* screen, type **VRS** in the NEXT FUNCTION field and press **ENTER** to access the *Remit to Vendor Setup (VRS)* screen. The *VRS* screen displays detailed information about the vendor.
9. Type **R** in the NEXT FUNCTION field and press **ENTER** to *return* to the *Invoice Matching (IMP)* screen.
10. Type the **buying entity (XXBG)** in the PO BUY ENTITY field.

11. Type the **purchase order number** in the PO NUMBER field and press **ENTER** to process the information.
12. If a PO is not referenced, type **F** in the REQUEST field and press **ENTER** to access the *PO Finder (POF)* screen.

 The *POF* screen lists open purchase orders by vendor within a buying entity.
13. View the listed purchase orders and the corresponding purchase order. Type **S** in the SEL field next to the required PO and press **ENTER** to access the *Invoice Matching (IMP)* screen. The purchase order information defaults from the *POF* screen.
14. Verify that the payment terms that defaulted into the TERMS CODE field are correct. Change the terms code to match the terms indicated on the invoice, if necessary.
15. Type the **total amount of the invoice** in the GROSS AMOUNT field.
16. Press **ENTER** to process the information and to access the *Invoice Line Audit (ILA)*

After accessing the *Invoice Line Audit (ILA)* screen:

17. Verify that the correct accounting distribution is being used.
18. Compare the value in the UOP field to the unit of measure used on the invoice (UOI).
 - If the UOP and the UOI are the same, skip to Step 21.
 - If the UOP and the UOI are not the same, convert the UOP to the UOI, using either Step 20a or Step 20b.
19. Type the **Unit of Invoice (UOI)** in the UOP field if:
 - The UOI is defined on the *Units of Measure List (UML)* screen and
 - the system-calculated conversion factor equals the true numerical relationship between the UOP and the UOI.

OR

Type the **manually calculated conversion factor** in the CONV FACTOR field if *either* of the two conditions in Step 20a is not satisfied.

20. Compare the PO line quantity in the QUANTITY field to the invoice quantity.
 - If they are the same, skip to Step 22.
 - If the values are not the same, type the **invoice quantity** in the QUANTITY field.
 - If the invoice quantity is a fraction, convert the UOI to a unit of measure that permits the quantity to be a whole number. Use any option in Step 20 that applies to change the UOI.
21. Compare the PO line amount in the AMOUNT field to the invoice amount. If the values are the same, skip to Step 23. If the values are not the same, type the **invoice amount** in the AMOUNT field.


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22. Type **A** in the REQUEST field to tag a line. Each sequence letter (A, B, C) corresponds to a specific line on the purchase order. To indicate each line that is to be paid, you must tag the line. To tag a line, type the sequence letter in the REQUEST field and press **ENTER**. If all lines are to be paid, type **S** in the REQUEST field and press **ENTER**.
 23. Press **ENTER** to process the information.
 24. If the invoice is a 1099 transaction, type **3** in the REQUEST field and press **ENTER** to access the *Invoice Worksheet (IWS-IT)* screen. (If the invoice is not a 1099 transaction, go to Step 29.) Once the NRA vendor has been setup for withholding a 1099 code of **NR should default automatically to** the 99 field. Ensure that all payments to NRAs are coded with NR 1099 code so withholding will occur. Otherwise, override the 1099 code with the appropriate code from the *TNL* as listed in Steps 26 - 27.
 25. Type **TNL** in the NEXT FUNCTION field and press **ENTER** to access the *1099 Codes List (TNL)* screen.
 26. Press **ENTER** to scroll down the possible 1099 codes until the correct code is located.
 27. Type **R** in the NEXT FUNCTION field and press **ENTER** to *return* to the *Invoice Worksheet (IWS-IT)* screen.
 28. Type **N or NEXT** in the REQUEST field and press **ENTER** to complete the invoice entry. A blank *Invoice Matching (IMP)* screen is displayed.



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Procedure 29A: Factoring International Wire Payments on a Direct Invoice

Note: The vendor file for the factor vendor must have an **F (factor)** status in order to be able to successfully factor vendor payments. Contact the OSC Support Services Center if you need help with setting up a vendor as a factor.

After accessing the *Invoice Worksheet 1 (IWS-1T)*:

1. Type the **invoice number** in the INVOICE NUMBER field.
2. Type the **invoice date** in the DATE field.
3. Type the **vendor's number** in the first blank of the VENDOR NUMBER field.
4. Type the **vendor's group number** in the second blank of the VENDOR NUMBER field and press **ENTER** to retrieve the vendor information.
5. At line 0001, type the **amount owed to the foreign vendor** in the AMOUNT/PERCENT field.
6. Type **your company number (XX01)** in the CO field.
7. Type the **account number** in the ACCOUNT field.
8. Type the **center number** in the CENTER field.
9. Type the **description of the invoice** in the DESCRIPTION field.
10. Verify that "**NR**" is in the 99 field or enter "**NR**" in the 99 field.
 -  If the foreign vendor is in the statewide trade vendor file, the "**NR**" 1099 code should default in the 99 field. If the foreign vendor is a "nontrade" vendor and the "NR" code does not default, type "**NR**" in the 99 field for invoice line 0001. This "NR" code ensures that any backup withholding that may be required for this international vendor is processed.
11. At line 0002, type the **amount of the international wire fee** in the AMOUNT/PERCENT field.
12. Type **your company number (XX01)** in the CO field.
13. Type the **account number** in the ACCOUNT field.


-
14. Type the **center number** in the CENTER field.
 15. Type the **description of the invoice** in the DESCRIPTION field.
 16. If **“NR”** is in the 99 field, change the “NR” code to **“NO.”**
 -  If the foreign vendor is in the statewide trade vendor file, the **“NR”** 1099 code will default in the 99 field. If backup withholding is required for this foreign vendor, the **“NO”** 1099 code will ensure that the backup withholding does not apply to the international wire fee amount.
 17. Type the **gross amount of the invoice** in the GROSS AMOUNT field. Delete the zeros at the end of the field.
 18. Press **ENTER** to process the information.
 19. Once **ENTER** has been pressed and the defaults have displayed, verify that the **“NR”** 1099 code has displayed only for the invoice line that is for the amount the vendor is being paid. If “NR” is in the wire fee invoice line, change the 1099 code to **“NO”** to avoid backup withholding from applying to the wire fee amount.
 20. Type **R** in the REQUEST field and press **ENTER** to access the *Invoice Worksheet 2 (IWS-2T)* screen.
 21. Type **941347393 18** in the FACTOR NUMBER and GROUP fields and press **ENTER** to process the information.
 -  **Always** use this vendor number and group to pay the international wire payment to the correct Wells Fargo vendor.
 22. Type **N** in the REQUEST field to balance the document and press **ENTER** to access a blank *Invoice Worksheet 1 (IWS-1T)* screen.

Procedure 29B: Factoring International Wire Payments on a Matching Invoice

Note: The vendor file for the factor vendor must have an **F (factor)** status in order to be able to successfully factor vendor payments. Contact the OSC Support Services Center if you need help with setting up a vendor as a factor.

After accessing the *Invoice Matching (IMP)*:

1. Type the **invoice number** in the INVOICE NUMBER field.
2. Type the **invoice date** in the DATE field.
3. Type **vendor number and group** in the VENDOR NUMBER fields and press **ENTER**.
4. Verify that the payment terms that defaulted into the TERMS CODE field are correct. Change the terms code to match the terms indicated on the invoice, if necessary.
5. Type the **total amount of the invoice** in the GROSS AMOUNT field.
6. Type **941347393 18** in the FACTOR NUMBER and GROUP fields.

 **Always** use this vendor number and group in order to pay the international wire payment to the correct Wells Fargo vendor





7. Press **ENTER** to process the information and to access the *Invoice Line Audit (ILA)* screen.

After accessing the *Invoice Line Audit (ILA)* screen:

8. Verify that the correct accounting distribution is being used.
9. Compare the value in the UOP field to the unit of measure used on the invoice (UOI).
 - If the UOP and the UOI are the same, skip to Step 10.
 - If the UOP and the UOI are not the same, convert the UOP to the UOI.
10. Type the **Unit of Invoice (UOI)** in the UOP field if:
 - the UOI is defined on the *Units of Measure List (UML)* screen and
 - the system-calculated conversion factor equals the true numerical relationship between the UOP and the UOI.

OR

Type the **manually calculated conversion factor** in the CONV FACTOR field if *either* of the two conditions in are not satisfied.

11. Compare the PO line quantity in the QUANTITY field to the invoice quantity.
 - If they are the same, skip to Step 12.
 - If the values are not the same, type the **invoice quantity** in the QUANTITY field.
 - If the invoice quantity is a fraction, convert the UOI to a unit of measure that permits the quantity to be a whole number.
12. Compare the PO line amount in the AMOUNT field to the invoice amount.
 -  If the values are not the same, type the **invoice amount** in the AMOUNT field.
13. Type **A** in the REQUEST field to tag a line.
 -  Each sequence letter (A, B, C) corresponds to a specific line on the purchase order. To indicate each line that is to be paid, you must tag the line. To tag a line, type the sequence letter in the REQUEST field and press **ENTER**. If all lines are to be paid, type **S** in the REQUEST field and press **ENTER**.
14. Press **ENTER** to process the information.
15. Type **3** in the REQUEST field to proceed to the *IWS-1T* screen for direct invoices.
16. If the PO this invoice is being matched has not separated the “**International Wire Fee**” from the amount being paid to the international vendor, this wire fee will need to be separated. If the international wire fee is included, reduce the vendor payment amount by the wire fee amount and enter a new line for the wire fee amount. The invoice will then have two separate lines.
17. Verify that “**NR**” is in the 99 field or enter “**NR**” in the 99 field for the invoice line for the vendor payment.
 -  If the foreign vendor is in the statewide trade vendor file, the “**NR**” 1099 code should default in the 99 field. If the foreign vendor is a “nontrade” vendor and the “**NR**” code does not default, type “**NR**” in the 99 field for invoice line 0001. This “**NR**” code ensures that any backup withholding that may be required for this international vendor is processed.
18. If “**NR**” is in the 99 field for the wire fee invoice line, change the “**NR**” code to “**NO**.”
 -  If the foreign vendor is in the statewide trade vendor file, the “**NR**” 1099 code will default in the 99 field. If backup withholding is required for this foreign vendor, the “**NO**” 1099 code will ensure that the backup withholding does not apply to the international wire fee amount.
19. Type **N** or **NEXT** in the REQUEST field and press **ENTER** to complete the invoice entry. A blank *Invoice Matching (IMP)* screen is displayed.

QRG 1: 1099 Codes List

<u>1099 CODE</u>	<u>ABBREVIATED DESCRIPTION</u>	<u>DESCRIPTION</u>
B1	1099-M-ATT	1099-GROSS PAYMENTS TO ATTORNEYS
G1	1099-G-UNEMPLOY	1099-GOVERNMENT-UNEMPLOYMENT COMPENSATION
G2	1099-G-T REFUND	1099-GOVERNMENT-STATE OR LOCAL TAX REFUNDS
G4	1099-G-TAX WHLD	1099-GOVERNMENT-FEDERAL INCOME WITHHELD
G5	1099-G-INDEBTED	1099-GOVERNMENT-DISCHARGE OF INDEBTEDNESS
G6	1099-G-GRANTS	1099-GOVERNMENT-TAXABLE GRANTS
G7	1099-G-AGR PMTS	1099-GOVERNMENT-AGRICULTURE PAYMENTS
I1	1099-I-INT EARN	1099-INTEREST INCOME-EARNINGS FROM SAVINGS & LOAN ASSN., CR. UNION, BANK DEPOSITS, BEARER CERTIFICATES OF DEPOSIT, ETC.
I2	1099-I EARLY WD	1099-INTEREST INCOME-EARLY WITHDRAWAL PENALTY
I3	1099-I-US BONDS	1099-INTEREST INCOME-US SAVING BONDS, ETC
I4	1099-I-TAX WHLD	1099-INTEREST INCOME-FEDERAL INCOME TAX WITHHELD
I5	1099-I-FOREIGN	1099-I-FOREIGN TAX PAID
I6	1099-I-US POSSN	1099-INTEREST INCOME-FOREIGN COUNTRY OR U.S. POSSESSION
I8	1099 I-TAX EXMP	1099 TAX EXEMPT INTEREST
M0	1099-M-CROP INS	1099-MISCELLANEOUS-CROP INSURANCE PROCEEDS
M1	1099-M-RENTS	1099-MISCELLANEOUS-RENTS
M2	1099-M-ROYALTY	1099-MISCELLANEOUS-ROYALTIES
M3	1099-M-PRIZE/AW	1099-MISCELLANEOUS-PRIZES AND AWARDS
M4	1099-M TAX WHLD	1099-MISCELLANEOUS-FEDERAL TAX WITHHELD
M5	1099-M-BOAT PRO	1099-MISCELLANEOUS-FISHING BOAT PROCEEDS
M6	1099-M-MED HLTH	1099-MISCELLANEOUS-MEDICAL AND HEALTH CARE PAYMENTS
M7	1099-M-NON-EMP	1099-NONEMPLOYEE COMPENSATION
M8	1099-M-SUBS PMT	1099-MISCELLANEOUS-SUBSTITUTE PAYMENTS IN LIEU OF DIVIDENDS AND INTEREST
NO	NOT 1099	NOT APPLICABLE TO 1099
ST	STATE WITHHOLD	CODE USED TO IDENTIFY PAYMENTS SUBJECT TO STATE REPORTING & WITHHOLDING, BUT NOT SUBJECT TO FEDERAL REPORTS
99	0 DOLLAR CODE	0 DOLLAR CODE FOR OFFSET ENTRY

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QRG 2: NCAS Standard Vendor Short Name Abbreviations

COMMON ABBREVIATIONS

Full Name	Abbreviation
America/American	AMER
Association/Associated	ASSN
International	INTRNTL
National	NATL
North Carolina	NC
Northeast/Northeastern	NE
Northwest/Northwestern	NW
Southeast/Southeastern	SE
Southwest/Southwestern	SW
United States	US
University	UNIV

TWO LETTER STATE ABBREVIATIONS

Abbrev	State	Abbrev	State	Abbrev	State
AL	Alabama	KY	Kentucky	ND	North Dakota
AK	Alaska	LA	Louisiana	OH	Ohio
AZ	Arizona	ME	Maine	OK	Oklahoma
AR	Arkansas	MD	Maryland	OR	Oregon
CA	California	MA	Massachusetts	PA	Pennsylvania
CO	Colorado	MI	Michigan	RI	Rhode Island
CT	Connecticut	MN	Minnesota	SC	South Carolina
DE	Delaware	MS	Mississippi	SD	South Dakota
DC	District of Columbia	MO	Missouri	TN	Tennessee
FL	Florida	MT	Montana	TX	Texas
GA	Georgia	NE	Nebraska	UT	Utah
HI	Hawaii	NV	Nevada	VT	Vermont
ID	Idaho	NH	New Hampshire	VA	Virginia
IL	Illinois	NJ	New Jersey	WA	Washington
IN	Indiana	NM	New Mexico	WV	West Virginia
IA	Iowa	NY	New York	WI	Wisconsin
KS	Kansas	NC	North Carolina	WY	Wyoming

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QRG 3: IRS and NC DOR Forms

The forms listed below can be found on the IRS Website at the following link:

<https://www.irs.gov/>

- Instructions for 1099 Forms
- 1099 Forms (1099-MISC, 1099-NEC, 1099-INT, 1099-G)
- First B Notice
- Second B Notice
- Form W-9 and Instructions (Request for Taxpayer Identification Number and Certification)
- Form 945 and Instructions (Annual Return of Withheld Federal Income Tax)

The forms listed below can be found on the NC DOR Website at the following link:

<https://www.ncdor.gov/>

- Form NC-1099M
- Form NC-5 (Employer's Report of NC Income Tax Withheld from Wages and Personal Services Compensation)
 - This process is now completed online at the following link:

<https://www.ncdor.gov/taxes-forms/withholding-tax/withholding-tax-forms-and-instructions>

Form NC-3 (Employer's Annual Reconciliation of NC Income Tax Withheld from Wages and Personal Services Compensation)

- This process is now completed online at the following link:

<https://www.ncdor.gov/taxes-forms/withholding-tax/enc3>

DOR Portal – eNC3 and Information Reporting

<https://www.ncdor.gov/taxes-forms/withholding-tax/enc3/new-enc3>

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QRG 4: NCAS Backup Withholding Form, Trade Vendors

NCAS Backup Withholding Form Trade Vendors

Agency Name: _____

Vendor Name: _____ Vendor Number: _____

- | | |
|---|--|
| <input type="checkbox"/> Start Federal Backup Withholding (24%) | <input type="checkbox"/> Stop Federal Backup Withholding |
| <input type="checkbox"/> Start State Backup Withholding (4%) | <input type="checkbox"/> Stop State Backup Withholding |
| <input type="checkbox"/> Start Non-Resident Alien Withholding (30%) | <input type="checkbox"/> Stop Non-Resident Alien Withholding |

Please check the appropriate Box to Start Backup Withholding:

- Vendor will not provide their taxpayer identification number (TIN).
- B Notice returned because of undeliverable address.
- No receipt of W-9 form by date on First B Notice.
- No receipt of IRS letter 147C or SSA form 7028 by date on Second B Notice.
- Non-Resident Alien.
- Out of state vendor.

Please check the appropriate Box to Stop Backup Withholding:

- Vendor provided a taxpayer identification number (TIN).
- Vendor provided a deliverable address.
- Receipt of current W-9 form.
- Receipt of IRS letter 147C or SSA 7028 form.
- No longer a Non-Resident Alien.

Please attach any documentation to support the above request.

Signature Printed Name Date

OSC Use Only

Date Received: _____ Verify Files Withholding On

Update System Withholding Off

Date Completed: _____ Completed by: _____

If you have any questions about this form, contact the OSC NCAS Support Services at (919) 707-0795
or osc.support.services@osc.nc.gov

Revised: 06/18

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QRG 5: CP2100 Notice

TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE
MEMPHIS, TN 37501

NUMBER OF THIS NOTICE: CP 2100A
DATE OF THIS NOTICE: 10-27-06
TAX YEAR: 2005
TAXPAYER IDENTIFICATION NUMBER: 56-1234567

STATE OF NORTH CAROLINA
DEPT OF JUSTICE
PO BOX 629
RALEIGH, NC 27602-0629

DO NOT WRITE TO IRS ABOUT THIS NOTICE OR THE LIST(S) - JUST TAKE THE ACTIONS INDICATED BELOW

Enclosed is a list(s) of payees for who you filed a Form 1099B, INT, DIV, OID, PATR, or MISC for tax year 2005 with a missing taxpayer identification number (TIN) or with an incorrect name or TIN. A TIN is a social security number (SSN) or an employer identification number (EIN) and it must only have nine digits.

If a payee account is shown on the list as having a missing TIN, you should already be backup withholding at 28% as required by law. If an account has an incorrect name or TIN, and you can't correct it, the law requires you to notify the payee (by sending a B Notice) that you will begin withholding at 28%. Reminder, use corrected information on future Forms 1099 you file.

Publication 1679, A Guide to Backup Withholding, explains the backup withholding requirements and procedures. It has questions and answers and samples of the B Notices. You can download Publication 1679, as well as copies of tax forms and instructions, from FedWorld. To do this, use a modem and dial the Internal Revenue Information Service (IRIS) at 703-321-8020 (not toll free), or you can order free Publication 1679 by calling 1-800-829-3676.

Publication 1679 is also available 24 hours a day on the Information Reporting Program electronic bulletin board. Using a computer and modem, you can contact the bulletin board by dialing 304-264-7070 (not toll free).

If you have any questions about backup withholding, this notice, the list(s), or information reporting (Forms 1099), call:

Information Reporting Program Centralized Call Site
Telephone: 304-263-8700 (not toll free)
Hours: 8:30 am to 4:30 pm Monday through Friday EST

MSC 0 05707

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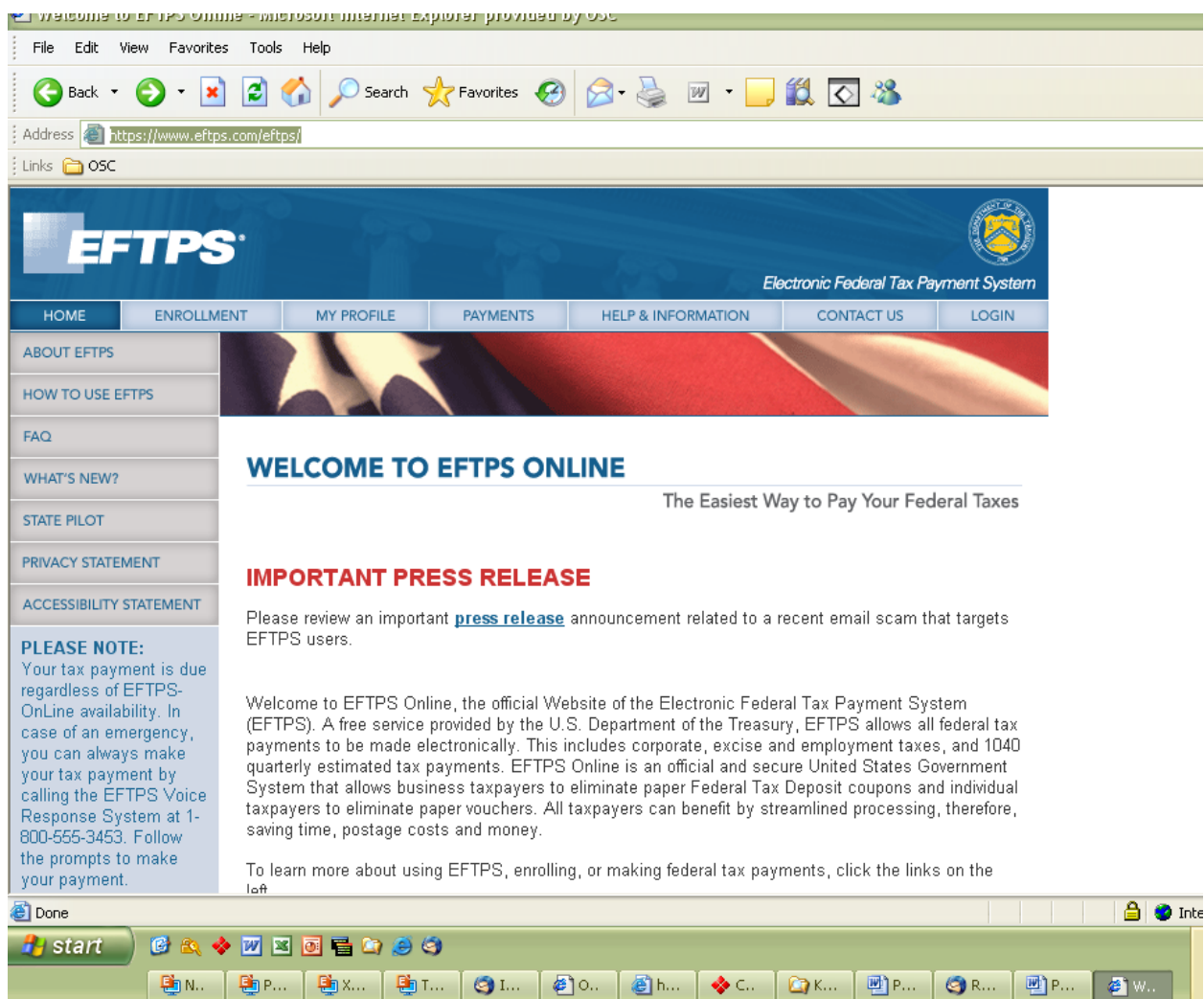
QRG 6: EFTPS Tax Processing Procedures

The federal tax payment must be reported no later than one business prior to the Core Banking transmission effective date, or due date.

Access EFTPS to Report Federal Tax Payments. The website address for the EFTPS is:

<https://www.eftps.com/eftps/>

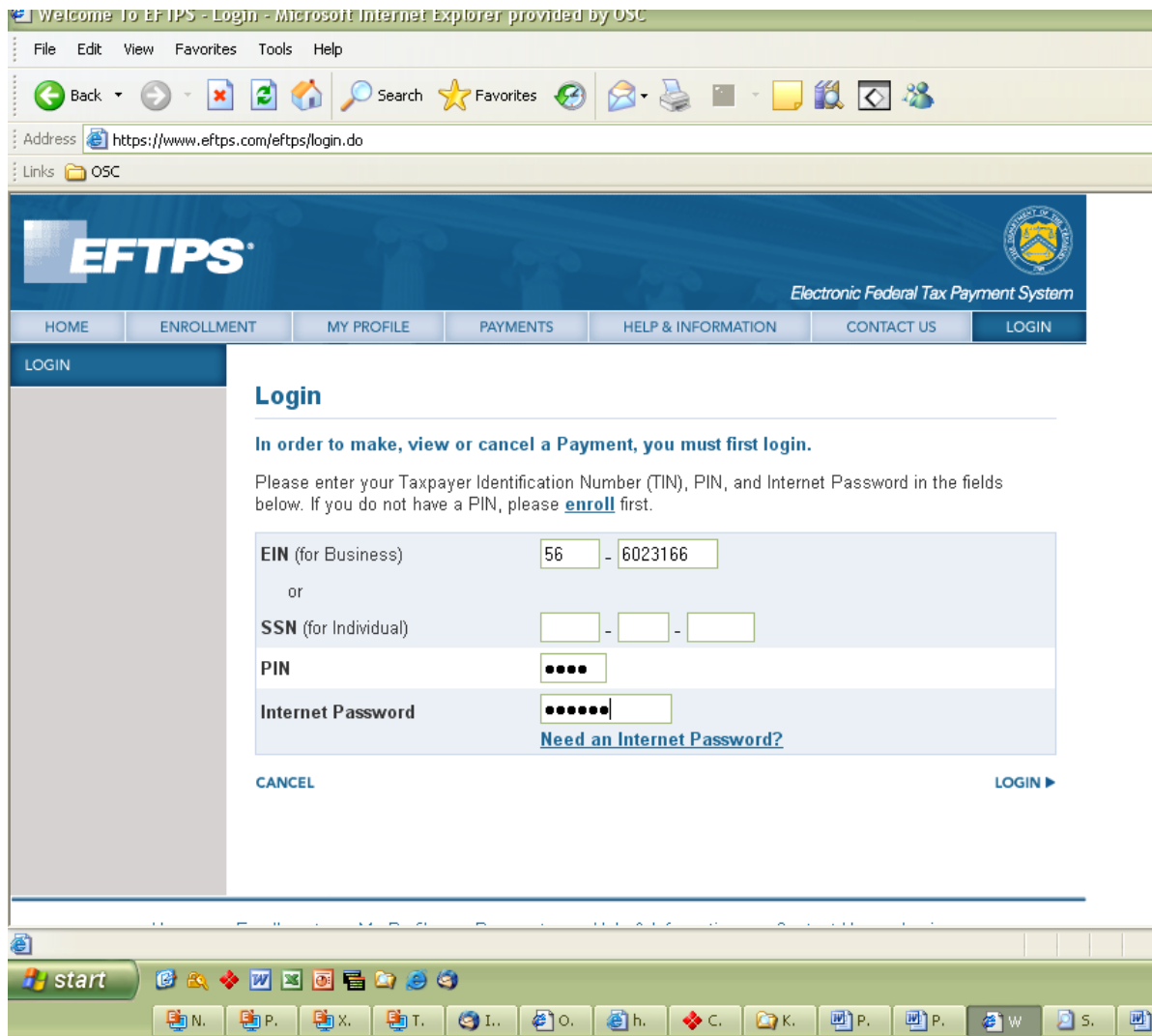
Click on *LOGIN*.



Key the following:

EIN **56-60XXXXX**
PIN **19XX**
Internet Password **XXXXXXXX (case sensitive)**

Click on *LOGIN* >.



Select **1042 W/H US Source Income Foreign Person** from All forms in numeric order:
dropdown box.

The screenshot shows the EFTPS website interface. The browser address bar displays <https://www.eftps.com/eftps/payments/business-payment-flow?execution=e1s1>. The page features a navigation menu with 'HOME', 'ENROLLMENT', 'MY PROFILE', and 'PAYMENTS'. Below this, there are buttons for 'MAKE A TAX PAYMENT', 'CANCEL A TAX PAYMENT', and 'CHECK PAYMENT HISTORY'. The 'TAXPAYER NAME: STATE OF NOR' is visible. The main content area is titled 'Tax Form Selection' and includes instructions: 'Please enter the number of the Tax the drop-down lists.' and 'ENTER TAX FORM NUMBER or SELECT A TAX FORM'. A list of tax forms is displayed, with '1042 W/H US Source Income Foreign Person' highlighted. The list includes forms such as 11-C Tax & Applc for Registry-Wagering, 706GS(D) Genrtn-skip Transfer Tax for Dist, 706GS(T) Genrtn-skip Transfer Tax for Term, 720 Quarterly Federal Excise Tax Return, 730 Tax on Wagering, 926 Transfer of Property to Frgn Entity, 940 Employers Annual Unemployment Tax, 941 Employers Federal Tax, 943 Emplr Annl Tax for AG EMPLOYEES, 944 Employers Annual Employment Tax Return, 945 Annual Withheld Federal Income Tax, 990 Organization Exempt Income Tax, 990-BL Excise Tax-Black Lung Benefit Trust, 990C Farmers Coop Assoc Income Tax, 990PF Return of Private Foundation, 990T Exempt Org Business Income Tax, 1041 US Fiduciary Income Tax Return, 1041A US InfoTrust Accum of Charitable Amounts, 1042 W/H US Source Income Foreign Person, 1065 US Partnership Return of Income, 1066 R.E.Mortgage Invest Conduit Income, 1120 Corporation Income Tax Return, 1120DISC Domestic Intl Sales Corp Return, 2290 Heavy Vehicle Use Tax Return, 2438 Regulated Inv Co-Undistr Cap Gains, 4720 Certain Excise Taxes on Charities, 5227 Split-Interest Trust Information, 6069 Excise Tax Excess Contr to Blck Lng, and 7200D Branded Prescription Drug. At the bottom of the page, there is a navigation bar with links for 'Home', 'Enrollment', 'My Profile', 'Payments', 'Help & Information', 'Contact Us', and 'Logout'.

Click on *NEXT*.

The screenshot shows a web browser window displaying the EFTPS (Electronic Federal Tax Payment System) interface. The browser's address bar shows the URL: <https://www.eftps.com/eftps/payments/business-payment-flow?execution=e1s3>. The page header includes the EFTPS logo and the text "Electronic Federal Tax Payment System". A navigation menu contains links for HOME, ENROLLMENT, MY PROFILE, PAYMENTS (which is the active tab), HELP & INFORMATION, CONTACT US, and LOGOUT. Below the navigation menu, there are three buttons: MAKE A TAX PAYMENT, CANCEL A TAX PAYMENT, and CHECK PAYMENT HISTORY. The main content area displays "TAXPAYER NAME: STATE OF NORTH CAROLINA" and "TIN: xxxxx3166". The "Tax Form Selection" section contains the following text: "Please enter the number of the Tax Form you wish to pay, or select the Tax Form number from one of the drop-down lists. ?". Below this text are two options: "ENTER TAX FORM NUMBER" with an empty text input field, and "SELECT A TAX FORM" with two dropdown menus. The first dropdown menu is labeled "Most Common Forms" and shows "select a form". The second dropdown menu is labeled "All forms in numeric order" and shows "1042 W/H US Source Income Foreign Person". At the bottom of the form area, there are two buttons: "CLEAR FORM" and "NEXT ►". The "NEXT ►" button is highlighted in blue. At the bottom of the page, there is a footer with links for Home, Enrollment, My Profile, Payments, Help & Information, Contact Us, and Logout.

Select the most appropriate box, most likely the **Federal Tax Deposit**.

Click on **NEXT**.

Welcome To EFTPS - Payments - Windows Internet Explorer provided by OSC
https://www.eftps.com/eftps/payments/business-payment-flow?execution=e1s2

File Edit View Favorites Tools Help
Links OSC Links

Welcome To EFTPS - Payments

EFTPS
Electronic Federal Tax Payment System

HOME ENROLLMENT MY PROFILE **PAYMENTS** HELP & INFORMATION CONTACT US LOGOUT

MAKE A TAX PAYMENT TAXPAYER NAME: STATE OF NORTH CAROLINA TIN: xxxxx3166
CANCEL A TAX PAYMENT Payment - 1042 W/H US Source Income Foreign Person
CHECK PAYMENT HISTORY

Tax Type Selection

Please select a Tax Type: ?

- Federal Tax Deposit
- Balance due on return or notice
- Extension
- Payment Due On An Amended Or Adjusted Return
- Audit Adjustment

◀ PREVIOUS | NEXT ▶

[Home](#) [Enrollment](#) [My Profile](#) [Payments](#) [Help & Information](#) [Contact Us](#) [Logout](#)

Key or select the following:

Payment Amount	Amount of tax transferred via Core Banking
Tax Period	Automatically completed
Year	Year for which tax is being remitted
Settlement Date	Effective date keyed in Core Banking (date payment is due)

Click on *NEXT*.

The screenshot shows a web browser window with the URL <https://www.eftps.com/eftps/payments/business-payment-flow?execution=e1s7>. The page title is "Welcome To EFTPS - Payments - Windows Internet Explorer provided by OSC". The browser's address bar shows the URL. The page content includes a navigation menu with links for HOME, ENROLLMENT, MY PROFILE, PAYMENTS, HELP & INFORMATION, CONTACT US, and LOGOUT. The main content area displays the "Business Tax Payment" form for the taxpayer "STATE OF NORTH CAROLINA" with TIN "xxxx3166". The form includes a sidebar with options: MAKE A TAX PAYMENT, CANCEL A TAX PAYMENT, and CHECK PAYMENT HISTORY. The main form area contains the following fields:

- Payment Amount:** \$ 100.00 (example: 1234.56)
- Tax Period:** Month - December, Year 2011 (yyyy)
- Settlement Date:** 9 / 8 / 2011 (mm/dd/yyyy)

Below the form are links for "CLEAR FORM", "PREVIOUS", and "NEXT". At the bottom of the page, there is a secondary navigation menu with links for Home, Enrollment, My Profile, Payments, Help & Information, Contact Us, and Logout.

If data is incorrect, click on *PREVIOUS* and correct data.

If data is correct, click on *MAKE PAYMENT*.

Electronic Federal Tax Payment System

HOME ENROLLMENT MY PROFILE **PAYMENTS** HELP & INFORMATION CONTACT US LOGOUT

MAKE A TAX PAYMENT TAXPAYER NAME: STATE OF NORTH CAROLINA TIN: xxxxx3166

CANCEL A TAX PAYMENT

CHECK PAYMENT HISTORY

Verify Payment Information

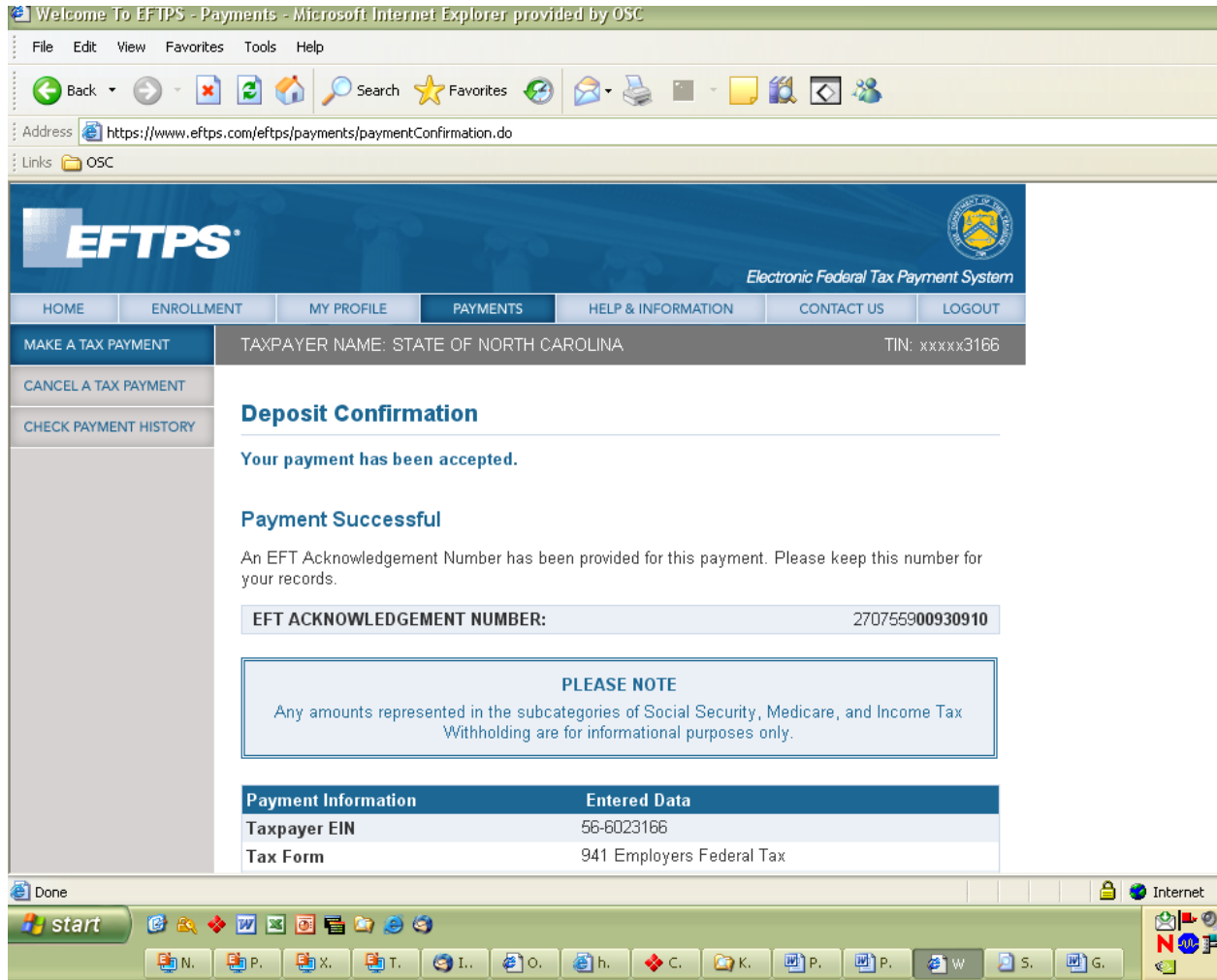
Please review all the information you have input before you click "Make a Payment." If you wish to make changes, click the "Previous" button below.

Payment Information	Entered Data
Taxpayer EIN	xxxxx3166
Tax Form	1042 W/H US Source Income Foreign Person
Tax Type	Federal Tax Deposit
Tax Period	December/2011
Payment Amount	\$100.00
Settlement Date	09/08/2011

◀ PREVIOUS | MAKE PAYMENT

[Home](#) [Enrollment](#) [My Profile](#) [Payments](#) [Help & Information](#) [Contact Us](#) [Logout](#)

Verify payment has been accepted.

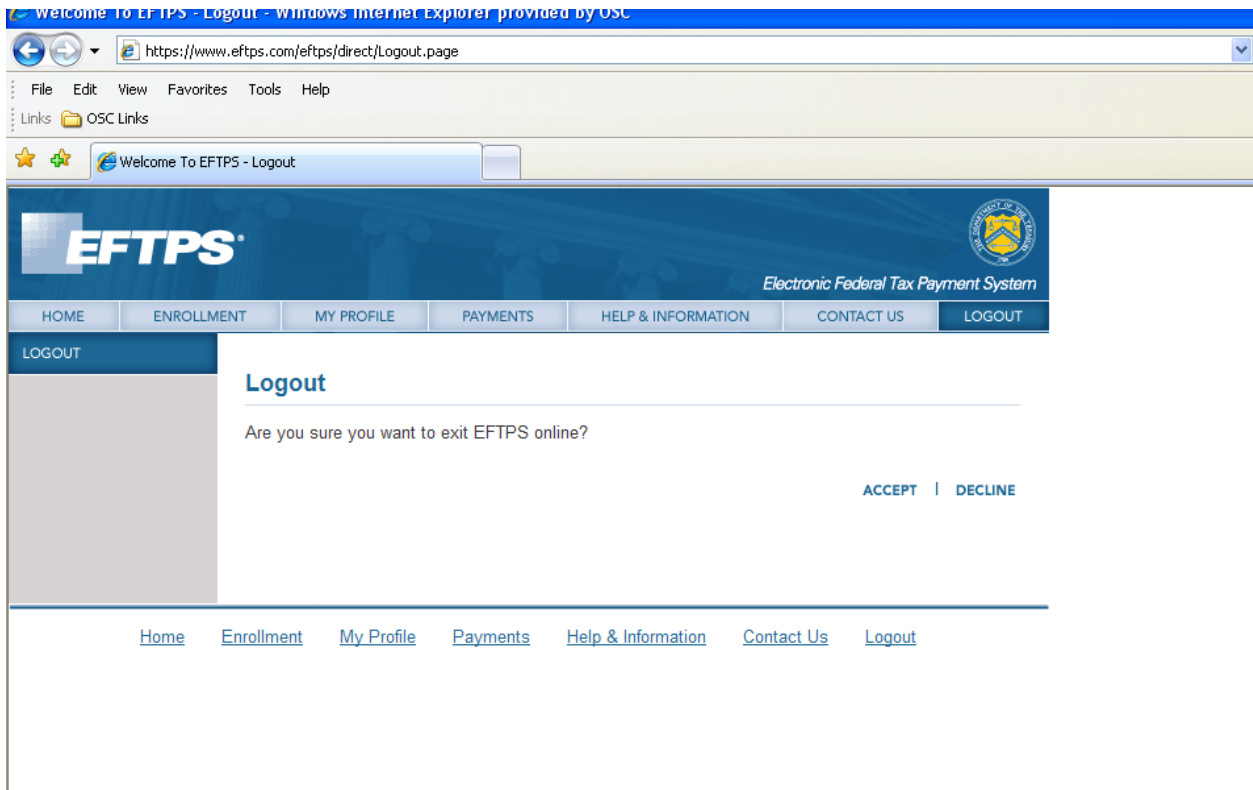


(screen continued on next page).

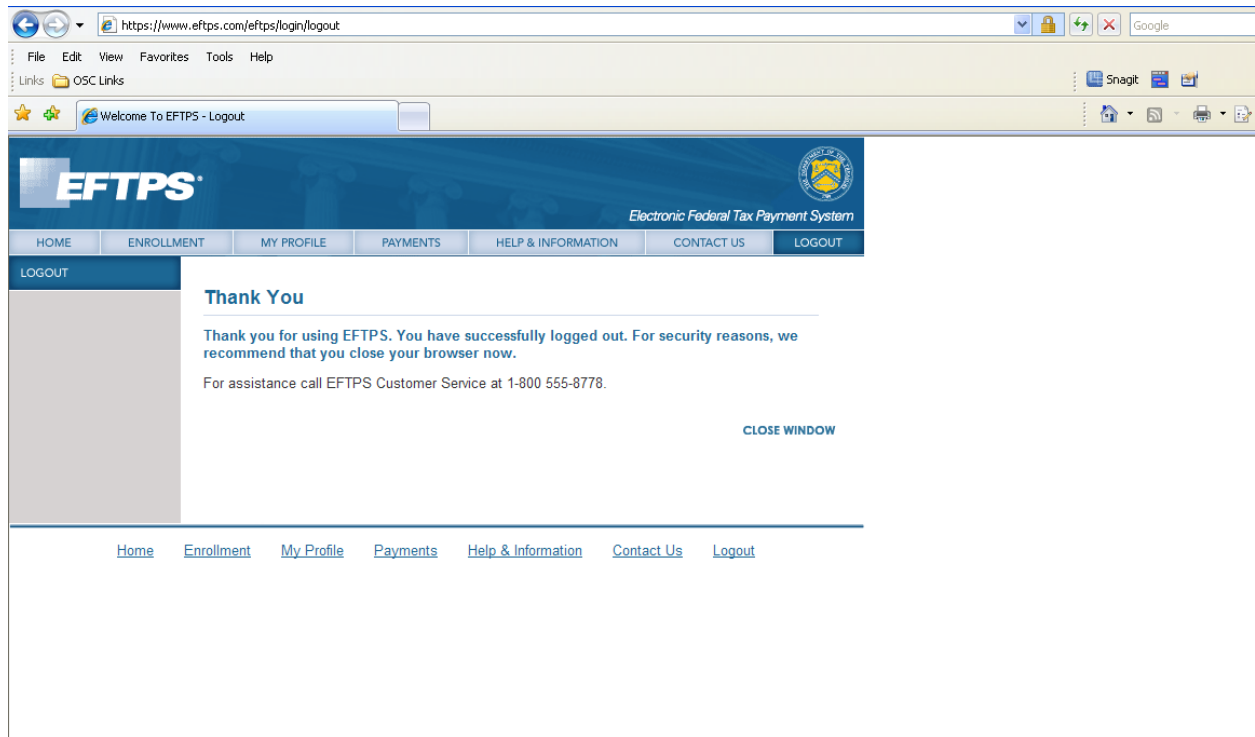
Click on *PRINTER FRIENDLY VERSION*. Attach copy to federal worksheet and Core Banking confirmation sheet.

To Logout of EFTPS, click on *LOGOUT*.

Click on *ACCEPT* to logout.



Click on *CLOSE WINDOW* to exit website.



When payment and reporting are completed, attach authorized Core Banking sheet, Systemware tax reporting report, and EFTPS confirmation (for federal payment) to worksheets and file.

1099 Reports

Below are the report titles of 1099 reports that can be reviewed in XPTR or NCxCloud for reviewing 1099 data. The following few pages will give a description of the information that is displayed on the reports.

- NC State Withholding Verification Report by Paying Entity (AP-NC002)
- Trade Vendors Set for 1099 Withholding Due to Tax ID Expiration Date
- Daily Withholding Transactions
- Monthly Withholding Transaction
- Annual Withholding Transactions
- 1099 Detail Verification Report by Paying Entity
- 1099 Detail Verification Report by Payer TIN
- 1099 Exceptions Report
- 1099 Error Report
- 1099 Compare List

NC State Withholding Verification Report by Paying Entity (AP-NC002)

Report Group: AP1099-A NC W/H VERIFY

Report Title: NC State Withholding Verification Report by Paying Entity

Report ID: AP-NC002

Description: This report shows all payments that had 4% state withholding.

Trade Vendors Set for 1099 Withholding Due to Tax ID Expiration Date

Report Group: AP1099-6 Backup Withhold

Report Title: Trade Vendors Set for 1099 Withholding Due to Tax ID
Expiration Date

Report ID: C-AP-VEND-1099-HOLD

Description: This report shows all the vendors whose payments would be withheld by either 4% or 28%, due to the TAX ID EXPIRATION DATE field on the *VPN* screen.

Daily Withholding Transaction

Report Group: AP 1099-7 Daily Withhold

Report Title: Daily Withholding Transaction

Report ID: C-AP-WITHHOLDING

Description: This report shows the daily amounts withheld from vendor payments for both state and federal withholding. It is sorted by company/account/center .

Monthly Withholding Transaction

Report Group: AP1099-8 Monthly Withhold

Report Title: Monthly Withholding Transaction

Report ID: C-AP-WITHHOLDING

Description: This report shows the Monthly-to-Date amounts withheld from vendor payments for both state and federal withholding. It is sorted by company/account/center.

Annual Withholding Transaction

Report Group: AP1099-9 Annual Withhold

Report Title: Annual Withholding Transaction

Report ID: C-AP-WITHHOLD

Description: This report shows the annual amounts held for vendor payments for both state and federal withholding. It is sorted by company/account/center.

1099 Detail Verification Report by Paying Entity

Report Group: 1099-1 AP 1099 REPORTS

Report Title: Accounts Payable 1099 Detail Verification Report by
Paying Entity

Report ID: AP-TN002

Description: This report prints the basic invoice and payment information
for each document to which a 1099 code is assigned. The report
organizes the information by 1099 category code, vendor, and paying entity.

1099 Detail Verification Report by Payer TIN

Report Group: 1099-1 AP 1099 REPORTS

Report Title: Accounts Payable 1099 Detail Verification Report by
Payer Tax ID Number

Report ID: AP-TN003

Description: This report prints the basic invoice and payment information
for each document to which a 1099 code is assigned. The report
organizes the information by Payer Tax ID Number, Vendor Tax Number,
Vendor Number, and 1099 Category Code.

1099 Exceptions Report

Report Group: 1099-1 AP 1099 REPORTS

Report Title: Accounts Payable 1099 Exceptions Report

Report ID: AP-TN004

Description: This report lists accumulated 1099 totals that will not be reported to the IRS. Reporting is not required when the accumulated income (dividends, interest, non-employee or miscellaneous) is negative, nets to zero, or is less than the amounts specified by law.

1099 Error Report

Report Group: 1099-1 AP 1099 REPORTS (comprised of three reports)

Report Title: 1099 Error Report - Vendor Errors

Report ID: AP-TN005

Description: This report identifies vendors with invalid Tax Identification Numbers and/or invalid addresses.

Report Title: 1099 Error Report - Vendor Errors

Report ID: AP-TN005A

Description: This report identifies vendors with invalid Postal codes and/or invalid state codes.

Report Title: 1099 Error Report – Tax Codes Not Requested

Report ID: AP-TN005

Description: This report identifies 1099 codes not specified when extracting information. It is sorted by account number.

Report Title: 1099 Error Report – Tax Codes Not Requested

Report ID: AP-TN05A

Description: This report is the same as TN005, except that it is sorted by date.

1099 Compare List

Report Title: 1099 COMPARE LIST

Report ID: ALLINV

Description: This report will show all invoices regardless if they have the invoice lines flagged. The report will show columns to compare the amount paid, amount not flagged, and the amount flagged (1099M or 1099G). The report will also list the actual 1099 code and the amount flagged on the invoice. Per invoice, the report can list up to three different 1099 codes. If the invoice has more than three different 1099 codes, then there is an indicator noting that there are more than three 1099 codes for that invoice.

Report Title: 1099 COMPARE LIST

Report ID: CURINV

Description: This report will show the same as ALLINV report; however, it is displaying only the current month's activity in order to condense the report. The other reports are cumulative for the year.

Report Title: 1099 COMPARE LIST

Report ID: NOTALL

Description: This report will show only the invoices that have not been flagged at all or have been partially flagged. If the entire amount of the invoice has been flagged, then that invoice will not display on this report.

Report Title: 1099 COMPARE LIST EXCEL

Description: This version of the report will be the same data as the ALLINV report in the 1099 Compare List report. However, this report is in an excel friendly format. This is one additional column named **>3CODES**. This column is used to indicate that an invoice has more than three different 1099.