

March 13, 2017

# 1099 Processing Training Course

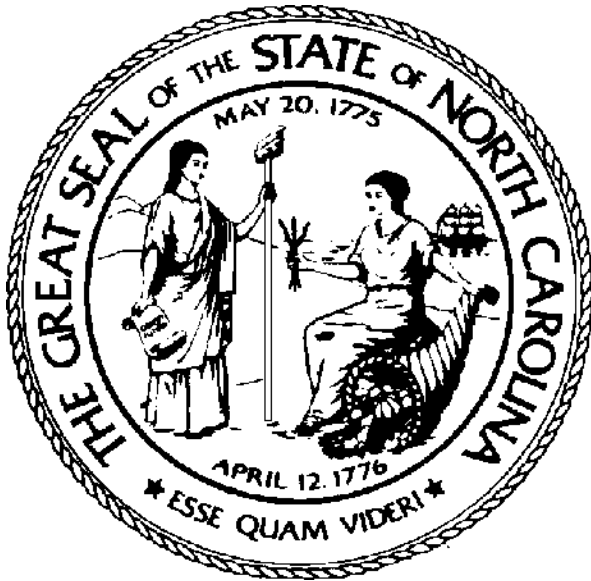


State of North Carolina

# NC Accounting System

THIS PAGE IS INTENTIONALLY LEFT BLANK

North Carolina Accounting System  
**1099 Processing**  
Training Course



Office of the State Controller  
March 13, 2017

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

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

Contact Information

**OSC Training & Development**

(919) 707-0656

**NCAS Support Services**

(919) 707-0795

## TABLE OF CONTENTS

1099 Course Overview .....	1
Audience .....	1
Objectives .....	1
Quick Reference Guide.....	1
Procedures.....	1
Reports.....	1
1099 Process Overview .....	3
Process Overview .....	3
Establishing Vendor 1099 Information.....	3
Flagging Invoices with 1099 Codes .....	3
Correcting NCAS Information Prior to 12/31 .....	4
Making 1099 Corrections after Calendar Year-End.....	4
Distributing and Filing 1099s .....	4
Backup Withholding .....	4
Policy Hierarchy.....	5
Paying Entity Policy Options.....	6
Vendor Policy Options .....	7
Invoice Header Policy Options .....	8
Invoice Line Policy Options.....	9
Establishing Vendor 1099 Information.....	11
1099 Vendors .....	11
1099 Trade Vendors .....	11
1099 Employee Vendors .....	12
1099 Non-Trade Vendors .....	12
Flagging Invoices with 1099 Codes.....	19
Entering 1099 Codes on Invoices .....	19
Zero-Dollar Invoices.....	26
Correcting NCAS Information Prior to December 31 .....	27
Overview .....	27
Reviewing 1099 Reports.....	27
1099 Reports .....	28
Adjusting Vendor Information .....	29
Correcting 1099 Vendor Errors.....	30
Correcting 1099 Paying Entity Errors .....	37
Adjusting 1099 Details .....	37

---

Performing Invoice Maintenance .....	38
Entering Zero-Dollar Invoices.....	38
<b>Making 1099 Corrections after Calendar Year-End.....</b>	<b>41</b>
1099 Corrections after December 31, but before Forms are Printed .....	41
Recording a Zero-Dollar Manual Check .....	41
1099 Corrections after 1099 Forms are Printed, but Before the Electronic File is Sent to the IRS .....	42
1099 Corrections After Information Returns are Generated.....	42
<b>Distributing and Filing 1099s .....</b>	<b>45</b>
1099 Filing Requirements.....	45
Sending 1099s to Vendors .....	46
Filing 1099 Information Returns.....	47
<b>Backup Withholding.....</b>	<b>49</b>
Backup Withholding .....	49
State Withholding.....	49
Threshold.....	50
Service Performance .....	50
Reporting and Paying Withheld Tax.....	51
Federal Withholding.....	51
<i>Reasons to Backup Withhold</i> .....	51
<i>IRS CP2100 Notices</i> .....	52
<i>Depositing and Reporting Backup Withholding</i> .....	56
NCAS Processing of Withheld Payments .....	57
<b>Nonresident Alien Processing .....</b>	<b>67</b>
Overview .....	67
Identifying NRAs.....	68
Withholding Process .....	68
Deposit Requirements .....	70
Special Considerations .....	71
<b>Course Summary .....</b>	<b>73</b>

---

**PROCEDURES:**

Procedure 1: Adding a Non-Trade Vendor .....	75
Procedure 2: Entering a Control Group .....	79
Procedure 3: Entering Direct Invoices .....	81
Procedure 4: Entering Invoice Header Information for Matching Invoices.....	83
Procedure 5: Entering Invoice Line Information for Matching Invoices.....	85
Procedure 6: Entering Zero-Dollar Invoices .....	87
Procedure 7: Changing a Document .....	89
Procedure 8: Designating a Non-Trade 1099 Vendor .....	91
Procedure 9: Recording Zero-Dollar Manual Checks .....	93
Procedure 10: Filing and Correcting 1099 Returns – Paper Corrections (after the magnetic tape has been generated).....	95
Procedure 11: Comparing Your CP2100 Report to the VRS Screen .....	97
Procedure 12: Sending and Receiving First B Notices.....	99
Procedure 13: Sending and Receiving Second B Notices.....	101
Procedure 14: Making Name Only Changes to Non-Trade Vendors.....	103
Procedure 15: Making Taxpayer ID Number (TIN) Changes to Non-Trade Vendors ..	105
Procedure 16: Requesting the OSC to Start Backup Withholding on Trade Vendors .	109
Procedure 17: Starting Backup Withholding on Non-Trade Vendors .....	111
Procedure 18: Setting up a Non-Trade Vendor for Withholding .....	113
Procedure 19: Making the Entries to Record Federal Daily Backup Withholding Payments .....	115
Procedure 20: Making the Entries to Record State Backup Withholding Payments....	117
Procedure 21: Requesting the OSC to Stop Backup Withholding on Trade Vendors .	119
Procedure 22: Stopping Backup Withholding on Non-Trade Vendors.....	121
Procedure 23: Completing IRS Forms 945 and 945A .....	123
Procedure 24: Correcting Withholding for Non-1099 Transactions .....	125
Procedure 25: Correcting Withholding for 1099 Transactions .....	127
Procedure 26: Adding a Trade NRA Vendor .....	129
Procedure 27: Adding a Non-Trade NRA Vendor .....	131
Procedure 28: Setting Up a NRA Vendor for Withholding .....	135
Procedure 29A: Processing a 1099 Applicable NRA Payment (Direct Invoice).....	137
Procedure 29B: Processing a 1099 Applicable NRA Payment (Matched Invoice) .....	139
Procedure 30A: Factoring International Wire Payments on a Direct Invoice .....	143

---

Procedure 30B: Factoring International Wire Payments on a Matching Invoice ..... 145

**QUICK REFERENCE GUIDES:**

QRG 1: 1099 Codes List ..... 147

QRG 2: NCAS Standard Vendor Short Name Abbreviations ..... 149

QRG 3: Instructions for 1099 Forms..... 151

QRG 4: 1099 Forms ..... 179

QRG 5: First B Notice..... 185

QRG 6: Second B Notice ..... 189

QRG 7: Form W-9 and Instructions (Request for Taxpayer Identification Number and Certification) ..... 191

QRG 8: NCAS Backup Withholding Form, Trade Vendors..... 195

QRG 9: Form 945 and Instructions (Annual Return of Withheld Federal Income Tax)..... 196

QRG 10: Form NC-5 (Employer’s Report of NC Income Tax Withheld from Wages and Personal Services Compensation) ..... 202

QRG 11: Form NC-3 (Employer’s Annual Reconciliation of NC Income Tax Withheld from Wages and Personal Services Compensation) ..... 204

QRG 12: CP2100 Notice ..... 206

QRG 13: EFTPS Tax Processing Procedures..... 208

**REPORTS:**

1099 Reports..... 218

NC State Withholding Verification Report by Paying Entity (AP-NC002) ..... 220

Trade Vendors Set for 1099 Withholding Due to Tax ID Expiration Date ..... 222

Daily Withholding Transaction..... 224

Monthly Withholding Transaction ..... 226

Annual Withholding Transaction..... 228

1099 Detail Verification Report by Paying Entity ..... 230

1099 Detail Verification Report by Payer TIN..... 232

1099 Exceptions Report..... 234

1099 Error Report..... 236





## 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
- View and 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

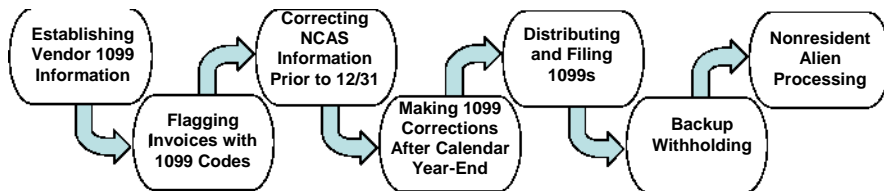
The Procedures section includes detailed process steps that describe how to complete the tasks associated with a participant's job. Use these "step-by-steps" after training as a reference detailing the use of the NCAS to perform job functions.

### Reports

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



## 1099 Process Overview



### Process Overview

All state agencies must report non-employee compensation to the Internal Revenue Service (IRS) on a calendar-year basis in order 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 is 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 three entities to help them process 1099s:

- North Carolina Accounting System (NCAS)
- The Office of State Controller (OSC)
- Information Technology Services (ITS)

These entities assist your agency to ensure the following activities occur with regard to 1099 processing:

- Establishing vendor 1099 information
- Verifying and correcting NCAS information prior to December 31
- Verifying and making 1099 corrections after calendar year-end
- Distributing and filing 1099s

### Establishing Vendor 1099 Information

The first step in the 1099 process is establishing vendor 1099 information. Based on information supplied by a trade vendor, the OSC establishes the appropriate 1099 code for that vendor. Agencies are responsible for setting the appropriate 1099 code for 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 paying entity 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 or entering a zero-dollar invoice, recording a manual check and possibly issuing a corrected 1099 to the vendor and the IRS.

## Distributing and Filing 1099s

After the NCAS produces vendor 1099 forms, agencies are responsible for ensuring that forms are correct and are mailed to the vendors by January 31. In addition, Information Returns must be reported to the IRS by March 31. The OSC creates one file that includes all NCAS agencies' information returns to be sent to the IRS. **No paper reporting should be done to the IRS by the agency.** The only exception to this is corrections entered on a vendor after the March 31 deadline has passed. Please call the OSC Support Services Center with any exceptions to ensure accuracy.

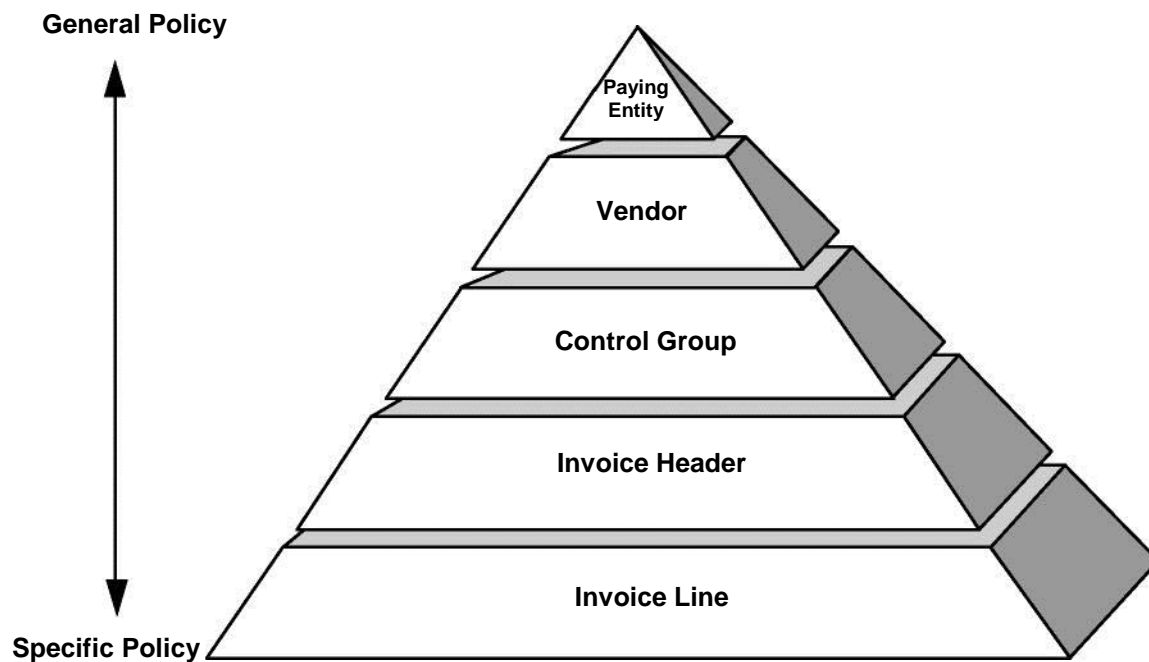
## Backup Withholding

Under certain circumstances, agencies are required to withhold taxes from vendor checks. State laws require 4% withholding for payments to nonresident contractors for particular personal services provided. Federal law requires 28% backup withholding for payments to vendors for several reasons, the most common of which is the vendor's refusal to supply a taxpayer identification number.

## Policy Hierarchy

A goal of the 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.



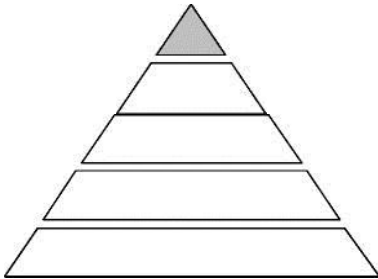
At the highest level, your **paying entity** acts as an umbrella under which the most general 1099 policies are established and maintained. This information is set up to default into all NCAS documents.

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.) *Your last opportunity to override default information is at the invoice line.* Policy established at the invoice line is specific to a particular document.

For example, the default 1099 code for all trade vendors is “NO.” 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

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

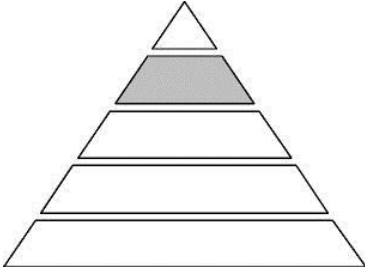


- TAX CERTIFICATION NUMBER**  
 This field identifies the tax identification number (TIN) for your agency. If this number is incorrect, **notify the OSC immediately**.
- 1099 WITHHOLDING OPTION**  
 This field indicates how the system will process an invoice if the vendor's TIN is not on file. This field 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. The IRS requires payers with 250 or more 1099 transactions to file electronically. The OSC uses one code for the entire state. One file is sent to the IRS for all NCAS agencies.

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 the NCAS, the policy options are recorded on the *Vendor Payable Information (VPN)* screen as follows:



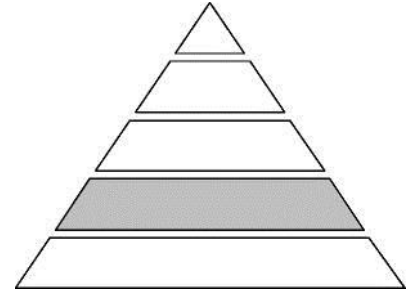
- **TAX ID NUMBER**  
This field indicates the nine-character TIN that is unique to each vendor.
- **1099 CODE**  
This field indicates the default 1099 code for the specified vendor. This code will default for *all invoices* for this vendor. A list of 1099 codes can be found in **QRG 1: 1099 Codes List** 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

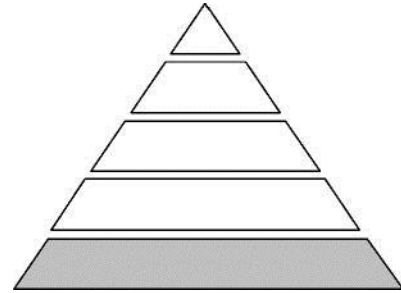
The *Invoice Worksheet 2 (IWS-2T)* screen is used by agencies to enter a 1099 code on an invoice header. This code applies to all invoice lines attached to the invoice header and overrides a 1099 code entered on the *VPN* screen.



OCF 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 : _____																																																						
IND - PAYABLES : _____	DISCOUNT : 001	INTER PAY : _____																																																						
EXPENSE : _____	CO: _____	ACCT: _____																																																						
		CENTER: _____																																																						
<table border="0"> <tr> <td>LINE</td> <td>IND</td> <td>SALES TAX/VAT</td> <td>IND</td> <td>OPTIONAL</td> <td>AMNT</td> <td>1099 USE</td> <td>I'REC</td> <td>AR</td> </tr> <tr> <td>FREIGHT</td> <td></td> <td></td> <td>ADDITIONAL</td> <td>COST</td> <td>DESCRIPTION</td> <td>PRORATE</td> <td>( T F A D)</td> <td></td> </tr> <tr> <td>0001</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>0002</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>0003</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>0004</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> </table>			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	_____	_____	_____	_____	_____	_____	_____	_____
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																																																				

## Invoice Line Policy Options

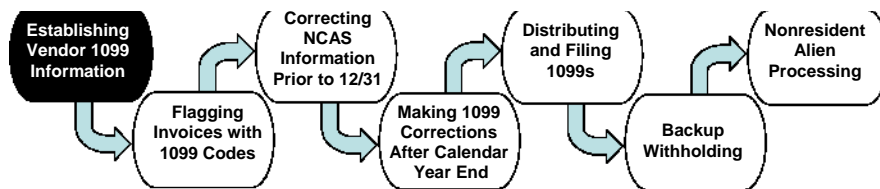
The *Invoice Worksheet 1 (IWS-1T)* screen is used to enter a 1099 code on individual invoice lines. This code applies to individual invoice lines only and overrides any 1099 code entered on the *Invoice Worksheet 2 (IWS-2T)* screen or the *VPN* screen.



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: _____	



## 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

Additional information on each 1099 type can be found in the *Distributing and Filing 1099s* section of this manual.

## 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 the NCAS, a trade vendor must exist in the Central Trade Vendor File. This file is established and maintained by the OSC. In order to establish a trade vendor, the vendor's tax identification number (TIN) must be known.

After the OSC has added a trade vendor to the Central Trade Vendor File, the OSC sends a questionnaire to the vendor. The vendor indicates whether he/she is a 1099 vendor and returns the questionnaire to the OSC. If the vendor is a *possible* 1099 vendor, the 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 that 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 in order to receive expense reimbursements, he/she may be 1099 reportable for payment of catering services.

Some agencies include their board members in their employee paying entity. Board members may need to be issued 1099’s and should be marked accordingly.

## 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. 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.

The OSC requires that the vendor's federal ID number or social security number be used as the vendor number.

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 (e.g., woman-owned, minority, non-profit, etc.) that are reported statewide.
- 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, you need to enter both names into the 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 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 inactivate a non-trade vendor so that this vendor can no longer be used. To inactivate a vendor, type an **I** in the VENDOR STATUS field on the *VSU* screen.

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: <b>16</b>	ACTION: _____	01/12/2006 11:34:20
REQUEST: <b>15</b>		
=====		
PAY ENTITY : <b>2</b>	VENDOR NO : <b>3</b>	GROUP : <b>4</b>
VENDOR NAME : <b>5</b>		VENDOR TYPE : <b>6</b>
SHORT NAME : <b>7</b>		EDI/FAX CODE : _
--- ORDER FROM	--- HOLD: _	DEFAULT ADDR: _
ADDR LINE 1: _____		FAX : _____
ADDR LINE 2: _____		PHONE : _____
ADDR LINE 3: _____		STATE CODE : _____ VAL: _
OPT ADDR 1: _____		POSTAL CODE : _____
OPT ADDR 2: _____		OPT ADDR USE : _
CONTACT : _____		OPT STATE CD : _____ VAL: _
--- REMIT TO	--- HOLD: _	
ADDR LINE 1: _____		PHONE : <b>8</b>
ADDR LINE 2: <b>9</b>		STATE CODE : <b>10</b> VAL: _
ADDR LINE 3: <b>11</b>		POSTAL CODE : <b>12</b>
OPT ADDR 1: _____		OPT ADDR USE : _
OPT ADDR 2: _____		OPT STATE CD : _____ VAL: _
CONTACT : _____		OPT POSTAL CD: _____
PAYMENT TERMS: <b>13</b>		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.
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 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**.


- 17. Type **092**, which is the remit-to county code for Wake County, in the CATETORY CODE 5 field.
  - 📁 Type **999** in the CATETORY 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.

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 the vendor record.

21. 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: _____	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 : <b>22</b> _____	TAX ID EXPIRATION DATE : _____		
1099 CODE : <b>23</b> _____	1099 WITHHOLDING RATE : _____		
1099 PAYEE NAME : <b>24</b> _____	1099 USE NAME: <b>25</b> _____		
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 the NCAS, the system displays the following warning message: **076 – VENDOR MAY BE 1099 ELIGIBLE.**

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

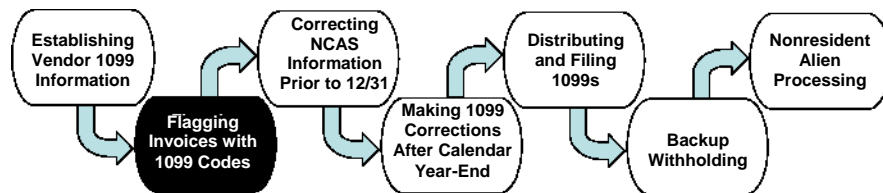
25. Type **Y** in the 1099 USE NAME field.

- ☞ 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. The IRS may fine your agency for each 1099 that is issued incorrectly.

## 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			
<b>AMOUNT ENTERED</b>		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.

OCP	1099 CODES LIST		TNL
NEXT FUNCTION: <b>16</b>	ACTION: _____		02/16/2006 07:50:33
=====			
1099 CODE: M6			
1099 CODE	1099 GROUP	ABBREV DESC	DESCRIPTION
<b>M6</b>		1099-M-MED HLTH	1099-MISCELLANEOUS-MEDICAL AND HEALTH CARE PAYMENTS
M7		1099-M-NON-EMP	1099-MISCELLANEOUS 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: <b>19</b>		
=====		
INVOICE NUMBER : _____	5246179824	DATE: 03/11/2006 MODEL: _____
VENDOR SHORT NM: MARKHAMANDREWMD	ANDREW MARKHAM MD	CURR : _____
VENDOR NUMBER : _____	777889999 A BOWMAN	CM/DM : I
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 <b>17</b> _____
0002	_____	_____
0003	_____	_____
0004	_____	_____
SALES TAX/VAT :	_____	FREIGHT : _____
ADDITIONAL COST: _____		GROSS AMOUNT: <b>18</b> _____

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.

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

OCP		INVOICE WORKSHEET 1		IWS-1T			
235 - ENTER REQUIRED KEY FIELDS							
NEXT FUNCTION:		ACTION:		02/16/2006 07:57:51			
REQUEST: <b>8</b> <b>9</b>							
=====							
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		<b>7</b>
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 display on the GL reports.

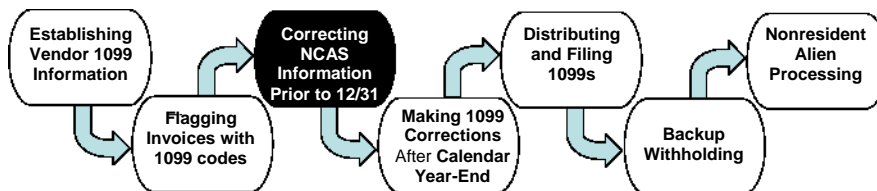
A zero-dollar invoice procedure is used to enter 1099 data when the invoice does not already exist on the NCAS. In a zero-dollar invoice, one invoice line is entered for a positive amount and includes the appropriate 1099 code. The second invoice line is entered for the reverse (negative) amount without 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. An agency's bank account policy option must be set to allow zero-dollar checks. The OSC makes this policy change for all agencies.

To reduce data entry steps, the 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 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, the OSC runs several reports as part of month-end processing. These reports are located in an OSC private production library in Jobstream OPC1099 or OPF1099 and may be run by the OSC personnel only. These reports are delivered to your agency as part of the month-end reports you receive.

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 also be viewed through Systemware X/PTR in report group OSCOP\* 1099-1 AP 1099 REPORTS.

## 1099 Reports

The OSC suggests you review these reports in the following order.

- **AP-TN005 - 1099 Error Report**

The AP-TN005 report is 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 vendor is a trade vendor, the 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 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 miscellaneous) is negative, nets to zero, or is less than the amounts specified by law.

- **AP-TN007 - 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.

For examples of these reports, refer to the *Reports* section at the end of this manual.

## 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.

OCP	VENDOR PAYABLE INFORMATION		VPN
NEXT FUNCTION: _____	ACTION: _____		02/16/2006 10:55:00
REQUEST: G _____			
=====			
PAY ENTITY : XXPN		KLINE LAW OFFICE PC	
SHORT NAME : KLINELAWOFFICEPC		300 W MILLBROOK RD SUITE 202	
VENDOR NUMBER: _204041768	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 :	__
<del>SIGN APPROVAL CODES : _____</del>		USE TAX :	____
TAX ID NUMBER : 20401768		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 : __		





The TAX ID NUMBER was typed as a 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 an digit 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 purge. Refer to **Procedure 1: Adding a Non-Trade Vendor**.

Although the incorrect vendor number will be set to purge, 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 : _234567891	GROUP : A_
VENDOR NAME : TAMMY HILLIER		VENDOR TYPE : D
SHORT NAME : HILLIERTAMMY		EDI/FAX CODE : _
--- ORDER FROM ---	HOLD: _	DEFAULT ADDR: _
ADDR LINE 1: _____	FAX : _____	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

234567891	TAMMY HILLIER	234567891	PAYER TIN: 56-1234567	PAYING ENTITY: XXPG
-----------	---------------	-----------	-----------------------	---------------------

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

345678912	TREVOR GRANTHAM	345678912	PAYER TIN: 56-2345671	PAYING ENTITY: XXPG
-----------	-----------------	-----------	-----------------------	---------------------

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

567891234	BARTON CRAIG CRAVEN PAMELA B ROBERTS	567891234	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 : _891234567	GROUP : A_
VENDOR NAME : GORDON ROBINSON		VENDOR TYPE : D
SHORT NAME : ROBINSONGORDON		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: Y
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: _____



## Correcting 1099 Paying Entity Errors

The 1099 month-end reports are used to identify paying entity errors from transactions flagged for 1099 reporting. Once the errors are identified, report them to 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 vendor 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 can be corrected by changing the invoice on the *Invoice Maintenance Worksheet 1 (IMW)* screen. The process updates 1099 totals only.

## 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 actually 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, ensure and verify the accuracy of NCAS information. This step ensures that all transactions entered into the NCAS are included in 1099 reporting. The processes necessary to complete these tasks are as follows:

- **Reviewing 1099 reports**

Review the following month-end 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.

  - AP-TN005 1099 Error Report
  - 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-TN007 1099 Totals Report
- **Adjusting vendor information**

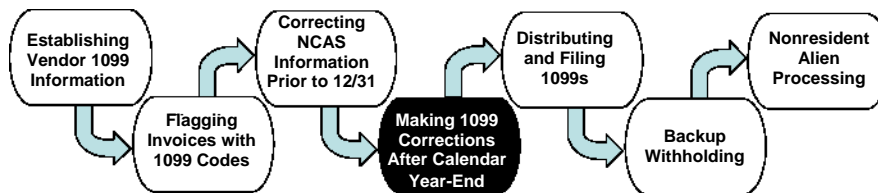
The 1099 month-end reports identify vendor errors from transactions flagged for 1099 reporting. Once these errors are identified, take the appropriate steps to correct the error.

- **Correcting paying entity errors**  
The 1099 month-end 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. Corrections may occur during three different time periods in the reporting cycle.

- After December 31, but before 1099 forms are printed
- After 1099 forms are printed and before the OSC electronically files
- After the OSC electronically files

### 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 and a manual check written on the *Manual Payment Entry (MPE)* screen with a payment date no later than December 31. In order to backdate a check to December, submit a GED (General Ledger Effective Date) change form to the OSC. 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. The 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**.

## 1099 Corrections after 1099 Forms are Printed, but Before the Electronic File is Sent to the IRS

After 1099 forms are generated, but before 1099 information returns are prepared, corrections may still be made to 1099 data. For these corrections, use the procedures from the *1099 Corrections After December 31, but Before 1099 Forms are Printed* section. As long as these corrections are made on the NCAS prior to OSC generating the electronic file, the corrected information will be transmitted to the IRS. **However, you must still manually issue a corrected 1099 form to the vendor with the new 1099 code totals.** These forms are not printed by the OSC.

All changes to 1099 information must be made before the electronic file is produced in March. The amounts on the AP-TN007 report are what the OSC uses to report on the Information Return to the IRS. Each agency must check to make sure their agency's numbers are accurate.

## 1099 Corrections After Information Returns are Generated

Any changes to 1099 information after tapes/reports are generated should be recorded on the AP-TN007 and kept in an audit file for each tax year. You will have a record of what was sent to the IRS (the AP-TN007) and any adjustments made after the OSC sent the file to the IRS. In addition, you must manually issue a corrected 1099 form to the vendor and the IRS with the new 1099 code totals.

If your agency has more than 250 corrections to 1099 information, you must file these corrections electronically or request a waiver from the IRS. If this occurs, call the OSC Support Services Center at (919) 707-0795.

Refer to **Procedure 10: Filing and Correcting 1099 Returns.**

## SUMMARY

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

- After 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, making sure it has a payment date prior to December 31. Clear the manual check on *PCR*.

- After 1099 forms are printed but before IRS information returns are generated

Corrections during this period are completed after 1099 forms have been sent to vendors but before the OSC submits an Information Return Tape to the IRS. Make corrections using the following procedures options:

- Perform invoice maintenance on *IMW*, or  
Enter zero-dollar invoice and record manual check, ensuring a payment date prior to December 31. Clear the manual check on *PCR*.
- Manually issue a corrected 1099 to the vendor.

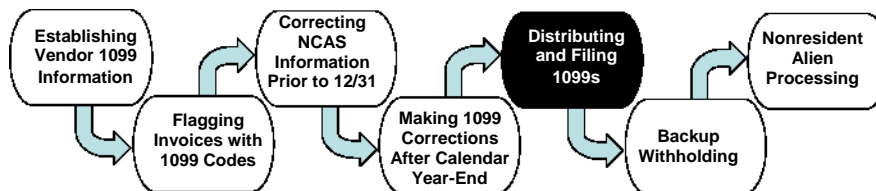
- After Information Returns are Generated

Corrections during this time period are made after OSC submits the Information Return tape 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*.
- Manually issue a corrected 1099 to the vendor.
- Manually issue a corrected Information Return to the IRS.



## Distributing and Filing 1099s



## 1099 Filing Requirements

Agencies file the following 1099 forms based on varying 1099 requirements:

- **Form 1099-MISC *Miscellaneous Income***

This form is filed for each vendor that meets *one* of the following criteria:

- Your agency paid at least \$10 in royalties or broker payments in lieu of dividends or in lieu of tax-exempt interest.
- Your agency paid at least \$600 in rents, payments for services (including payment for parts and materials), prizes and awards, excess golden parachute payments, and medical and health care payments.
- Your agency paid fishing boat proceeds.

In addition, Form 1099-MISC must be filed for each vendor from whom you withheld any federal income tax under the backup withholding rules, regardless of the payment amount.

- **Form 1099-INT *Interest Income***

This form is filed for each vendor that meets at least *one* of the following criteria:

- Your agency withheld and paid foreign tax on interest.
- Your agency withheld any federal income tax under the backup withholding rules, regardless of the amount of the payment.
- Your agency paid more than \$10 in interest.
- Your agency paid interest income in connection with a bond issuance, installment purchase, or capital lease.

- **Form 1099-G**

This form is filed for each vendor that meets at least *one* of the following criteria:

- Your agency paid more than \$600 in Soil and Water Conservation Grants, Forestry Grants or certain other grants.
- Your agency paid \$10 or more for unemployment compensation or tax refunds.

An example of each form is provided in the **Quick Reference Guide** at the back of this manual.

Regardless of which 1099 form is sent to the taxpayer, IRS regulations require that Form 1099 information returns must include the payer's phone number that leads to direct access to individuals actually 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 in the course of 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**

Once all 1099 corrections and zero-dollar invoices have been entered, ITS generates 1099 forms during January. To avoid past problems or undelivered forms, the OSC calls each agency to inform them when their forms are available for pickup. Each agency then signs for the forms to confirm receipt at the front desk of the Office of State Controller.

In Calendar year 2008, the printing procedure for 1099's was modified. 1099 forms are now printed in paying entity order with a range of control group numbers assigned to each paying entity. Each agency must verify that the range of control numbers on their 1099's matches the spreadsheet given to each agency.

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

## Filing 1099 Information Returns

The final step in 1099 processing is filing a 1099 Information Return with the IRS. This return identifies all vendors to whom your agency sent a 1099 and the amount of income reported for each vendor. The OSC is the only transmitter for filing with the IRS, sending one electronic file to the IRS for all NCAS agencies.

The OSC submits electronically for all agencies' data recorded in NCAS. Each agency is reported under its own Federal ID number and is responsible for its data, but is not responsible for submitting the data to the IRS.

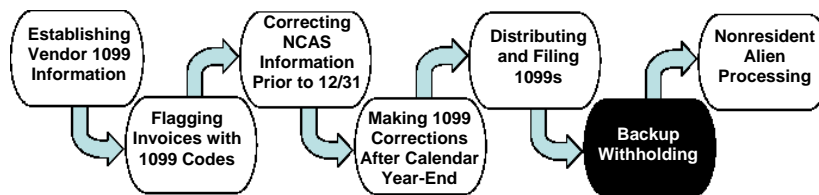
Refer to the OSC operations calendar to determine the date for submitting the electronic file to the IRS. The OSC operations calendar can be found in the *OSC NCAS Information Guide*, also known as "the SIG". **There should be no direct reporting of NCAS data by the agency to the IRS.** All 1099 information that is not on the NCAS is the responsibility of the agency.

Refer to **Procedure 10: Filing and Correcting 1099 Returns**.





## 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 could 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 in connection with a performance, an entertainment or athletic event, a speech, or the creation of a film, radio, or television program 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. A nonresident individual who performs certain personal services in North Carolina for compensation other than wages, or
- b. A nonresident entity that performs for compensation in North Carolina services in connection with a performance, an entertainment or athletic event, a speech, or the creation of a film, radio, or television program.

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 web site and enter the online corporate names database. The database for limited liability companies is now operational.

Non-profit and governmental entities are not subject to the North Carolina Nonresident Withholding Law.

## 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 serviced 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 AS/RPI, Registration Application for Sales and Use Tax and/or Income Tax Withholding, and returning the form to the Business Registration Unit at PO Box 25000, Raleigh, NC 27640.

The payer is assigned an account number, receives forms for paying the tax withheld (NC-5) from personal services income, and pays the tax on a quarterly basis. A copy of the NC-5 form is shown in **QRG 10: Form NC-5 (Employer's Report of N.C. Income Tax Withheld from Wages and Personal Services Compensation)**.

Payers must report personal services income and tax withheld, in duplicate, on Form NC-1099PS. For compensation paid to individuals, the payer may complete federal Form 1099-MISC in lieu of Form NC-1099PS. Copies of the NC-1099PS form and the Form 1099-MISC are found in **QRG 3: 1099 Forms and Instructions**. The statement must be given to the contractor on or before January 31 following the year the compensation is paid. The payer must also file a Form NC-3 reconciling the amounts withheld from each contractor. A copy of the NC-3 form is shown in **QRG 11: Form NC-3 (Employer's Annual Reconciliation of N.C. Income Tax Withheld from Wages and Personal Services Compensation)**. The reports AP-NC002 and AP-NC003, which are located in Systemware group OSCOP\* AP1099-A, can be used to assist with this reconciliation process. This reconciliation is due on or before February 28.

## Federal Withholding

The Internal Revenue Service requires 28% 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 28% on every payment to that vendor.

Withholding payment controls are established at the vendor level. The 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 re-mail 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 you received it. 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**

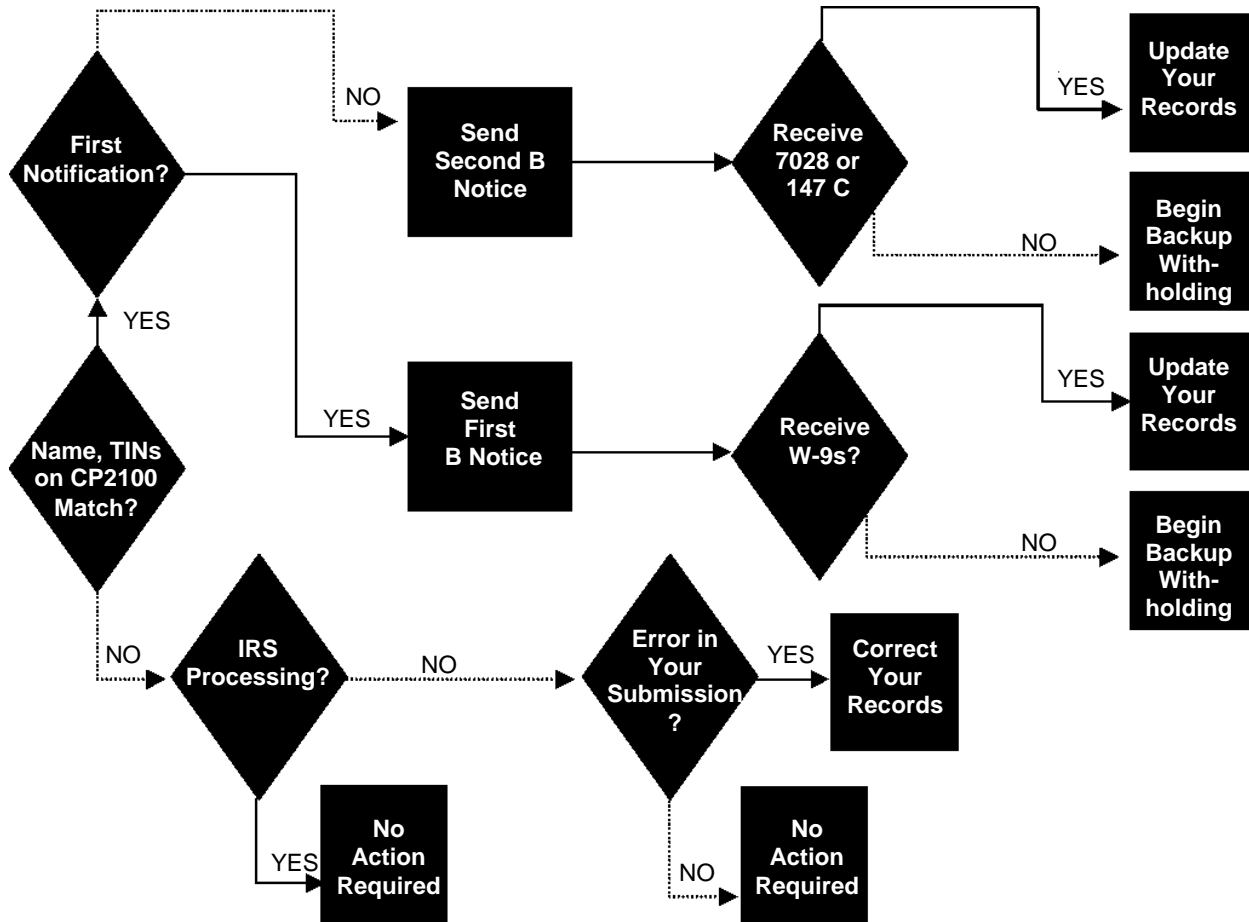
**Procedure 20: Making the Entries to Record State Backup Withholding Payments**

**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 28% of the payment amount. Once begun, you must continue to withhold until the payee provides a TIN. Do not refund the amounts you withheld before the TIN was provided. These amounts will be reflected on Form 1099-MISC; 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 a 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 on the NCAS.

## NCAS Processing of Withheld Payments

Processing withholding in the 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 the OSC is responsible for setting up these controls for trade vendors, 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:
  - **28%** for federal withholding only
  - **4%** for state withholding only
  - **32%** for both state and federal withholding

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 only applied to those invoice lines flagged with a 1099 code. Any of the usual 1099 codes can cause withholding to occur, 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 and state reporting, but are not included in federal 1099 processing.

- 📁 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: <b>10</b>	ACTION: _____	02/16/2006 14:47:33
REQUEST: <b>5</b> <b>9</b>		
=====		
PAY ENTITY : <b>2</b>		
SHORT NAME : <b>3</b>		
VENDOR NUMBER: <b>4</b>	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 : <b>6</b>	
1099 CODE : _____	1099 WITHHOLDING RATE : <b>7</b>	
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 you put yesterday's date in the TAX ID EXPIRATION DATE field. For Purposes of the training environment today, use the set date of 02282006.
7. Type **28.00** in the 1099 WITHHOLDING RATE field to set the withholding percentage to 28%.
  - 📁 To withhold state taxes only, type **4.00**. To withhold both state and federal, type **32.00**.
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: <b>11</b>	
	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			
<b>AMOUNT ENTERED</b>		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: _____
    
```

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



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. You 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	<b>19</b>	<b>20</b> <b>21</b> <b>22</b>
		<b>23</b>
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.

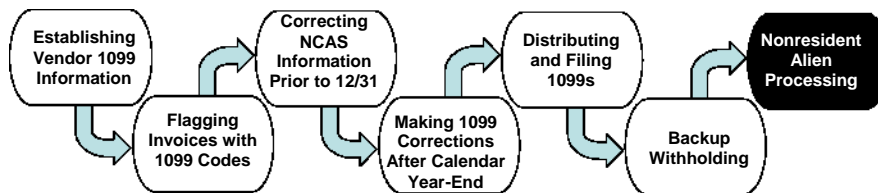
 "NO" has defaulted to the 1099 field. Laker Medical will receive a 1099 for this service and is subject to backup withholding, so you must override the "NO" with a 1099 code on line 0001. The valid 1099 code triggers backup withholding for this line.

OCF	INVOICE WORKSHEET 1	IWS-1T
235 - ENTER REQUIRED KEY FIELDS		
NEXT FUNCTION: _____	ACTION: _____	02/16/2006 15:19:28
REQUEST: <b>27</b> _____	=====	
INVOICE NUMBER : _____	862496658	DATE: 03/01/2006
VENDOR SHORT NM: LAKERMEDICALOFF	LAKER MEDICAL OFFICE	CURR : _____
VENDOR NUMBER : _____	333445555 A	RALEIGH
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 <b>25</b>
0002		
0003		
0004		
SALES TAX/VAT : _____	FREIGHT : _____	
ADDITIONAL COST: _____	GROSS AMOUNT: _____	<b>26</b>

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 March, 2011 sets forth procedures that must be followed in making payments to NRA's to ensure proper tax withholding occurs. The web link to OSC Policy and Procedures Pertaining to Payments and Compensation of Foreign Nationals, Governments, and Corporations is as follows:

<http://osc.nc.gov/state-employees/foreign-nationals>

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 Beacon Payroll, not the NCAS.

For additional information on NRA taxation, please refer to IRS Publication 515 Withholding of Tax on Nonresident Aliens and Foreign Entities. The IRS web link is as follows:

[www.irs.gov/publications/p515/](http://www.irs.gov/publications/p515/)

## Identifying NRAs

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

- Individual does not have SSN - withhold at 28% backup withholding rate or 30% NRA tax rate. Agency must follow up with vendor to determine under which system to tax vendor.
- If ID number furnished by vendor starts with a 9, the vendor is probably a NRA and subject to 30% withholding.
- If remit-to address is outside the US, vendor may be a NRA subject to 30%. Further inquiry must be made.
- The vendor may 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.

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 a 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, the 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 Windstar, 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 functions the same as the 28% Federal withholding account 211950, the 4% State withholding 211951, and the 32% 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 (<http://www.irs.gov/pub/irs-pdf/f1042.pdf>) 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.

Generally, the following rules apply.

- 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 3 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, you 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 (Withholding)	IRS Deposit Requirements
Less than \$200	Annually with 1042T filing (Due March 15)
Between \$200 and Less than \$2,000	Within 15 days after the end of the month
\$2,000 or greater	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 \$2000.00 threshold, the 3 banking days 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 NRA's, 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 the 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 the 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 1099's. However, they do receive a 1042 or 1042S form which is similar to the 1099 form.

### **Payments to Nonresident Aliens**

No payments should be made to NRAs without receiving all of 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. If no documentation is received, then the maximum amount (30%) for federal and for those payments with ITIN's 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](mailto: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 the 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 (NRA's)



## 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.
  -  If there is no TIN in this field and this vendor has a 1099 transaction, an Automatic 30% is withheld from that transaction.
25. Press **ENTER** to add the vendor as a non-trade vendor.



## 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 CNL 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








## 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.





---

## 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.



## 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 miscellaneous 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.



---

## 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.



## Procedure 10: Filing and Correcting 1099 Returns – Paper Corrections (after the magnetic tape has been generated)

Choose the type of error that needs to be corrected.

**ERROR 1** No payee TIN (SSN or EIN) or Incorrect TIN, or incorrect name and address. This requires two separate transactions to make the correction properly.

**Transaction 1** – Identify the incorrect return being submitted.

**1.** Form 1096

- Prepare a new transmittal Form 1096. This Form 1096 is used to transmit your corrected returns.
- This Form 1096 is used to transmit your corrected returns. Therefore, complete Form 1096 showing your correct name, address, and TIN, and in other boxes enter only information about corrected returns. For example, enter in box 3 of Form 1096 only the number of corrected returns being submitted.

**2.** Form 1099

- Prepare new Forms 1098, 1099, 5498, or W-2G.
- Enter an **X** in the CORRECTED box at the top of the forms.
- Enter the **payer, recipient, and account number information** exactly as it appears on the original returns; however, enter 0 (zero) for all money amounts.
- File Form 1096 and Copies A of the returns with the appropriate service center. Do *not* include copies of the original returns that were filed incorrectly.

**Transaction 2** – Report correct information

**1.** Form 1096

- Prepare a new Form 1096.
- Enter the words **“Filed to Correct TIN, name and/or address”** at the bottom margin of the form. Provide all requested information on the form as it applies to the returns being prepared.

**2.** Form 1099

- Prepare new Forms 1098, 1099, 5498, or W-2G.
- Do *not* enter an “X” in the “CORRECTED” box at the top of the forms. Submit the new returns as though they were the originals.
- Include all correct information on the return including correct TIN.
- File Form 1096 and Copies A of the returns with the appropriate service center. You must *not* use the same Form 1096 used in Transaction 1.
- Do not include copies of the original returns that were filed incorrectly.



---

## ERROR 2 Incorrect Money Amounts

- 1.** Form 1096
  - Prepare a new transmittal Form 1096 (Using the instructions in Error 1, Transaction 1 above.)
- 2.** Form 1099
  - Prepare a new information return.
  - Enter an “**X**” in the “CORRECTED” box at the top of the forms.
  - Enter the **payer, recipient, and account number information** exactly as it appears on the original returns; however, enter all **correct money amounts** in the correct boxes as they should have appeared on the original returns and enter the **recipient’s correct address**.
  - File Form 1096 and Copies A of the returns with the appropriate service center.
  - Do *not* include copies of the original returns that were filed incorrectly.

**ERROR 3** Original Return was filed using the WRONG type of return. For example, a Form 1099-DIV was filed when a Form 1099-INT should have been filed. This type of error requires two separate transactions to correct.

**Transaction 1** – Identify incorrect return being submitted.


- 1.** Form 1096
  - Follow the instructions under Error 1.
- 2.** Form 1099
  - Follow the instructions under Error 1, using the same type of form that was used initially.

**Transaction 2** – Report correct information on the correct type of return.

- 1.** Form 1096
  - Follow the instructions under Error 1, Transaction 2-1 except enter the words **Filed to Correct Document Type** in the bottom margin of Form 1096.
- 2.** Form 1099
  - Follow the instructions under Error 1, Transaction 2, using the proper type of form.

## 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**.




## 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.



## 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 a 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 a 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.



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

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

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

**If there is not a tax ID number or the incorrect number is in the TAX ID NUMBER field then:**


13. Type **C** in the REQUEST field and press **ENTER** to change the vendor's information.
14. Type the **tax ID number** in the TAX ID NUMBER field and press **ENTER** to add or change the tax ID number and clear the screen.
  - If the TAX ID NUMBER field is left blank, the system automatically places transactions flagged as 1099 on hold, which then must be released on the *Held Document Release (HDR)* screen.









## 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 the 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 on 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 the 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.



---

## 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.



---

## **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, 28% of the payment will be withheld.






## 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 **28.00**. To withhold state taxes only, type **4.00**. To withhold both state and federal, type **32.00**.
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.



## 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 CMCS 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 at the following link:  
<https://osc.nc.gov/state-agency-resources/statewide-tax-compliance/foreign-nationals-tax-compliance/useful-resources>

**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 CMCS 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)**



---

## 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.





## 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.**



## Procedure 23: Completing IRS Forms 945 and 945A

 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**.
6. Type **over the variables** in the run statements in order 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.

## 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 Trade NRA Vendor

-  Complete the NCAS Backup Withholding form and forward to the OSC Support Services Center.
-  Before entering any invoices, you must first check the Statewide Trade Vendor File to see if the vendor exists. If it does not, then you must request the Office of State Controller to add the vendor to the file.

### After accessing the Accounts Payable module:

1. If the vendor is not listed on the *VSL* screen, type **VSU** in the NEXT FUNCTION field and press **ENTER** to access the *Vendor Setup (VSU)* screen to request the addition of a NRA trade vendor.
2. Type **VADD** in the PAY ENTITY field. VADD stores vendor names temporarily until they can be added to the Statewide Trade Vendor File.
3. Type the word **foreign** in the VENDOR NO field.
  -  When a NRA vendor is added to the NCAS, they will not have a standard tax identification number (TIN) as do US vendors.
4. Type the **vendor name** in the VENDOR NAME field.
5. Type a **valid vendor type code** in the VENDOR TYPE field.
  -  The following types are valid codes:
    - D** = Direct vendor (no purchase order issued)
    - M** = Matching vendor
6. Type the **vendor's fax number** in the FAX field, if available.
  -  This field is *not* required.
7. Type the **vendor's phone number** in the PHONE field in the REMIT TO section of the screen.
8. Type the **vendor's address** (PO box or street address) in the ADDR LINE 2 field.
9. Type the correct **state code** in the STATE CODE field.
  -  If this address is located outside the US, leave this field *blank*.
10. Type the **correct code** in the VAL field.
  -  For US addresses, type a Y. For foreign addresses, type an N.
11. 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.



12. Type the **postal code** (zip) in the POSTAL CODE field.
13. Type the message **VENDOR IS A NON RESIDENT ALIEN** in the OPT ADDR 1 or OPT ADDR 2 field to notify the OSC Support Services Center that the *VGN* and *VPN* screens need to be completed to begin the withholding for this trade vendor.
14. Press **ENTER**. The following message is displayed on your screen: **VENDOR HAS BEEN ADDED TO THE SYSTEM. HIT ENTER!!!**
15. Press **ENTER** to send your request to the OSC Support Services Center for further processing.

## Procedure 27: Adding a Non-Trade NRA Vendor

When a 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 the 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 a NRA vendor is added to the NCAS they will not have a standard tax identification number (TIN) as our US vendors. The 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.

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**.

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

 Type **999** in the CATEORY 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/YYYYY format.

26. Type **30.00** in the 1099 WITHHOLDING RATE field.

 This is the rate (30%) for NRA withholding.

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 28: Setting Up a NRA Vendor for Withholding

Processing NRA withholding in the 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.





## Procedure 29A: 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.
  - 📁 You can 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-1T* 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 NRA's 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 29B: 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.


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 NRA's 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.





## Procedure 30A: 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.
  1. Type the **account number** in the ACCOUNT field.
  2. Type the **center number** in the CENTER field.
  3. Type the **description of the invoice** in the DESCRIPTION field.




- 
4. 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.
  5. Type the **gross amount of the invoice** in the GROSS AMOUNT field. Delete the zeros at the end of the field.
  6. Press **ENTER** to process the information.
  7. 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.
  8. Type **R** in the REQUEST field and press **ENTER** to access the *Invoice Worksheet 2 (IWS-2T)* screen.
  9. Type **941347393 18** in the FACTOR NUMBER and GROUP fields and press **ENTER** to process the information.
    -  **Always** use this vendor number and group in order 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 30B: 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 in order 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-MISCELLANEOUS 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



## 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



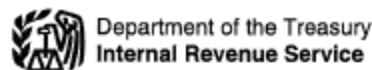
---

## QRG 3: Instructions for 1099 Forms

**For most recent 1099 forms, please visit the IRS website.**



2010



# General Instructions for Certain Information Returns

(Forms 1098, 1099, 3921, 3922, 5498, and W-2G)

Section references are to the Internal Revenue Code unless otherwise noted.

Contents	Page
What's New	1
Reminders	2
Items You Should Note	2
A. Who Must File	2
B. Other Information Returns	3
C. When To File	4
D. Where To File	4
E. Filing Returns With the IRS	4
F. Electronic Reporting	5
G. Paper Document Reporting	5
H. Corrected Returns on Paper Forms	6
I. Void Returns	6
J. Recipient Names and Taxpayer Identification Numbers (TINs)	6
K. Filer's Name, Identification Number, and Address	8
L. Account Number Box on Forms	8
M. Statements to Recipients (Borrowers, Debtors, Donors, Insureds, etc.)	9
N. Backup Withholding	11
O. Penalties	11
P. Payments to Corporations and Partnerships	12
Q. Earnings on any IRA, Coverdell ESA, Archer MSA, or HSA	13
R. Certain Grantor Trusts	13
S. Special Rules for Reporting Payments Made Through Foreign Intermediaries and Foreign Flow-Through Entities on Form 1099	13
T. How To Get Tax Help	14
Guide to Information Returns	16
Types of Payments	18
Index	19

## What's New

**New title for the General Instructions.** The title of the General Instructions has been changed to General Instructions for Certain Information Returns (Forms 1098, 1099, 3921, 3922, 5498, and W-2G).

**Truncating payee identification number on paper payee statements.** Notice 2009-93 allows filers of information returns in the Form 1098 series, Form 1099 series, and Form 5498 series to truncate an individual payee's social security number (SSN), IRS individual taxpayer identification number (ITIN), or IRS adoption taxpayer identification number (ATIN) on paper payee statements for tax years 2009 and 2010. For more information, see part M.

**New Form 1097-BTC, Bond Tax Credit.** The American Recovery and Reinvestment Act of 2009 allows regulated investment companies (RICs) to elect to distribute tax credit bond credits to shareholders. Form 1097-BTC has been created for all holders and issuers of tax credit bonds to report this information. See the separate instructions for Form 1097-BTC.

**Widely held fixed investment trusts (WHFITs).** Notice 2010-4 provides new guidance and limited penalty relief for transition year reporting by trustees, middlemen, and trust interest holders (TIHs) of widely held fixed investment trusts. For more information, see *Widely held fixed investment trusts (WHFITs)* on page 3.

**Publication 1220.** Information on new forms was added to Pub. 1220, which is now titled *Specifications for Filing Forms 1098, 1099, 3921, 3922, 5498, 8935, and W-2G Electronically*.

**Forms 3921 and 3922.** 2010 will be the first reporting year for Forms 3921 and 3922. See the Instructions for Forms 3921 and 3922.

### Instructions for Form 1098.

- A *TIP* has been added under *Prepaid Mortgage Insurance* regarding allocation of prepaid mortgage insurance premiums by payers/borrowers.
- The instructions under *Box 4. Mortgage Insurance Premiums* regarding reporting requirements for mortgage insurance premiums received by recipients/lenders, have been expanded.

**Form 1098-C.** On the back of Copy B, in the *Instructions for Donor*, we added a phrase advising taxpayers to attach Copy B of the form to Form 8453, U.S. Individual Income Tax Transmittal for an IRS *e-file* Return.

**Form 1099-B.** On the back of Copy B, in the *Instructions for Recipient*, we added instructions for Box 12.

**Form 1099-G.** Boxes 10a, 10b, and 11 have been added to allow reporting of state income tax withheld.

**Instructions for Form 1099-G.** Reporting instructions for Boxes 10a, 10b, and 11 have been added for those states that require state income tax withholding on unemployment compensation.

**Form 1099-H.** The title of Box 2 was changed to *No. of mos. for which HCTC payments received*.

**Instructions for Form 1099-H.** The description for Box 1 was changed to reflect that HCTC advance payments cannot exceed 80% of total health insurance premiums.

### Form 1099-INT.

- Reporting of credits from qualified school construction bonds and Build America bonds has been added to Box 1 in the instructions for Recipient.

- Box 10 was added to report the Committee on Uniformed Security Identification Procedures (CUSIP) number for each tax-exempt bond for which interest was reported in box 8.

### Instructions for Forms 1099-INT and 1099-OID.

- We added a *What's New* and under *Interest to holders of tax credit bonds*, text stating that the credit allowable to holders of Build America bonds and Qualified school construction bonds is treated as interest.
- We added a *What's New* and under Box 10, instructions for reporting the CUSIP number of the tax-exempt bond for which tax-exempt interest is reported in Box 8.

### Form 1099-R.

- Reporting of tax free transfers of qualified long-term care insurance contracts was added to Box 1 in the *Instructions for Recipient*.
- Reporting of charges or payments made against the cash value of an annuity contract or the cash surrender value of a life insurance contract for purchasing qualified long-term care insurance was added to Box 1 in the *Instructions for Recipient*.
- Qualified long-term care insurance contracts were added to the list of Section 1035 exchanges for Code 6 in Box 7 in the *Instructions for Recipient*.
- The title for Code E in Box 7 in the *Instructions for Recipient* was changed to *Distributions under Employee Plans Compliance Resolution System (EPCRS)*.
- New Code W was added to the list of codes for Box 7 in the *Instructions for Recipient*, for reporting charges or payments for purchasing qualified long-term care insurance contracts under combined arrangements.

### Form 5498.

- The checkbox in Box 11 has been lined up to the right for the convenience of issuers of the form.
- The Box 11 description in the *Instructions for Participant*, has been returned to the wording found on previous versions of the form.

Cat. No. 27976F

- Boxes 15a and 15b have been shaded out as no further catch-up contributions to IRAs due to certain employer bankruptcies are permitted in lieu of the higher contribution limit for individuals 50 and older. Also, the box descriptions in the *Instructions for Participant*, have been removed.

**Instructions for Forms 1099-R and 5498.**

**What's New for Form 1099-R.**

- Generally, report distributions from traditional, SEP, and SIMPLE IRAs in boxes 1 and 2a. Check the "Taxable amount not determined" box in box 2b.
- Charges or payments made against the cash value of annuity contracts or the cash surrender value of life insurance policies for the purchase of qualified long-term care insurance contracts under combined arrangements are reported in Box 1, with Distribution Code W in Box 7.
- Notice 2002-3 has been modified and superseded by Notice 2009-68, which contains two safe harbor explanations that can be provided to recipients of eligible rollover distributions from an employer plan in order to satisfy section 402(f).
- Effective January 1, 2010, eligible rollover distributions from an employer's plan paid directly to a nonspouse beneficiary are subject to mandatory 20% withholding.

**What's New for Form 5498.**

- References to *Additional contribution rules for 2004 and 2005 under Special reporting for U.S. Armed Forces in designated combat zones* have been removed due to expiration of this provision on May 28, 2009.
- References to catch-up contributions in *Special reporting for 2009*, and the reporting instructions for Boxes 15a and 15b have been removed due to expiration of this provision.

**Logos, slogans, and advertising on information returns.** For amounts paid after 2010, logos, slogans, and advertising will not be permitted on Forms 1096, or Copy A of Forms 1098, 1099, 5498, W-2G, 1042-S, or any payee statements. See Pub. 1179, General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 3921, 3922, 5498, W-2G, and 1042-S.

**TIP** See the specific form instructions for more information on the changes listed above.

**Reminders**

**Due date for certain statements sent to recipients.** The due date for furnishing statements to recipients for Forms 1099-B, 1099-S, and 1099-MISC (if amounts are reported in Boxes 8 or 14) is February 15.

**Electronic Filing.** E-filers are reminded that using the FIRE system requires following the specifications contained in Pub. 1220, Specifications for Filing Forms 1098, 1099, 3921, 3922, 5498, 8935, and W-2G Electronically. Also, the IRS does not provide a fill-in form option. See part F on page 5 for information on e-file.

**Payee.** Throughout these instructions the term "payee" means any recipient of Forms 1098, 1099, 3921, 3922, 5498, or W-2G including borrowers, debtors, donors, insureds, participants, policyholders, students, transferors, and winners on certain forms.

**Where to file.** All information returns filed on paper will be filed with only two Internal Revenue Service Centers: Austin, TX, and Kansas City, MO. See part D on page 4, and Form 1096, Annual Summary and Transmittal of U.S. Information Returns.

**Items You Should Note**

**Photographs of Missing Children**

The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST(1-800-843-5678) if you recognize a child.

**Available Products**

In addition to these general instructions, which contain general information concerning Forms 1098, 1099, 3921, 3922, 5498, and W-2G, we provide specific form instructions as separate products. Get the instructions you need for completing a specific form from the following list of separate instructions.

- Instructions for Forms W-2G and 5754
- Instructions for Form 1097-BTC
- Instructions for Form 1098
- Instructions for Form 1098-C

- Instructions for Forms 1098-E and 1098-T
- Instructions for Forms 1099-A and 1099-C
- Instructions for Form 1099-B
- Instructions for Form 1099-CAP
- Instructions for Form 1099-DIV
- Instructions for Form 1099-G
- Instructions for Form 1099-H
- Instructions for Forms 1099-INT and 1099-OID
- Instructions for Form 1099-LTC
- Instructions for Form 1099-MISC
- Instructions for Form 1099-PATR
- Instructions for Form 1099-Q
- Instructions for Forms 1099-R and 5498
- Instructions for Form 1099-S
- Instructions for Forms 1099-SA and 5498-SA
- Instructions for Forms 3921 and 3922
- Instructions for Form 5498-ESA

See *How To Get Forms, Publications, and Other Assistance* on page 14.

**Guide to Information Returns**

See the chart on pages 16 and 17 for a brief summary of information return reporting rules.

**Use Form 1096 To Send Paper Forms to the IRS**

You must send Copies A of all paper Forms 1098, 1099, 3921, 3922, 5498, and W-2G to the IRS with Form 1096, Annual Summary and Transmittal of U.S. Information Returns. Instructions for completing Form 1096 are contained on Form 1096. Also see part E on page 4.

**Reporting Backup Withholding on Forms 1099 and W-2G**

If you backup withhold on a payment, you must file the appropriate Form 1099 or Form W-2G with the IRS and furnish a statement to the recipient to report the amount of the payment and the amount withheld. This applies even though the amount of the payment may be below the normal threshold for filing Form 1099 or Form W-2G. For how to report backup withholding, see part N on page 11.

**Substitute Statements to Recipients**

If you are using a substitute form to furnish information statements to recipients (generally Copy B), be sure your substitute statements comply with the rules in Pub. 1179, Pub. 1179, which is revised annually, explains the requirements for format and content of substitute statements to recipients. See part M on page 9 for additional information.



All substitute statements to recipients must contain the tax year, form number, and form name prominently displayed together in one area of the statement. For example, they could be shown in the upper right part of the statement.

**Taxpayer Identification Number (TIN) Matching**

TIN Matching allows a payer or authorized agent who is required to file Forms 1099-B, DIV, INT, MISC, OID, and/or PATR, which report income subject to backup withholding, to match TIN and name combinations with IRS records before submitting the forms to the IRS. TIN Matching is one of the e-services products that is offered and is accessible through the IRS website. For program guidelines, see *Pub. 2109-A, On-Line Taxpayer Identification (TIN) Matching Program*, or go to [www.irs.gov](http://www.irs.gov) and enter keyword "TIN matching" in the upper right corner. It is anticipated that payers who validate the TIN and name combinations before filing information returns will receive fewer backup withholding (CP2100) "B" notices and penalty notices. E-services technical support is available by calling 1-866-255-0654.

**A. Who Must File**

See the separate specific instructions for each form.

**Nominee/middleman returns.** Generally, if you receive a Form 1099 for amounts that actually belong to another person, you are considered a nominee recipient. You must file a Form 1099 with the IRS (the same type of Form 1099 you received) for each of the other owners showing the amounts allocable to each. You must also furnish a Form 1099 to each of the other owners. File the new Form 1099 with Form 1096 with the Internal Revenue Service Center for your area. On each new Form 1099, list yourself as the "payer" and the other owner as the "recipient." On Form 1096, list yourself as the "filer." A husband or wife is not required to file a nominee return to show amounts owned by the other. The nominee, not the original payer, is responsible for filing the

subsequent Forms 1099 to show the amount allocable to each owner.

**Successor/predecessor reporting.** A successor business (a corporation, partnership, or sole proprietorship) and a predecessor business (a corporation, partnership, or sole proprietorship) may agree that the successor will assume all or some of the predecessor's information reporting responsibilities. This would permit the successor to file one Form 1098, 1099, 3921, 3922, 5498, or W-2G for each recipient combining the predecessor's and successor's reportable amounts, including any withholding. If they so agree and the successor satisfies the predecessor's obligations and the conditions described below, the predecessor does not have to file the specified information returns for the acquisition year. If the successor and predecessor do not agree, or if the requirements described are not met, the predecessor and the successor each must file Forms 1098, 1099, 3921, 3922, 5498, and W-2G for their own reportable amounts as they usually would. For more information and the rules that apply to filing combined Forms 1042-S, Foreign Person's U.S. Income Subject to Withholding, see Rev. Proc. 99-50, which is available on page 757 of Internal Revenue Bulletin 1999-52 at [www.irs.gov/pub/irs-irbs/irb99-52.pdf](http://www.irs.gov/pub/irs-irbs/irb99-52.pdf).

The combined reporting procedure is available when all the following conditions are met.

1. The successor acquires from the predecessor substantially all the property (a) used in the trade or business of the predecessor, including when one or more corporations are absorbed by another corporation under a merger agreement, or (b) used in a separate unit of a trade or business of the predecessor.
2. The predecessor is required to report amounts, including any withholding, on information returns for the year of acquisition for the period before the acquisition.
3. The predecessor is not required to report amounts, including withholding, on information returns for the year of acquisition for the period after the acquisition.

**Combined reporting agreement.** The predecessor and the successor must agree on the specific forms to which the combined reporting procedure applies and that the successor assumes the predecessor's entire information reporting obligations for these forms. The predecessor and successor may agree to:

1. Use the combined reporting procedure for all Forms 1098, 1099, 3921, 3922, 5498, and W-2G, or
2. Limit the use of the combined reporting procedure to (a) specific forms or (b) specific reporting entities, including any unit, branch, or location within a particular business entity that files its own separate information returns. For example, if the predecessor's and successor's only compatible computer or recordkeeping systems are their dividends paid ledgers, they may agree to use the combined reporting procedure for Forms 1099-DIV only. Similarly, if the only compatible systems are in their midwest branches, they may agree to use the combined reporting procedure for only the midwest branches.

**Combined reporting procedure.** On each Form 1098, 1099, 3921, 3922, 5498, and W-2G filed by the successor, the successor must combine the predecessor's (before the acquisition) and successor's reportable amounts, including any withholding, for the acquisition year and report the aggregate. For transactional reporting on Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, the successor must report each of the predecessor's transactions and each of its own transactions on each Form 1099-B; these same reporting requirements apply to Form 3921, Exercise of an Incentive Stock Option under Section 422(b), and Form 3922, Transfer of Stock Acquired Through an Employee Stock Purchase Plan under Section 423(c). The successor may include with the form sent to the recipient additional information explaining the combined reporting.

For purposes of the combined reporting procedure, the sharing of TINs and other information obtained under section 3406 for information reporting and backup withholding purposes does not violate the confidentiality rules in section 3406(f).

**Statement required.** The successor must file a statement with the IRS indicating the forms that are being filed on a combined basis under Rev. Proc. 99-50. The statement must:

1. Include the predecessor's and successor's names, addresses, telephone numbers, EINs, and the name and telephone number of the person responsible for preparing the statement.
2. Reflect separately the amount of federal income tax withheld by the predecessor and by the successor for each type of form being filed on a combined basis (for example, Form 1099-R or 1099-MISC).
3. Be sent separately from Forms 1098, 1099, 3921, 3922, 5498, and W-2G by the forms' due date to: Enterprise Computing

Center—Martinsburg, Attn: Chief, Information Returns Branch, Mail Stop 4300, 230 Murall Dr., Kearneysville, WV 25430. Do not send Form 1042-S statements to this address. Instead, use the address given in the Instructions for Form 1042-S; see Rev. Proc. 99-50.

**Qualified settlement funds.** A qualified settlement fund must file information returns for distributions to claimants if any transferor to the fund would have been required to file if the transferor had made the distributions directly to the claimants.

For distributions to transferees, a fund is subject to the information reporting requirements of sections 6041 and 6041A and may be required to file Form 1099-MISC. For payments made by the fund on behalf of a claimant or transferee, the fund is subject to these same rules and may have to file Form 1099-MISC for the payment to a third party. For information reporting purposes, a payment made by the fund on behalf of a claimant or transferee is considered a distribution to the claimant or transferee and is also subject to information reporting requirements.

The same filing requirements, exceptions, and thresholds may apply to qualified settlement funds as apply to any other payer. That is, the fund must determine the character of the payment (for example, interest, fixed and determinable income, or gross proceeds from broker transactions) and to whom the payment is made (for example, corporation or individual).

For more information, see Regulations section 1.468B-2(i). Also, see Treasury Decision (TD) 9249, 2006-10 I.R.B. 546, available at [www.irs.gov/irb/2006-10\\_IRB/ar05.html](http://www.irs.gov/irb/2006-10_IRB/ar05.html). TD 9249 relates to escrow and similar funds.

**Payments to foreign persons.** See the Instructions for Form 1042-S, relating to U.S. source income of foreign persons, for reporting requirements relating to payments to foreign persons.

**Widely held fixed investment trusts (WHFITs).** Trustees and middlemen of WHFITs are required to report all items of gross income and proceeds on the appropriate Form 1099. For the definition of a WHFIT, see Regulations section 1.671-5(b)(22). A tax information statement that includes the information provided to the IRS on Forms 1099, as well as additional information identified in Regulations section 1.671-5(e) must be furnished to trust interest holders (TIHs).

Items of gross income (including OID) attributable to the TIH for the calendar year including all amounts of income attributable to selling, purchasing, or redeeming of a trust holder's interest in the WHFIT must be reported. Items of income that are required to be reported including non *pro-rata* partial principal payments, trust sales proceeds, redemption asset proceeds, and sales of a trust interest on a secondary market must be reported on Form 1099-B. See Regulations section 1.671-5(d).

Safe harbor rules for determining the amount of an item to be reported on Form 1099 and a tax information statement with respect to a TIH in a non-mortgage WHFIT (NMWHFIT) and a widely held mortgage trust (WHMT) are found in Regulations sections 1.671-5(f) and (g) respectively.

Trustees and middlemen must follow all the rules for filing Forms 1099 with the IRS and furnishing a statement to the TIH (except as noted below) as described in parts A through S of these instructions. For transition year reporting, see Notice 2010-4, 2010-2 I.R.B. 253, available at [www.irs.gov/irb/2010-2\\_IRB/ar11.html](http://www.irs.gov/irb/2010-2_IRB/ar11.html). Trustees and middlemen should also follow the separate instructions for Forms 1099-B, 1099-DIV, 1099-INT, 1099-MISC, and 1099-OID, as applicable, which may address additional income reporting requirements.

**Due date exception and other requirements for furnishing statement to TIH.** The written tax information for 2010 furnished to the TIH is due on or before March 15, 2011. For other items of expense and credit that must be reported to the TIH, see Regulations section 1.671-5(c).

There is no reporting requirement if the TIH is an exempt recipient unless the trustee or middleman backup withholds under section 3406. If the trustee or middleman backup withholds, then follow the rules in part N on page 11. An exempt recipient for this purpose is defined in Regulations section 1.671-5(b)(7).

**Reporting to foreign persons.** Items of a WHFIT attributable to a TIH who is not a U.S. person must be reported and amounts withheld following the provisions of sections 1441 through 1464. See Form 1042-S and its separate instructions for more information.

## B. Other Information Returns

The income information you report on the following forms must not be repeated on Forms 1099 or W-2G.

- Form W-2, Wage and Tax Statement, reporting wages and other employee compensation.
- Forms 1042-S and 1000 reporting income to foreign persons.
- Form 2439 reporting undistributed long-term capital gains of a regulated investment company (RIC) or real estate investment trust (REIT).
- Schedule K-1 of Forms 1065 or 1065-B reporting distributive shares to members of a partnership.
- Schedule K-1 of Form 1041 reporting distributions to beneficiaries of trusts or estates.
- Schedule K-1 of Form 1120S reporting distributive shares to shareholders of S corporations.
- Schedule K of Form 1120-IC-DISC reporting actual and constructive distributions to shareholders and deferred DISC income.
- Schedule Q of Form 1066 reporting income from a real estate mortgage investment conduit (REMIC) to a residual interest holder.

### C. When To File

File Forms 1098, 1099, 3921, 3922, or W-2G on paper by February 28, 2011, or March 31, 2011, if filing electronically. Also file Form 1096 with paper forms. File Form 1096 with Forms 5498, 5498-ESA, and 5498-SA by May 31, 2011.

You will meet the requirement to file if the form is properly addressed and mailed on or before the due date. If the regular due date falls on a Saturday, Sunday, or legal holiday, file by the next business day. A business day is any day that is not a Saturday, Sunday, or legal holiday. See part M on page 9 about providing Forms 1098, 1099, 3921, 3922, 5498, and W-2G or statements to recipients.

**Private delivery services.** You can use certain private delivery services designated by the IRS to meet the "timely mailing as timely filing" rule for information returns. The list includes only the following.

- DHL Express (DHL): DHL Same Day Service.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2 Day, FedEx International Priority, and FedEx International First.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.

The private delivery service can tell you how to get written proof of the mailing date.



**Private delivery services cannot deliver items to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box address.**

**Reporting period.** Forms 1098, 1099, 3921, 3922, and W-2G are used to report amounts received, paid, credited, donated, transferred, or canceled in the case of Form 1099-C during the calendar year. Forms 5498, 5498-ESA, and 5498-SA are used to report amounts contributed and the fair market value of an account for the calendar year.

**Extension.** You can get an automatic 30-day extension of time to file by completing Form 8809, Application for Extension of Time To File Information Returns. The form may be submitted on paper, or through the FIRE system either as a fill-in form or an electronic file. No signature or explanation is required for the extension. However, you must file Form 8809 by the due date of the returns in order to get the 30-day extension. Under certain hardship conditions you may apply for an additional 30-day extension. See the instructions for Form 8809 for more information.

**How to apply.** As soon as you know that a 30-day extension of time to file is needed, file Form 8809.

- If you are requesting an extension for 10 or fewer filers, follow the instructions on Form 8809 and mail it to the address listed in the instructions on the form. See the instructions for Form 8809 for more information.
- If you are requesting an extension for more than 10 filers, you must submit the extension request online or electronically. You are encouraged to submit requests for 10 or fewer filers using the online fill-in form. See Pub. 1220, Part D, for more information on filing online or electronically.

**Extension for statements to recipients.** For information on requesting an extension of time to file statements to recipients, see *Extension* on page 10.

### D. Where To File



**Use the 3-line address for your state found below for mailing information returns.**

Send all information returns filed on paper to the following:

**If your principal business, office or agency, or legal residence in the case of an individual, is located in**

**Use the following address**

Alabama, Arizona, Arkansas, Connecticut, Delaware, Florida, Georgia, Kentucky, Louisiana, Maine, Massachusetts, Mississippi, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, Texas, Vermont, Virginia, West Virginia

Department of the Treasury  
Internal Revenue Service Center  
Austin, TX 73301

Alaska, California, Colorado, District of Columbia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Maryland, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Utah, Washington, Wisconsin, Wyoming

Department of the Treasury  
Internal Revenue Service Center  
Kansas City, MO 64999

If your legal residence or principal place of business or principal office or agency is outside the United States, file with the Department of the Treasury, Internal Revenue Service Center, Austin, TX 73301.

**State and local tax departments.** Contact the applicable state and local tax department as necessary for reporting requirements and where to file.

### E. Filing Returns With the IRS

The IRS strongly encourages the quality review of data before filing to prevent erroneous notices from being mailed to payees (or others for whom information is being reported).

If you must file any Form 1098, 1099, 3921, 3922, 5498, or W-2G with the IRS and you are filing paper forms, you must send a Form 1096 with each type of form as the transmittal document. You must group the forms by form number and submit each group with a separate Form 1096. For example, if you file Forms 1098, 1099-A, and 1099-MISC, complete one Form 1096 to transmit Forms 1098, another for Forms 1099-A, and a third for Forms 1099-MISC. Specific instructions for completing Form 1096 are included on the form. Also, see *Transmitters, paying agents, etc.* below. For information about filing corrected paper returns, see part H on page 6.

See Pub. 1179 for specifications for private printing of substitute information returns. You may not request special consideration. Only forms that conform to the official form and the specifications in Pub. 1179 are acceptable for filing with the IRS.

**Transmitters, paying agents, etc.** A transmitter, service bureau, paying agent, or disbursing agent (hereafter referred to as "agent") may sign Form 1096 on behalf of any person required to file (hereafter referred to as "payer") if the conditions in 1 and 2 below are met.

1. The agent has the authority to sign the form under an agency agreement (oral, written, or implied) that is valid under state law and
2. The agent signs the form and adds the caption "For: (Name of payer)."

Signing of the form by an authorized agent on behalf of the payer does not relieve the payer of the liability for penalties for not filing a correct, complete, and timely Form 1096 and accompanying returns.

Forms 1098, 1099, 3921, 3922, 5498, W-2G, or acceptable substitute statements to recipients issued by a service bureau or agent should show the same payer's name as shown on the information returns filed with the IRS.

For information about the election to report and deposit backup withholding under the agent's TIN and how to prepare forms if the election is made, see Rev. Proc. 84-33, 1984-1C.B. 502 and the instructions for Form 945.

**Keeping copies.** Generally, keep copies of information returns you filed with the IRS or have the ability to reconstruct the data for at least 3 years, 4 years for Form 1099-C, from the due date of the returns. Keep copies of information returns for 4 years if backup withholding was imposed.

**Shipping and mailing.** Send the forms to the IRS in a flat mailing (not folded). If you are sending many forms, you may send them in conveniently sized packages. On each package, write your name, number the packages consecutively, and place Form 1096 in package number one. Postal regulations require forms and packages to be sent by First-Class Mail.

## F. Electronic Reporting

Electronic reporting may be required for filing all information returns discussed in these Instructions (see *Who must file electronically* below). Different types of payments, such as interest, dividends, and rents, may be reported in the same submission.

Pub. 1220 provides the procedures for reporting electronically and is updated annually. Pub. 1220 is available on the IRS website at [www.irs.gov](http://www.irs.gov).

You can file electronically through the Filing Information Returns Electronically System (FIRE System); however, you must have software that can produce a file in the proper format according to Pub. 1220. The FIRE System does not provide a fill-in form option for information return reporting. The FIRE System operates 24 hours a day, 7 days a week. You may access the FIRE System via the Internet at <http://fire.irs.gov>. See Pub. 1220 for more information.

**Due dates.** File Forms 1098, 1099, 3921, 3922, or W-2G electronically through the FIRE System by March 31, 2011. File Forms 5498, 5498-ESA, or 5498-SA by May 31, 2011. See part M on page 9 about providing Forms 1098, 1099, 3921, 3922, 5498, and W-2G or statements to recipients.

**Extension of time to file.** For information about requesting an extension of time to file, see *Extension* on page 4.



If you file electronically, do not file the same returns on paper.

**Who must file electronically.** If you are required to file 250 or more information returns, you must file electronically. The 250-or-more requirement applies separately to each type of form. For example, if you must file 500 Forms 1098 and 100 Forms 1099-A, you must file Forms 1098 electronically, but you are not required to file Forms 1099-A electronically.

The electronic filing requirement does not apply if you apply for and receive a hardship waiver. See *How to request a waiver from filing electronically*, later.



The IRS encourages you to file electronically even though you are filing fewer than 250 returns.

**Filing requirement applies separately to originals and corrections.** The electronic filing requirements apply separately to original returns and corrected returns. Originals and corrections are not aggregated to determine whether you are required to file electronically. For example, if you file 400 Forms 1098 electronically and you are making 75 corrections, your corrections can be filed on paper because the number of corrections for Form 1098 is less than the 250 filing requirement. However, if you were filing 250 or more Form 1098 corrections, they would have to be filed electronically.

**Reporting incorrect payer name and/or TIN.** If a payer discovers an error in reporting the payer (not recipient) name and/or TIN, write a letter to IRS/ECC-MTB containing the following information:

1. Name and address of the payer,
2. Type of error (including the incorrect payer name/TIN that was reported),
3. Tax year,
4. Payer TIN,
5. Transmitter Control Code (TCC)

Gen. Instr. for Certain Info. Returns (2010)

6. Type of return,
7. Number of payees
8. Filing method (paper or electronic).
9. Was federal income tax withheld?

Send the letter to IRS—Enterprise Computing Center—Martinsburg, Information Reporting Program, 230 Mural Drive, Kearneysville, WV 25430. Also see Pub. 1220, Part A, Section 8.11.

If a payer realizes duplicate reporting or a large percentage of incorrect information has been filed, contact the information reporting customer service site at 1-866-455-7438 for further instructions.

**How to get approval to file electronically.** File Form 4419, Application for Filing Information Returns Electronically, at least 30 days before the due date of the returns. File Form 4419 for all types of returns that will be filed electronically. See Form 4419 for more information. Once you have received approval, you need not reapply each year. The IRS will provide a written reply to the applicant and further instructions at the time of approval, usually within 30 days.

**How to request a waiver from filing electronically.** To receive a waiver from the required filing of information returns electronically, submit Form 8508, Request for Waiver From Filing Information Returns Electronically, at least 45 days before the due date of the returns. You cannot apply for a waiver for more than 1 tax year at a time. If you need a waiver for more than 1 tax year, you must reapply at the appropriate time each year.

If a waiver for original returns is approved, any corrections for the same types of returns will be covered under the waiver. However, if you submit original returns electronically but you want to submit your corrections on paper, a waiver must be approved for the corrections if you must file 250 or more corrections.

If you receive an approved waiver, do not send a copy of it to the service center where you file your paper returns. Keep the waiver for your records only.

**Penalty.** If you are required to file electronically but fail to do so, and you do not have an approved waiver, you may be subject to a penalty of \$50 per return for failure to file electronically unless you establish reasonable cause. However, you can file up to 250 returns on paper; those returns will not be subject to a penalty for failure to file electronically.

The penalty applies separately to original returns and corrected returns. See *Filing requirement applies separately to originals and corrections*, earlier.

## G. Paper Document Reporting

If you are required to file 250 or more information returns, see part F, on page 5.

**Follow these guidelines.**

1. Although handwritten forms are acceptable, they must be completely legible and accurate to avoid processing errors. Handwritten forms often result in name/TIN mismatches. Use block print, not script characters. If you have a small number of forms, consider contacting an IRS business partner who may be able to prepare them with little or no cost to you. See 5. below for details. Type entries using black ink in 12-point Courier font. Copy A is read by machine and must be typed clearly using no corrections in the data entry fields. Data must be printed in the middle of the blocks, well separated from other printing and guidelines. Entries completed by hand, or using script, italic, or proportional spaced fonts, or in colors other than black, cannot be read correctly by machine. Make all dollar entries without the dollar sign, but include the decimal point (00000.00). Show the cents portion of the money amounts. If a box does not apply, leave it blank.
2. Do not enter 0 (zero) or "None" in money amount boxes when no entry is required. Leave the boxes blank unless the instructions specifically require that you enter a 0 (zero). For example, in some cases, you must enter 0 (zero) to make corrections. See part H on page 6.
3. Do not enter number signs (#)—RT 2, not Rt. #2.
4. Send the entire page of Copy A of your information returns with Form 1096 to the IRS even if some of the forms are blank or void. Do not use staples on any forms.
5. To locate an IRS business partner who may be able to offer low-cost or even free filing of certain forms, enter *e-file for Business Partners* in the Search box on the homepage of the IRS website, [www.irs.gov](http://www.irs.gov).

**Multiple filings.** If, after you file Forms 1098, 1099, 3921, 3922, 5498, or W-2G, you discover additional forms that are required to

be filed, file these forms with a new Form 1096. Do not include copies or information from previously filed returns.

**Required format.** Because paper forms are scanned, all Forms 1096 and Copies A of Forms 1098, 1099, 3921, 3922, and 5498 must be prepared in accordance with the following instructions. If these instructions are not followed, you may be subject to a penalty of \$50 for each incorrectly filed document.

1. Do not cut or separate Copies A of the forms that are printed two or three to a sheet (except Forms W-2G and 1098-C). Generally, Forms 1098, 1099, 3921, 3922, and 5498 are printed two or three to an 8 x 11 inch sheet. Form 1096 is printed one to an 8 x 11 inch sheet. These forms must be submitted to the IRS on the 8 x 11 inch sheet. If at least one form on the page is correctly completed, you must submit the entire page. Forms W-2G may be separated and submitted as single forms. Send the forms to the IRS in a flat mailing (not folded).

2. No photocopies of any forms are acceptable. See *How To Get Forms, Publications, and Other Assistance* on page 14.

3. Do not staple, tear, or tape any of these forms. It will interfere with the IRS' ability to scan the documents.

4. Pinfeed holes on the form are not acceptable. Pinfeed strips outside the 8 x 11 inch area must be removed before submission, without tearing or ripping the form. Substitute forms prepared in continuous or strip form must be burst and stripped to conform to the size specified for a single sheet (8 x 11 inches) before they are filed with the IRS.

5. Do not change the title of any box on any form. Do not use a form to report information that is not properly reportable on that form. If you are unsure of where to report the data, call the information reporting call site at 1-866-455-7438 (toll free).

6. Report information only in the appropriate boxes provided on the forms. Make only one entry in each box unless otherwise indicated in the form's specific instructions.

7. Do not submit any copy other than Copy A to the IRS.

8. Do not use prior year forms unless you are reporting prior year information; do not use subsequent year forms for the current year. Because forms are scanned, you must use the current year form to report current year information.

9. Use the official forms or substitute forms that meet the specifications in Pub. 1179. If you submit substitute forms that do not meet the current specifications and that are not scannable, you may be subject to a penalty of \$50 for each return for improper format.

10. Do not use dollar signs (\$) (they are preprinted on the forms), ampersands (&), asterisks (\*), commas (,), or other special characters in money amount boxes.

11. Do not use apostrophes ('), asterisks (\*), or other special characters on the payee name line.

**Common errors.** Be sure to check your returns to prevent the following common errors.

1. Duplicate filing. Do not send the same information to the IRS more than once. Also see *Multiple filings* on page 5.

2. Filer's name, address, and TIN are not the same on Form 1096 and the attached Forms 1098, 1099, 3921, 3922, 5498, or W-2G.

3. Decimal point to show dollars and cents omitted. For example, 1230.00 is correct, not 1230.

4. Two or more types of returns submitted with one Form 1096 (for example, Forms 1099-INT and 1099-MISC with one Form 1096). You must submit a separate Form 1096 with each type of return.

## H. Corrected Returns on Paper Forms



To file corrections for electronically filed forms, see part F on page 5 and Pub. 1220.

If you filed a return with the IRS and later discover you made an error on it, you must:

- Correct it as soon as possible and file Copy A and Form 1096 with your internal Revenue Service Center (see part D on page 4).
- Furnish statements to recipients showing the correction.

When making a correction, complete all information (see *Filing Corrected Returns on Paper Forms* on page 7).

- Do not cut or separate forms that are two or three to a page. Submit the entire page even if only one of the forms on the page is completed.
- Do not staple the forms to Form 1096.

- Do not send corrected returns to the IRS if you are correcting state or local information only. Contact the state or local tax department for help with this type of correction.

To correct payer information, see *Reporting incorrect payer name and/or TIN* on page 5.

**Form 1096.** Use a separate Form 1096 for each type of return you are correcting. For the same type of return, you may use one Form 1096 for both originals and corrections. You do not need to correct a previously filed Form 1096.

**CORRECTED checkbox.** Enter an "X" in the corrected checkbox only when correcting a form previously filed with the IRS or furnished to the recipient. Certain errors require two returns to make the correction. See *Filing Corrected Returns on Paper Forms* on page 7 to determine when to mark the "CORRECTED" checkbox.

**Account number.** If the account number was provided on the original return, the same account number must be included on both the original and corrected returns to properly identify and process the correction. If the account number was not provided on the original return, do not include it on the corrected return. See part L on page 8.

**Recipient's statement.** You may enter a date next to the "CORRECTED" checkbox. This will help the recipient in the case of multiple corrections.

**Filing corrected returns on paper forms.** The error charts on page 7 give step-by-step instructions for filing corrected returns for the most frequently made errors. They are grouped under Error Type 1 or 2. Correction of errors may require the submission of more than one return. Be sure to read and follow the steps given.



If you fail to file correct information returns or furnish a correct payee statement, you may be subject to a penalty. See part O on page 11. Regulations section 301.6724-1 (relating to information return penalties) does not require you to file corrected returns for missing or incorrect TINs if you meet the reasonable cause criteria. You are merely required to include the correct TIN on the next original return you are required to file. However, if you do not meet the reasonable cause criteria, a reduced penalty may be imposed if the corrected returns are filed by August 1.

In addition, even if you meet the reasonable cause criteria, the IRS encourages you to file corrections for incorrect or missing TINs so that the IRS can update the payees' records.

## I. Void Returns

An "X" in the "VOID" box at the top of the form will not correct a previously filed return. See part H, on page 6, for instructions for making corrections.

**VOID box.** If a completed or partially completed Form 1098, 1099, 3921, 3922, or 5498 is incorrect and you want to void it before submission to the IRS, enter an "X" in the "VOID" box at the top of the form. For example, if you make an error while typing or printing a form, you should void it. The return will then be disregarded during processing by the IRS. Go to the next form on the page, or to another page, and enter the correct information; but do not mark the "CORRECTED" box. Do not cut or separate the forms that are two or three to a page. Submit the entire page even if only one of the forms on the page is a good return.

## J. Recipient Names and Taxpayer Identification Numbers (TINs)

**Recipient name.** Show the full name and address in the section provided on the information return. If payments have been made to more than one recipient or the account is in more than one name, show on the first name line the name of the recipient whose TIN is first shown on the return. You may show the names of any other individual recipients in the area below the first line, if desired. Form W-2G filers, see the instructions for Forms W-2G and 5754.

**Sole proprietors.** You must show the individual's name on the first name line; on the second name line, you may enter the "doing business as (DBA)" name. You may not enter only the DBA name. For the TIN, enter either the individual's SSN or the EIN of the business (sole proprietorship). The IRS prefers that you enter the SSN.

**Limited liability company (LLC).** For a single-member LLC (including a foreign LLC with a U.S. owner) that is disregarded as an entity separate from its owner under Regulations section 301.7701-3, enter the individual's name only on the first name line

**Filing Corrected Return on Paper Forms**

Identify the correction needed based on **Error Type 1 or 2**; then follow the steps to make the corrections and file the form(s). Also see Part H on page 6.

Error Type 1	Correction
<p><b>Incorrect money amount(s), code, or checkbox,</b> or <b>Incorrect address,</b> or <b>Incorrect payee name,</b> or <b>A return was filed when one should not have been filed.</b></p> <p>These errors require only one return to make the correction.</p> <p><i>Caution: If you must correct a TIN and/or a name and address, follow the instructions under Error 2.</i></p>	<p><b>A. Form 1098, 1099, 3921, 3922, 5498, or W-2G</b></p> <ol style="list-style-type: none"> <li>1. Prepare a new information return.</li> <li>2. Enter an "X" in the "CORRECTED" box (and date (optional)) at the top of the form.</li> <li>3. Correct any recipient information such as money amounts and address. Report other information as per original return.</li> </ol> <p><b>B. Form 1096</b></p> <ol style="list-style-type: none"> <li>1. Prepare a new transmittal Form 1096.</li> <li>2. Provide all requested information on the form as it applies to Part A, 1 and 2.</li> <li>3. File Form 1096 and Copy A of the return with the appropriate service center.</li> <li>4. Do not include a copy of the original return that was filed incorrectly.</li> </ol>

Error Type 2	Correction
<p><b>No payee TIN (SSN, EIN, QI-EIN, or ITIN),</b> or <b>Incorrect payee TIN,</b> or <b>Incorrect name and address,</b> or</p> <p><b>Original return filed using wrong type of return</b> (for example, a Form 1099-DIV was filed when a Form 1099-INT should have been filed).</p> <p>Two separate returns are required to make the correction properly. Follow all instructions for both Steps 1 and 2.</p>	<p><b>Step 1. Identify incorrect return submitted.</b></p> <ol style="list-style-type: none"> <li>1. Prepare a new information return.</li> <li>2. Enter an "X" in the "CORRECTED" box (and date (optional)) at the top of the form.</li> <li>3. Enter the payer, recipient, and account number information exactly as it appeared on the original incorrect return; however, enter 0 (zero) for all money amounts.</li> </ol> <p><b>Step 2. Report correct information.</b></p> <p><b>A. Form 1098, 1099, 3921, 3922, 5498, or W-2G</b></p> <ol style="list-style-type: none"> <li>1. Prepare a new information return.</li> <li>2. Do not enter an "X" in the "CORRECTED" box at the top of the form. Prepare the new return as though it is an original.</li> <li>3. Include all the correct information on the form including the correct TIN, name, and address.</li> </ol> <p><b>B. Form 1096</b></p> <ol style="list-style-type: none"> <li>1. Prepare a new transmittal Form 1096.</li> <li>2. Enter the words "Filed To Correct TIN," "Filed to Correct Name and Address," or "Filed to Correct Return" in the bottom margin of the form.</li> <li>3. Provide all requested information on the form as it applies to the returns prepared in Steps 1 and 2.</li> <li>4. File Form 1096 and Copy A of the return with the appropriate service center.</li> <li>5. Do not include a copy of the original return that was filed incorrectly.</li> </ol>


and the LLC's name on the second name line. For the TIN, enter the individual's SSN (or EIN, if applicable). If the LLC is a corporation, partnership, etc., enter the entity's EIN.

**Bankruptcy estate.** If an individual (the debtor) for whom you are required to file an information return is in Chapter 11 bankruptcy, and the debtor notified you of the bankruptcy estate's EIN, report post-petition gross income, gross proceeds, or other reportable payments on the applicable information return using the estate's name and EIN. The debtor should notify you when the bankruptcy is closed, dismissed, or converted, so that any subsequent information returns will be filed with the correct name and EIN. Different rules apply if the bankruptcy is converted to Chapter 7, 12, or 13 of the Bankruptcy Code. For additional guidance, see Notice 2006-83, 2006-40 I.R.B. 596, available at [www.irs.gov/irb/2006-40\\_IRB/ar12.html](http://www.irs.gov/irb/2006-40_IRB/ar12.html).


**TINs.** TINs are used to associate and verify amounts you report to the IRS with corresponding amounts on tax returns. Therefore, it is important that you furnish correct names, social security numbers (SSNs), individual taxpayer identification numbers (ITINs), employer identification numbers (EINs), or adoption taxpayer identification numbers (ATINs) for recipients on the forms sent to the IRS.

**Requesting a recipient's TIN.** If the recipient is a U.S. person (including a U.S. resident alien), the IRS suggests that you request the recipient complete Form W-9, Request for Taxpayer Identification Number and Certification, or Form W-9S, Request for Student's or Borrower's Taxpayer Identification Number and Certification, if appropriate. See the Instructions for the Requester of Form W-9 for more information on how to request a TIN.

If the recipient is a foreign person, the IRS suggests that you request the recipient complete the appropriate Form W-8. See the Instructions for the Requester of Forms W-8BEN, W-8ECI, W-8EXP, and W-8IMY.

 **U.S. resident aliens who rely on a "saving clause" of a tax treaty are to complete Form W-9, not Form W-8BEN.** See *Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities*, and *Pub. 519, U.S. Tax Guide for Aliens*.

You may be subject to a penalty for an incorrect or missing TIN on an information return. See part O on page 11. You are required to maintain the confidentiality of information obtained on a Form W-9/W-9S relating to the taxpayer's identity (including SSNs, EINs, ITINs, and ATINs), and you may use such information only to comply with the tax laws.

 **If the recipient does not provide a TIN, leave the box for the recipient's TIN blank on the Form 1098, 1099, 3921, 3922, 5498, or W-2G. Only one recipient TIN can be entered on the form. Backup withholding may apply; see part N on page 11.**

The TIN for individual recipients of information returns is the SSN, ITIN, or ATIN. See the information about sole proprietors on page 6. For other recipients, including corporations, partnerships, and estates, the TIN is the EIN. Income reportable after the death of an individual must reflect the TIN of the payee, that is, of the estate or of the surviving joint owner. For more information, see *Personal Representative* in Pub. 559, *Survivors, Executors, and Administrators*. For LLCs, see the information on LLC beginning on page 6.

SSNs, ITINs, and ATINs have nine digits separated by two hyphens (000-00-0000), and EINs have nine digits separated by only one hyphen (00-0000000).

**Electronic submission of Forms W-9.** Requesters may establish a system for payees and payees' agents to submit Forms W-9 electronically, including by fax. A requester is anyone required to file an information return. A payee is anyone required to provide a TIN to the requester.

**Payee's agent.** A payee's agent can be an investment advisor (corporation, partnership, or individual) or an introducing broker. An investment advisor must be registered with the Securities Exchange Commission (SEC) under the Investment Advisers Act of 1940. The introducing broker is a broker-dealer that is regulated by the SEC and the National Association of Securities Dealers, Inc., and that is not a payer. Except for a broker who acts as a payee's agent for "readily tradable instruments," the advisor or broker must show in writing to the payer that the payee authorized the advisor or broker to transmit the Form W-9 to the payer.

Generally, the electronic system must:


1. Ensure the information received is the information sent and document all occasions of user access that result in the submission.

2. Make reasonably certain the person accessing the system and submitting the form is the person identified on Form W-9.

3. Provide the same information as the paper Form W-9.

4. Be able to supply a hard copy of the electronic Form W-9 if the IRS requests it.

5. Require as the final entry in the submission an electronic signature by the payee whose name is on Form W-9 that authenticates and verifies the submission. The electronic signature must be under penalties of perjury and the perjury statement must contain the language of the paper Form W-9.

 **For Forms W-9 that are not required to be signed, the electronic system need not provide for an electronic signature or a perjury statement.**

Additional requirements may apply. See Announcement 98-27 that is available on page 30 of Internal Revenue Bulletin 1998-15 at [www.irs.gov/pub/irs-irb/98-15.pdf](http://www.irs.gov/pub/irs-irb/98-15.pdf) and Announcement 2001-91, which is available on page 221 of Internal Revenue Bulletin 2001-36 at [www.irs.gov/pub/irs-irb/01-36.pdf](http://www.irs.gov/pub/irs-irb/01-36.pdf).

**Electronic submission of Forms W-9S.** See the Instructions for Forms 1098-E and 1098-T.

## K. Filer's Name, Identification Number, and Address

The TIN for filers of information returns, including sole proprietors and nominees/middlemen, is the EIN. However, sole proprietors and nominees/middlemen who are not otherwise required to have an EIN should use their SSNs. A sole proprietor is not required to have an EIN unless he or she has a Keogh plan or must file excise or employment tax returns. See Pub. 583, *Starting a Business and Keeping Records*.

The filer's name and TIN should be consistent with the name and TIN used on the filer's other tax returns. The name of the filer's paying agent or service bureau must not be used in place of the name of the filer.

For a single-member LLC (including a foreign LLC with a U.S. owner) that is disregarded as an entity separate from its owner under Regulations section 301.7701-3, enter the individual's name only on the first name line and the LLC's name on the second name line. For the TIN, enter the individual's SSN (or EIN, if applicable). If the LLC is a corporation, partnership, etc., enter the entity's EIN.

If you do not have an EIN, you may apply for one online. Go to the IRS website [www.irs.gov](http://www.irs.gov) and under Online Services click on Apply for an Employer Identification Number (EIN) Online. You may also apply by calling 1-800-829-4933 or by faxing or mailing Form SS-4, Application for Employer Identification Number, to the IRS. See the Instructions for Form SS-4 for more information.

Enter your street address including the room, suite, or other unit number on the forms.

## L. Account Number Box on Forms

Use the account number box on Forms 1098, 1099, 3921, 3922, and 5498 for an account number designation. The account number is required if you have multiple accounts for a recipient for whom you are filing more than one information return of the same type. Additionally, the IRS encourages you to include the recipient's account number on paper forms if your system of records uses the account number rather than the name or TIN for identification purposes. Also, the IRS will include the account number in future notices to you about backup withholding. See Pub. 1220 if you are filing electronically.

The account number may be a checking account number, savings account number, serial number, or any other number you assign to the payee that is unique and will distinguish the specific account. This number must not appear anywhere else on the form, and this box may not be used for any other item unless the separate instructions indicate otherwise. Using unique account numbers ensures that corrected information returns will be processed accurately.

If you are using window envelopes to mail statements to recipients and using reduced rate mail, be sure the account number does not appear in the window. The Postal Service may not accept these for reduced rate mail.



## M. Statements to Recipients (Borrowers, Debtors, Donors, Insureds, Participants, Payers/Borrowers, Policyholders, Students, Transferors, or Winners on Certain Forms)

If you are required to file Forms 1098, 1099, 3921, 3922, 5498, or W-2G, you must also furnish statements to recipients containing the information furnished to the IRS and, in some cases, additional information. Be sure that the statements you provide to recipients are clear and legible.

**Substitute statements.** If you are not using the official IRS form to furnish statements to recipients, see Pub. 1179 for specific rules about providing "substitute" statements to recipients. Generally, a substitute is any statement other than Copy B of the official form. You may develop them yourself or buy them from a private printer. However, the substitutes must comply with the format and content requirements specified in Pub. 1179 that is available on the IRS website at [www.irs.gov](http://www.irs.gov).

**Telephone number.** You are required to include the telephone number of a person to contact on the following statements to recipients: W-2G, 1098, 1098-C, 1098-E, 1098-T, 1099-A, 1099-B, 1099-C, 1099-CAP, 1099-DIV, 1099-G (excluding state and local income tax refunds), 1099-H, 1099-INT, 1099-LTC, 1099-MISC (excluding fishing boat proceeds), 1099-OID, 1099-PATR, 1099-Q, and 1099-S. You may include the telephone number in any conspicuous place on the statements. This number must provide direct access to an individual who can answer questions about the statement. Although not required, if you report on other Forms 1099 and 5498, you are encouraged to furnish telephone numbers.

**Truncating payee identification number on paper payee statements (Forms 1098 series, 1099 series, and 5498 series).** Notice 2009-93 allows filers of information returns in the Form 1098 series, Form 1099 series, and Form 5498 series to truncate an individual payee's SSN, ITIN, or ATIN on paper payee statements for tax years 2009 and 2010. Filers may truncate a payee's identification number on the payee statement (including substitute and composite substitute statements) furnished to the payee in paper form only. Generally, the payee statement is that copy of an information return designated "Copy B" on the form. A "payee" is any person who is required to receive a copy of the information set forth on an information return by the filer of the return. For some forms, the term "payee" will refer to beneficiary, borrower, debtor, insured, participant, payer, policyholder, recipient, shareholder, student, or transferor. If a filer truncates an identification number on Copy B, other copies of the form furnished to the payee may also include a truncated number.

A filer may not truncate a payee's identification number on any forms filed with the IRS or with state or local governments, on any payee statement furnished electronically, or on any payee statement not in the Form 1098, Form 1099, or Form 5498 series. A filer's identification number may not be truncated. A payee's employer identification number may not be truncated. Further, note that Form 1098-C is excluded from the scope of Notice 2009-93 as Copy B is an acknowledgement to a donor and not a payee statement. To truncate, replace the first 5 digits of the 9-digit number with asterisks (\*) or Xs (for example, an SSN xxx-xx-xxxx would appear on the paper payee statement as \*\*\*-\*\*-xxxx or XXX-XX-xxxx).

Notice 2009-93, 2005-51 I.R.B. 863, is available at [www.irs.gov/irb/2009-51\\_IRB/ar10.html](http://www.irs.gov/irb/2009-51_IRB/ar10.html).

**Rules for furnishing statements.** Different rules apply to furnishing statements to recipients depending on the type of payment (or other information) you are reporting and the form you are filing.

**TIP** If you are reporting a payment that includes noncash property, show the fair market value of the property at the time of payment. Although, generally, you are not required to report payments smaller than the minimum described for a form, you may prefer, for economy and your own convenience, to file Copies A for all payments. The IRS encourages this.

Report the type of payment information as described next for: (a) Dividend, interest, and royalty payments; (b) Real estate transactions; and (c) Other information.

**Dividend, interest, and royalty payments.** For payments of dividends under section 6042 (reported on Form 1099-DIV), patronage dividends under section 6044 (reported on Form 1099-PATR), interest (including original issue discount and

tax-exempt interest) under section 6049 (reported on Form 1099-INT or 1099-OID), or royalties under section 6050N (reported on Form 1099-MISC or 1099-S), you are required to furnish an official IRS Form 1099 or an acceptable substitute Form 1099 to a recipient either in person, by First-Class Mail to the recipient's last known address, or electronically (see *Electronic recipient statements* on page 10). Statements may be sent by intraoffice mail if you use intraoffice mail to send account information and other correspondence to the recipient.

**Statement mailing requirements for Forms 1099-DIV, 1099-INT, 1099-OID, and 1099-PATR, and forms reporting royalties only.** The following statement mailing requirements apply only to Forms 1099-DIV (except for section 404(k) dividends), 1099-INT (except for interest reportable in the course of your trade or business under section 6041), 1099-OID, 1099-PATR, and timber royalties reported under section 6050N (on Form 1099-MISC or 1099-S). The mailing must contain the official IRS Form 1099 or an acceptable substitute and may also contain the following enclosures: (a) Form W-2, applicable Form W-8, Form W-9, or other Forms W-2G, 1098, 1099, 3921, 3922, and 5498 statements; (b) a check from the account being reported; (c) a letter explaining why no check is enclosed; (d) a statement of the person's account shown on Forms 1098, 1099, 3921, 3922, or 5498; and (e) a letter explaining the tax consequences of the information shown on the recipient statement.

A statement of the person's account (year-end account summary) that you are permitted to enclose in a statement mailing may include information similar to the following: (a) the part of a mutual fund distribution that is interest on U.S. Treasury obligations; (b) accrued interest expense on the purchase of a debt obligation; and (c) the cost or other basis of securities and the gain/loss on the sale of securities.

No additional enclosures, such as advertising, promotional material, or a quarterly or annual report, are permitted. Even a sentence or two on the year-end statement describing new services offered by the payer is not permitted. Logos are permitted on the envelope and on any nontax enclosures. See Notice 96-62 which is available on page 8 of Internal Revenue Bulletin 1996-49 at [www.irs.gov/pub/irs-irbs/irb96-49.pdf](http://www.irs.gov/pub/irs-irbs/irb96-49.pdf).

A recipient statement may be perforated to a check or to a statement of the recipient's specific account. The check or account statement to which the recipient statement is perforated must contain, in bold and conspicuous type, the legend "Important Tax Return Document Attached."

The legend "Important Tax Return Document Enclosed" must appear in a bold and conspicuous manner on the outside of the envelope and on each letter explaining why no check is enclosed, or on each check or account statement that is not perforated to the recipient statement. The legend is not required on any tax form, tax statement, or permitted letter of tax consequences included in a statement mailing. Further, you need not pluralize the word "document" in the legend simply because more than one recipient statement is enclosed.

**TIP** If you provide recipient statements in a "separate mailing" that contains only recipient statements, Forms W-8 and W-9, and a letter explaining the tax consequences of the information shown on a recipient statement included in the envelope, you are not required to include the legend "Important Tax Return Document Enclosed" on the envelope.

**Substitute forms.** You may furnish to the recipient Copy B of the official IRS form, or you may use substitute Forms 1099-DIV, 1099-INT, 1099-OID, or 1099-PATR, if they contain the same language as the official IRS forms and they comply with the rules in Pub. 1179, relating to substitute Forms 1099. Applicable box titles and numbers must be clearly identified, using the same wording and numbering as the official IRS form. For information on substitute Forms 1099-MISC, see *Other information* on page 10. For Forms 1099-S, see *Real estate transactions*, below.

**TIP** All substitute statements to recipients must contain the tax year, form number, and form name prominently displayed together in one area of the statement. For example, they could be shown in the upper right part of the statement.

If you are using substitutes, the IRS encourages you to use boxes so that the substitute has the appearance of a form. The substitute form must contain the applicable instructions as on the front and back of Copy B (in the case of Form 1099-R, Copies B, C, and 2) of the official IRS form. See Pub. 1179 for additional requirements and certain "composite" statements that are permitted.

**Real estate transactions.** You must furnish a statement to the transferor containing the same information reported to the IRS on

Form 1099-S. You may use Copy B of the official IRS Form 1099-S or a substitute form that complies with Pub. 1179 and Regulations section 1.6045-4(m). You may use a Uniform Settlement Statement (under the Real Estate Settlement Procedures Act (RESPA)) as the written statement if it is conformed by including on the statement the legend shown on Form 1099-S and by designating which information is reported to the IRS on Form 1099-S. You may furnish the statement to the transferor in person, by mail, or electronically. Furnish the statement at or after closing but by February 15 of the following year.

The statement mailing requirements explained on page 9 do not apply to statements to transferors for proceeds from real estate transactions reported on Form 1099-S. However, the statement mailing requirements do apply to statements to transferors for timber royalties reportable under section 6050N on Form 1099-S.

**Other information.** Statements to recipients for Forms 1098, 1098-C, 1098-E, 1098-T, 1099-A, 1099-B, 1099-C, 1099-CAP, 1099-G, 1099-H, 1099-LTC, 1099-MISC, 1099-Q, 1099-R, 1099-SA, 3921, 3922, 5498, 5498-ESA, 5498-SA, W-2G, 1099-DIV only for section 404(k) dividends reportable under section 6047, 1099-INT only for interest reportable in the course of your trade or business under section 6041, or 1099-S only for royalties need not be, but can be, a copy of the official paper form filed with the IRS. If you do not use a copy of the paper form, the form number and title of your substitute must be the same as the official IRS form. All information required to be reported must be numbered and titled on your substitute in substantially the same manner as on the official IRS form. However, if you are reporting a payment as "Other income" in Box 3 of Form 1099-MISC, you may substitute appropriate explanatory language for the box title. For example, for payments of accrued wages to a beneficiary of a deceased employee required to be reported on Form 1099-MISC, you might change the title of Box 3 to "Beneficiary payments" or something similar.

Appropriate instructions to the recipient, similar to those on the official IRS form, must be provided to aid in the proper reporting of the items on the recipient's income tax return. For payments reported on Form 1099-B, rather than furnish appropriate instructions with each Form 1099-B statement, you may furnish to the recipient one set of instructions for all statements required to be furnished to a recipient in a calendar year.

Except for royalties reported on Form 1099-MISC, the statement mailing requirements explained on page 9 do not apply to statements to recipients for information reported on the forms listed under *Other information* above. You may combine the statements with other reports or financial or commercial notices, or expand them to include other information of interest to the recipient. Be sure that all copies of the forms are legible. See Pub. 1179 for certain "composite" statements that are permitted.

**When to furnish forms or statements.** Generally, you must furnish Forms 1098, 1099, 3921, 3922, and W-2G information by January 31, 2011. Forms 1099-B, 1099-S, and 1099-MISC (only if you are reporting payments in boxes 8 or 14) must be furnished by February 15, 2011. However, you may issue them earlier in some situations, as provided by the regulations. For example, you may furnish Form 1099-INT to the recipient on redemption of U.S. Savings Bonds at the time of redemption. Brokers and barter exchanges may furnish Form 1099-B anytime but not later than February 15, 2011.

Donee organizations required to issue Form 1098-C must furnish the acknowledgment to a donor within 30 days of the sale of the vehicle (if it is sold without material improvements or significant intervening use) or within 30 days of the contribution.

Trustees or issuers of traditional IRAs must furnish participants with a statement of the value of the participant's account, and RMD if applicable, by January 31, 2011. The fair market value of SEP IRAs must also be furnished to the participant by January 31, 2011. Traditional IRA, Roth IRA, SEP, or SIMPLE contribution information must be furnished to the participant by May 31, 2011. However, Coverdell ESA contribution information must be furnished to the beneficiary by May 2, 2011.

Trustees of a SIMPLE must furnish a statement of the account balance and the account activity by January 31, 2011.

Trustees and middlemen of a WHFIT must furnish the required statement by March 15, 2011.

For real estate transactions, you may furnish the statement to the transferor at closing or by mail on or before February 15, 2011.

Filers of Form 1099-G who report state or local income tax refunds, credits, or offsets must furnish the statements to recipients by January 31, 2011.

Filers of Form 5498-SA who furnish a statement of FMV of the account to the participant by January 31, 2011, with no reportable contributions, including rollovers, made in 2010, need not furnish another statement by May 31, 2011, to the participant to report zero contributions. If another statement is not furnished to the participant, the statement of the FMV of the account must contain a legend designating which information is being filed with the Internal Revenue Service.

See the *Guide to Information Returns* on pages 16 and 17 for the date other information returns are due to the recipient.

You will meet the requirement to furnish the statement if it is properly addressed and mailed, or posted to a website, on or before the due date. If the regular due date falls on a Saturday, Sunday, or legal holiday, the due date is the next business day. A business day is any day that is not a Saturday, Sunday, or legal holiday.

**Electronic recipient statements.** If you are required to furnish a written statement (Copy B or an acceptable substitute) to a recipient, then you may furnish the statement electronically instead of on paper. This includes furnishing the statement to recipients of Forms 1098, 1098-E, 1098-T, 1099-A, B, C, CAP, DIV, H, INT, G, LTC, MISC, OID, PATR, Q, R, S, SA, 3921, 3922, 5498, 5498-ESA, and 5498-SA. It also includes Form W-2G (except for horse and dog racing, jai alai, sweepstakes, wagering pools, and lotteries).



*Until further guidance is issued to the contrary, Form 1098-C may not be furnished electronically.*

If you meet the requirements listed below, you are treated as furnishing the statement timely.

**Consent.** The recipient must consent in the affirmative and not have withdrawn the consent before the statement is furnished. The consent by the recipient must be made electronically in a way that shows that he or she can access the statement in the electronic format in which it will be furnished.

You must notify the recipient of any hardware or software changes prior to furnishing the statement. A new consent to receive the statement electronically is required after the new hardware or software is put into service.

Prior to furnishing the statements electronically, you must provide the recipient a statement with the following statements prominently displayed.

- If the recipient does not consent to receive the statement electronically, a paper copy will be provided.
- The scope and duration of the consent. For example, whether the consent applies to every year the statement is furnished or only for the January 31 or February 15, as applicable, immediately following the date of the consent.
- How to obtain a paper copy after giving consent.
- How to withdraw the consent. The consent may be withdrawn at any time by furnishing the withdrawal in writing (electronically or on paper) to the person whose name appears on the statement. Confirmation of the withdrawal also will be in writing (electronically or on paper).
- Notice of termination. The notice must state under what conditions the statements will no longer be furnished to the recipient.
- Procedures to update the recipient's information.
- A description of the hardware and software required to access, print, and retain a statement, and a date the statement will no longer be available on the website.

**Format, posting, and notification.** Additionally, you must:

- Ensure the electronic format contains all the required information and complies with the applicable revenue procedure for substitute statements to recipients in Pub. 1179.
- Post, on or before the January 31 or February 15, as applicable, due date, the applicable statement on a website accessible to the recipient through October 15 of that year.
- Inform the recipient, electronically or by mail, of the posting and how to access and print the statement.

For more information, see Regulations section 31.6051-1. For electronic furnishing of Forms 1098-E and 1098-T, see Regulations section 1.6050S-2. For electronic furnishing of Forms 1099-R, 1099-SA, 1099-Q, 5498, 5498-ESA, and 5498-SA, see Notice 2004-10, 2004-06 I.R.B. 433, available at [www.irs.gov/irb/2004-06\\_IRB/ar12.html](http://www.irs.gov/irb/2004-06_IRB/ar12.html). For electronic furnishing of Forms 3921 and 3922, see the form instructions.

**Extension.** You may request an extension of time to furnish the statements to recipients by sending a letter to IRS—Enterprise Computing Center—Martinsburg, Information Reporting Program, Attn: Extension of Time Coordinator, 240 Mural Drive, Kearneysville, WV 25430. The letter must include (a) your name,


(b) your TIN, (c) your address, (d) type of return, (e) a statement that your extension request is for providing statements to recipients, (f) reason for delay, and (g) the signature of the payer or authorized agent. Your request must be postmarked by the date on which the statements are due to the recipients. If your request for an extension is approved, generally you will be granted a maximum of 30 extra days to furnish the recipient statements.

## N. Backup Withholding

Interest (including tax-exempt interest and exempt-interest dividends), dividends, rents, royalties, commissions, nonemployee compensation, and certain other payments (including broker and barter exchange transactions, reportable gross proceeds paid to attorneys, and certain payments made by fishing boat operators) may be subject to backup withholding at a 28% rate. To be subject to backup withholding, a payment must be a reportable interest (including tax-exempt interest and exempt-interest dividends) or a dividend payment under section 6049(a), 6042(a), or 6044 (if the patronage dividend is paid in money or qualified check), or an "other" reportable payment under section 6041, 6041A(a), 6045, 6050A, or 6050N. If the payment is one of these reportable payments, backup withholding will apply if:

1. The payee fails to furnish his or her taxpayer identification number (TIN) to you,
2. For interest, dividend, and broker and barter exchange accounts opened or instruments acquired after 1983, the payee fails to certify, under penalties of perjury, that the TIN provided is correct,
3. The IRS notifies you to impose backup withholding because the payee furnished an incorrect TIN ("B" notice),
4. For interest and dividend accounts or instruments, you are notified that the payee is subject to backup withholding (under section 3406(a)(1)(C)), or
5. For interest and dividend accounts opened or instruments acquired after 1983, the payee fails to certify to you, under penalties of perjury, that he or she is not subject to backup withholding under 4, later.

Except as explained in 2 under When to apply backup withholding, later, reportable "other" payments are subject to backup withholding only if 1 or 3 in that section applies.

 If you do not collect and pay over backup withholding from affected payees as required, you may become liable for any uncollected amount.

Some payees are exempt from backup withholding. For a list of exempt payees and other information, see Form W-9 and the separate Instructions for the Requester of Form W-9.


Examples of payments to which backup withholding does not apply include but are not limited to:

- Wages.
- Distributions from a pension, annuity, profit-sharing or stock bonus plan, any IRA, an owner-employee plan, or other deferred compensation plan.
- Distributions from a medical or health savings account and long-term care benefits.
- Certain surrenders of life insurance contracts.
- Distribution from qualified tuition programs or Coverdell ESAs.
- Gambling winnings if regular gambling winnings withholding is required under section 3402(q). However, if regular gambling winnings withholding is not required under section 3402(q), backup withholding applies if the payee fails to furnish a TIN.
- Real estate transactions reportable under section 6045(e).
- Cancelled debts reportable under section 6050P.
- Fish purchases for cash reportable under section 6050R.
- Certain payment card transactions by a qualified payment card agent.


**When to apply backup withholding.** Generally, the period for which the 28% should be withheld is as follows.

**1. Failure to furnish TIN in the manner required.** Withhold on payments made until the TIN is furnished in the manner required. Special backup withholding rules may apply if the payee has applied for a TIN. The payee may certify to this on Form W-9 by noting "Applied For" in the TIN block and by signing the form. This form then becomes an "awaiting-TIN" certificate, and the payee has 60 days to obtain a TIN and furnish it to you. If you do not receive a TIN from the payee within 60 days and you have not already begun backup withholding, begin backup withholding and continue until the TIN is provided.

Gen. Instr. for Certain Info. Returns (2010)


 The 60-day exemption from backup withholding applies only to interest and dividend payments and certain payments made with respect to readily tradable instruments. Therefore, any other payment, such as nonemployee compensation, is subject to backup withholding even if the payee has applied for and is awaiting a TIN. For information about whether backup withholding applies during the 60-day period, see Regulations section 31.3406(g)-3.

**2. Notice from the IRS that payee's TIN is incorrect ("B" notice).** You may choose to withhold on any reportable payment made to the account(s) subject to backup withholding after receipt of the "B" notice, but you must withhold on any reportable payment made to the account more than 30 business days after you received the "B" notice. Stop withholding within 30 days after you receive a certified Form W-9 (or other form that requires the payee to certify under penalty of perjury).

 The IRS will furnish a notice to you, and you are required to promptly furnish a copy of such notice, or an acceptable substitute, to the payee. For further information, see Regulations section 31.3406(d)-5 and Pub. 1281, Backup Withholding for Missing and Incorrect Name/TIN(s).


If you receive two incorrect TIN notices within 3 years for the same account, follow the procedures in Regulations section 31.3406(d)-5(g) and Pub. 1281.

**3. Notice from the IRS that payee is subject to backup withholding due to notified payee underreporting.** You may choose to withhold on any reportable payment made to the account(s) subject to backup withholding after receipt of the notice, but you must withhold on any reportable payment made to the account more than 30 business days after you receive the notice. The IRS will notify you in writing when to stop withholding, or the payee may furnish you a written certification from the IRS stating when the withholding should stop. In most cases, the stop date will be January 1 of the year following the year of the notice.

 You must notify the payee when withholding under this procedure starts. For further information, see Regulations section 31.3406(c)-1(d).

**4. Payee failure to certify that he or she is not subject to backup withholding.** Withhold on reportable interest and dividends until the certification has been received.

For exceptions to these general timing rules, see section 3406(e).


 For special rules on backup withholding on gambling winnings, see the separate Instructions for Forms W-2G and 5754.

**Reporting backup withholding.** Report backup withholding on Form 945, Annual Return of Withheld Federal Income Tax. Also, report backup withholding and the amount of the payment on Forms W-2G, 1099-B, DIV, G, INT, MISC, OID, or PATR even if the amount of the payment is less than the amount for which an information return is normally required.

**Form 945.** Report backup withholding, voluntary withholding on certain government payments, and withholding from gambling winnings, pensions, annuities, IRAs, military retirement, and Indian gaming profits on Form 945. Generally, file Form 945 for 2010 by January 31, 2011. For more information, including the deposit requirements for Form 945, see the separate instructions for Form 945 and Circular E, Employer's Tax Guide (Pub. 15).

Do not report on Form 945 any income tax withholding reported on the following forms.

- Form W-2 including withholding on distributions to plan participants from nonqualified plans that must be reported on Form 941, Employer's Quarterly Federal Tax Return.
- Form 1042-S must be reported on Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons.

 Pub. 515 has more information on Form 1042 reporting, partnership withholding on effectively connected income, and dispositions of U.S. real property interests by a foreign person.

**Additional information.** For more information about backup withholding, see Pub. 1281.

## O. Penalties

The following penalties generally apply to the person required to file information returns. The penalties apply to paper filers as well as to electronic filers.

**TIP** For information on the penalty for failure to file electronically, see Penalty on page 5.

### Failure To File Correct Information Returns by the Due Date (Section 6721)

If you fail to file a correct information return by the due date and you cannot show reasonable cause, you may be subject to a penalty. The penalty applies if you fail to file timely, you fail to include all information required to be shown on a return, or you include incorrect information on a return. The penalty also applies if you file on paper when you were required to file electronically, you report an incorrect TIN or fail to report a TIN, or you fail to file paper forms that are machine readable.

The amount of the penalty is based on when you file the correct information return. The penalty is:

- \$15 per information return if you correctly file within 30 days (by March 30 if the due date is February 28); maximum penalty \$75,000 per year (\$25,000 for small businesses, defined later).
- \$30 per information return if you correctly file more than 30 days after the due date but by August 1; maximum penalty \$150,000 per year (\$50,000 for small businesses).
- \$50 per information return if you file after August 1 or you do not file required information returns; maximum penalty \$250,000 per year (\$100,000 for small businesses).

**CAUTION** If you do not file corrections and you do not meet any of the exceptions to the penalty described below, the penalty is \$50 per information return.

**Small businesses—lower maximum penalties.** You are a small business if your average annual gross receipts for the 3 most recent tax years (or for the period you were in existence, if shorter) ending before the calendar year in which the information returns were due are \$5 million or less.

**Exceptions to the penalty.** The following are exceptions to the failure to file penalty.

1. The penalty will not apply to any failure that you can show was due to reasonable cause and not to willful neglect. In general, you must be able to show that your failure was due to an event beyond your control or due to significant mitigating factors. You must also be able to show that you acted in a responsible manner and took steps to avoid the failure.
2. An inconsequential error or omission is not considered a failure to include correct information. An inconsequential error or omission does not prevent or hinder the IRS from processing the return, from correlating the information required to be shown on the return with the information shown on the payee's tax return, or from otherwise putting the return to its intended use. Errors and omissions that are never inconsequential are those related to (a) a TIN, (b) a payee's surname, and (c) any money amount.
3. *De minimis* rule for corrections. Even though you cannot show reasonable cause, the penalty for failure to file correct information returns will not apply to a certain number of returns if you:
  - a. Filed those information returns,
  - b. Either failed to include all the information required on a return or included incorrect information, and
  - c. Filed corrections by August 1.

If you meet all the conditions in a, b, and c above, the penalty for filing incorrect returns (but not for filing late) will not apply to the greater of 10 information returns or 1/2 of 1% of the total number of information returns you are required to file for the calendar year.

**Intentional disregard of filing requirements.** If any failure to file a correct information return is due to intentional disregard of the filing or correct information requirements, the penalty is at least \$100 per information return with no maximum penalty.

### Failure To Furnish Correct Payee Statements (Section 6722)

If you fail to provide correct payee statements and you cannot show reasonable cause, you may be subject to a penalty. The penalty applies if you fail to provide the statement by January 31 (February 15 for Forms 1099-B, 1099-S, and 1099-MISC (boxes 8 and 14 only)) (see part M on page 9), you fail to include all information required to be shown on the statement, or you include incorrect information on the statement. "Payee statement" has the same meaning as "statement to recipient" as used in part M on page 9.

The penalty is \$50 per statement, no matter when the correct statement is furnished, with a maximum of \$100,000 per year.

**Exception.** An inconsequential error or omission is not considered a failure to include correct information. An inconsequential error or omission cannot reasonably be expected to prevent or hinder the payee from timely receiving correct information and reporting it on his or her income tax return or from otherwise putting the statement to its intended use. Errors and omissions that are never inconsequential are those relating to (a) a dollar amount, (b) a significant item in a payee's address, (c) the appropriate form for the information provided (that is, whether the form is an acceptable substitute for the official IRS form), and (d) whether the statement was furnished in person or by "statement mailing," when required.

**Intentional disregard of payee statement requirements.** If any failure to provide a correct payee statement is due to intentional disregard of the requirements to furnish a correct payee statement, the penalty is at least \$100 per payee statement with no maximum penalty.

### Forms 1099-Q, 1099-SA, 5498, 5498-ESA, and 5498-SA (Section 6693)

The penalties under sections 6721 and 6722 do not apply to:

Forms	Filed Under Code Section
1099-SA and 5498-SA	220(h) and 223(h)
5498	408(i) and 408(j)
5498-ESA	530(h)
1099-Q	529(d) and 530(h)

The penalty for failure to timely file Forms 1099-SA, 5498-SA, 5498, 5498-ESA, or 1099-Q is \$50 per return with no maximum, unless the failure is due to reasonable cause. See section 6693.

### Fraudulent Acknowledgments With Respect to Donations of Motor Vehicles, Boats, and Airplanes (Section 6720)

If you are required under section 170(f)(12)(A) to furnish a contemporaneous written acknowledgment to a donor and you knowingly furnish a false or fraudulent Form 1098-C, or knowingly fail to furnish a Form 1098-C within the applicable 30-day period, you may be subject to a penalty. See the 2010 Instructions for Form 1098-C for more detailed information.

### Civil Damages for Fraudulent Filing of Information Returns (Section 7434)

If you willfully file a fraudulent information return for payments you claim you made to another person, that person may be able to sue you for damages. You may have to pay \$5,000 or more.

## P. Payments to Corporations and Partnerships

Generally, payments to corporations are not reportable. However, you must report payments to corporations for the following.

- Medical and health care payments (Form 1099-MISC),
- Withheld federal income tax or foreign tax,
- Barter exchange transactions (Form 1099-B),
- Substitute payments in lieu of dividends and tax-exempt interest (Form 1099-MISC),
- Acquisitions or abandonments of secured property (Form 1099-A),
- Cancellation of debt (Form 1099-C),
- Payments of attorneys' fees and gross proceeds paid to attorneys (Form 1099-MISC),
- Fish purchases for cash (Form 1099-MISC),
- The credits for clean renewable energy bonds and for Gulf tax credit bonds treated as interest and reported on Form 1099-INT, and
- Federal executive agency payments for services (Form 1099-MISC). For additional reporting requirements, see Rev. Rul. 2003-66 on page 1115 of Internal Revenue Bulletin 2003-26 at [www.irs.gov/pub/irs-irbs/irb03-26.pdf](http://www.irs.gov/pub/irs-irbs/irb03-26.pdf).

Reporting generally is required for all payments to partnerships. For example, payments of \$600 or more made in the course of your trade or business to an architectural firm that is a partnership are reportable on Form 1099-MISC. However, see Regulations section 1.6049-4(c)(1)(ii)(A).

## Q. Earnings on any IRA, Coverdell ESA, Archer MSA, or HSA

Generally, income earned in any IRA, Coverdell ESA, Archer MSA, or HSA, such as interest or dividends, is not reported on Forms 1099. However, distributions from such arrangements or accounts must be reported on Form 1099-R, 1099-Q, or 1099-SA.

## R. Certain Grantor Trusts

Certain grantor trusts (other than WHFITs) may choose to file Forms 1099 rather than a separate statement attached to Form 1041, U.S. Income Tax Return for Estates and Trusts. If you have filed Form 1041 for a grantor trust in the past and you want to choose the Form 1099 filing method for 2010, you must have filed a final Form 1041 for 2009. To change reporting method, see Regulations section 1.671-4(g) and the Instructions for Form 1041 and Schedules A, B, D, G, I, J, and K-1.

For more information on WHFITs, see *Widely held fixed investment trusts (WHFITs)* on page 3.

## S. Special Rules for Reporting Payments Made Through Foreign Intermediaries and Foreign Flow-Through Entities on Form 1099

If you are the payer and have received a Form W-8IMY, Certificate of Foreign Intermediary, Foreign Flow-Through Entity, or Certain U.S. Branches for United States Tax Withholding, from a foreign intermediary or flow-through entity, follow the instructions for completing Form 1099, later.

### Definitions

**Foreign intermediary.** A foreign intermediary is any person who is not a U.S. person and acts as a custodian, broker, nominee, or otherwise as an agent for another person, regardless of whether that other person is the beneficial owner of the amount paid, a flow-through entity, or another intermediary. The intermediary can be a qualified intermediary or a nonqualified intermediary.

**Qualified intermediary (QI).** A QI is a person that is a party to a withholding agreement with the IRS and is:

- A foreign financial institution or a foreign clearing organization (other than a U.S. branch or U.S. office of the institution or organization),
- A foreign branch or office of a U.S. financial institution or a foreign branch or office of a U.S. clearing organization,
- A foreign corporation for purposes of presenting claims of benefits under an income tax treaty on behalf of its shareholders, or
- Any other person the IRS accepts as a qualified intermediary and who enters into a withholding agreement with the IRS.

For details on QI agreements, see:

- Rev. Proc. 2000-12 on page 387 of Internal Revenue Bulletin 2000-4 at [www.irs.gov/pub/irs-irbs/irb00-4.pdf](http://www.irs.gov/pub/irs-irbs/irb00-4.pdf),
- Modified by Rev. Proc. 2003-64, Section 4A (Appendix 3), on page 306 of Internal Revenue Bulletin 2003-32 at [www.irs.gov/pub/irs-irbs/irb03-32.pdf](http://www.irs.gov/pub/irs-irbs/irb03-32.pdf),
- Further modified by Rev. Proc. 2004-21, 2004-14 I.R.B. 702, available at [www.irs.gov/irb/2004-14\\_IRB/ar10.html](http://www.irs.gov/irb/2004-14_IRB/ar10.html), and
- Also Rev. Proc. 2005-77 which amends the final withholding partnership and withholding foreign trust agreements by expanding the availability of simplified documentation, reporting, and withholding procedures, further modifying Rev. Proc. 2003-64. See Rev. Proc. 2005-77, 2005-51 I.R.B. 1176, available at [www.irs.gov/irb/2005-51\\_IRB/ar13.html](http://www.irs.gov/irb/2005-51_IRB/ar13.html).



**CAUTION** Generally, a branch of a financial institution may not operate as a QI in a country that does not have approved know-your-customer (KYC) rules. Branches of financial institutions that operate in non-KYC approved jurisdictions will be required to act as nonqualified intermediaries. For additional information, see Notice 2006-35, 2006-14, I.R.B. 708, available at [www.irs.gov/irb/2006-14\\_IRB/ar13.html](http://www.irs.gov/irb/2006-14_IRB/ar13.html).

**Nonqualified intermediary (NQI).** An NQI is any intermediary that is not a U.S. person and that is not a QI.

**Foreign flow-through entity (FTE).** An FTE is a foreign partnership (other than a withholding foreign partnership), a foreign simple trust or foreign grantor trust (other than a withholding foreign trust), or, for payments for which a reduced rate of withholding is

claimed under an income tax treaty, any entity to the extent the entity is considered to be fiscally transparent under section 894 with respect to the payment by an interest holder's jurisdiction.

**Withholding foreign partnership or withholding foreign trust.** A withholding foreign partnership or withholding foreign trust is a foreign partnership or a foreign simple or grantor trust that has entered into a withholding agreement with the IRS in which it agrees to assume primary withholding responsibility for all payments that are made to it for its partners, beneficiaries, or owners. See Rev. Proc. 2003-64 as amended by Rev. Proc. 2004-21, for procedures for entering into a withholding foreign partnership or trust agreement.

**Nonwithholding foreign partnership, simple trust, or grantor trust.** A nonwithholding foreign partnership is any foreign partnership other than a withholding foreign partnership. A nonwithholding foreign simple trust is any foreign simple trust that is not a withholding foreign trust. A nonwithholding foreign grantor trust is any foreign grantor trust that is not a withholding foreign trust.

**Fiscally transparent entity.** An entity is treated as fiscally transparent with respect to an item of income to the extent that the interest holders in the entity must, on a current basis, take into account separately their shares of an item of income paid to the entity, whether or not distributed, and must determine the character of the items of income as if they were realized directly from the sources from which they were realized by the entity. For example, partnerships, common trust funds, and simple trusts or grantor trusts are generally considered to be fiscally transparent with respect to items of income received by them.

### Presumption Rules



For additional information including details on the presumption rules, see the Instructions for the Requester of Forms W-8BEN, W-8ECI, W-8EXP, and W-8IMY and Pub. 515. To order, see How To Get Forms, Publications, and Other Assistance on page 14.

If you are the payer and do not have a Form W-9, appropriate Form W-8, or other valid documentation, or you cannot allocate a payment to a specific payee, prior to payment, you are required to use certain presumption rules to determine the following:

- The status of the payee as a U.S. or foreign person and
- The classification of the payee as an individual, trust, estate, corporation, or partnership.

See Regulations sections 1.1441-1(b)(3), 1.1441-5(d) and (e), 1.6045-1(g)(3)(ii), and 1.6049-5(d).

Under these presumption rules, if you must presume that the payee is a U.S. nonexempt recipient subject to backup withholding, you must report the payment on a Form 1099. However, if before filing Form 1099 with the IRS the recipient is documented as foreign, then report the payment on a Form 1042-S.

Conversely, if you must presume that the payee is a foreign recipient and prior to filing Form 1042-S with the IRS you discover that the payee is a U.S. nonexempt recipient based on documentation, then report all payments made to that payee during the calendar year on a Form 1099.

If you use the 90-day grace period rule to presume a payee is foreign, you must file a Form 1042-S to report all payments subject to withholding during the grace period. If you later discover that the payee is a U.S. nonexempt recipient subject to backup withholding, you must file a Form 1099 for all payments made to that payee after the discovery of the payee's U.S. status.

### Rules for Payments Made to U.S. Nonexempt Recipients Through a QI, NQI, or FTE

If you are the payer making a payment through a QI, NQI, or FTE for a U.S. nonexempt recipient on whose behalf the QI, NQI, or FTE is acting, use the following rules to complete Form 1099.

**Known recipient.** If you know that a payee is a U.S. nonexempt recipient and have the payee's name, address, and TIN (if a TIN has been provided), you must complete the Form 1099 with that information. Also, on the second name line below the recipient's name, enter "IMY" followed by the name of the QI, NQI, or FTE.

For payments made to multiple recipients: (a) enter the name of the recipient whose status you relied on to determine the applicable rate of withholding and (b) on the second name line, enter "IMY" followed by the name of the QI, NQI, or FTE. However, if the QI has assumed primary Form 1099 reporting or backup withholding responsibility, you are not required to issue the Form 1099 or to backup withhold. See *Qualified intermediary (QI)*, earlier.

**Unknown recipient.** If you cannot reliably associate a payment with valid documentation and are required to presume a payee is a U.S. nonexempt recipient:

1. File a Form 1099 and enter "unknown recipient" on the first name line.
2. On the second name line, enter "IMY" followed by the name of the QI, NQI, or FTE.
3. Enter the EIN of the QI, NQI, or FTE, if applicable, in the recipient's identification number box.
4. Furnish a copy of the Form 1099 with "unknown recipient" to the QI, NQI, or FTE who is acting on the recipient's behalf.



**CAUTION** A payer that is required to report payments made to a U.S. nonexempt recipient account holder but does not receive the necessary allocation information cannot report those payments on a pro rata basis. Report unallocated payments using the presumption rules described on page 13.

### Rules for Non-U.S. Payers

Non-U.S. payers (foreign persons that are not U.S. payers) generally have the same reporting obligations as U.S. payers. A U.S. payer is anyone who is:

- A U.S. person,
- Any U.S. governmental agency,
- A controlled foreign corporation (CFC),
- A foreign partnership that has one or more U.S. partners who, in the aggregate, hold more than 50 percent of the gross income derived from the conduct of a U.S. trade or business,
- A foreign person who owns 50 percent or more of the gross income that is effectively connected with a U.S. trade or business, or
- A U.S. branch of a foreign bank or a foreign insurance company.

For more information, see Regulations section 1.6049-5(c)(5).

**Exceptions.** The following payments are not subject to reporting by a non-U.S. payer.

1. A foreign source reportable payment paid outside the U.S. For example, see Regulations section 1.6049-5(b)(6).
2. Gross proceeds from a sale effected outside the U.S. See Regulations section 1.6045-1(a).
3. An NQI or QI that provides another payer all the information sufficient for that payer to complete Form 1099 reporting. For example, see Regulations section 1.6049-5(b)(14). However, if an NQI or QI does not provide sufficient information for another payer to report a payment on Form 1099, the intermediary must report the payment.

### Rules for Reporting Payments Initially Reported on Form 1042-S

If an NQI or QI receives a Form 1042-S made out to an "unknown recipient" and the NQI or QI has actual knowledge that the payee of the income is a U.S. nonexempt recipient, it must file a Form 1099 even if the payment has been subject to withholding by another payer. The NQI or QI reports the amount withheld by the other payer on Form 1099 as federal income tax withheld.

## T. How To Get Tax Help

### Information Reporting Customer Service Site

If you have questions about reporting on Forms 1096, 1098, 1099, 3921, 3922, 5498, W-2, W-2G, and W-3, you may call a toll-free number, 1-866-455-7438. You may still use the original telephone number, 304-263-8700 (not toll free). For TTY/TDD equipment, call 304-579-4827 (not toll free). The hours of operation are Monday through Friday from 8:30 a.m. to 4:30 p.m., Eastern time.

**Other tax-related matters.** For other tax information related to business returns or accounts, call 1-800-829-4933.

If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax account questions or to order forms and publications.

### Internal Revenue Bulletin

The Internal Revenue Bulletin (IRB), published weekly, contains newly issued regulations, notices, announcements, legislation, court decisions, and other items of general interest. You may find this publication useful to keep you up to date with current developments. See *How To Get Forms, Publications, and Other Assistance*, later.

### Contacting Your Taxpayer Advocate

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS whose employees assist taxpayers who

are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should.

You can contact the TAS by calling the National Taxpayer Advocate Help Line at 1-877-777-4778 or TTY/TDD 1-800-829-4059 to see if you are eligible for assistance. You can also call or write to your local taxpayer advocate, whose phone number and address are listed in your local telephone directory and in Pub. 1546, Taxpayer Advocate Service – Your Voice at the IRS. You can file Form 911, Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order), or ask an IRS employee to complete it on your behalf. For more information, go to [www.irs.gov/advocate](http://www.irs.gov/advocate).

**Taxpayer Advocacy Panel (TAP).** The TAP listens to taxpayers, identifies taxpayer issues, and makes suggestions for improving IRS services and customer satisfaction. If you have suggestions for improvements, contact the TAP, toll free at 1-888-912-1227 or go to [www.improveirs.org](http://www.improveirs.org).

### How To Get Forms, Publications, and Other Assistance



**CAUTION** Because the IRS processes paper forms by machine (optical character recognition equipment), you cannot file with the IRS Form 1096 or Copy A of Forms 1098, 1099, 3921, 3922, or 5498 that you print from the IRS website or the DVD.

### Free Tax Services

To find out what services are available, get Pub. 910, IRS Guide to Free Tax Services. It contains lists of free tax information sources, including publications, services, and free tax education and assistance programs. It also has an index of over 100 TeleTax topics (recorded tax information) you can listen to on your telephone.

Accessible versions of IRS published products are available on request in a variety of alternative formats for people with disabilities.

**Mail.** You can send your order for forms, instructions, and publications to the address below. You should receive a response within 10 days after your request is received.

Internal Revenue Service  
1201 N. Mitsubishi Motorway  
Bloomington, IL 61705-6613

**Internet.** You can access the IRS website 24 hours a day, 7 days a week, at [www.irs.gov](http://www.irs.gov) to:

- Access commercial tax preparation and e-file services.
- Download forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Sign up to receive local and national tax news by email.

**DVD of Tax Products.** You can order Publication 1796, IRS Tax Products DVD, and obtain:

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Tax Map: an electronic research tool and finding aid.
- Tax Law frequently asked questions.
- Tax Topics from the IRS telephone response system.
- Internal Revenue Code—Title 26
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- The DVD is released twice during the year.
  - The first release will ship the beginning of January.
  - The final release will ship the beginning of March.

Purchase the DVD from National Technical Information Service (NTIS) at [www.irs.gov/cdorders](http://www.irs.gov/cdorders) for \$30 (no handling fee) or call 1-877-233-6767 toll-free to purchase the DVD for \$30 (plus a \$6 handling fee).

**Phone.** Many services are available by phone.

- **Ordering forms, instructions, and publications.** Call 1-800-829-3676 to order current-year forms, instructions, and publications, and prior-year forms and instructions. You should receive your order within 10 days.

• **TTY/TDD equipment.** If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax questions or to order forms and publications.

**Evaluating the quality of our telephone services.** To ensure IRS representatives give accurate, courteous, and professional answers, we use several methods to evaluate the quality of our telephone services. One method is for a second IRS representative to listen in on or record random telephone calls. Another is to ask some callers to complete a short survey at the end of the call.

**Privacy Act and Paperwork Reduction Act Notice.** We ask for the information on these forms to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to figure and collect the right amount of tax.

Sections 170(f)(12), 199, 220(h), 223, 408, 408A, 529, 530, 6039, 6041, 6041A, 6042, 6043, 6044, 6045, 6047, 6049, 6050A, 6050B, 6050D, 6050E, 6050H, 6050J, 6050N, 6050P, 6050Q, 6050R, 6050S, 6050T, 6050U and their regulations require you to file an information return with the IRS and furnish a statement to recipients. Section 6109 and its regulations require you to provide your TIN on what you file.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and to cities, states, and the District of Columbia for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. If you fail to provide this information in a timely manner, you may be subject to penalties.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103. The time needed to complete and file the following forms will vary depending on individual circumstances. The estimated average times are:

1096	13 minutes
1098	7 minutes
1098-C*	18 minutes
1098-E	7 minutes
1098-T	13 minutes
1099-A	9 minutes
1099-B	20 minutes
1099-C	10 minutes
1099-CAP*	11 minutes
1099-DIV	18 minutes
1099-G	11 minutes
1099-H*	18 minutes
1099-INT	13 minutes
1099-LTC	13 minutes
1099-MISC	16 minutes
1099-OID	12 minutes
1099-PATR	15 minutes
1099-Q	11 minutes
1099-R	18 minutes
1099-S	8 minutes
1099-SA	8 minutes
3921*	11 minutes
3922*	12 minutes
5498	24 minutes
5498-ESA	7 minutes
5498-SA	10 minutes
W-2G	18 minutes

\* Privacy Act does not pertain to this form.

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send these forms to this address. Instead, see part D on page 4.

**Guide to Information Returns** (If any date shown falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.)

Form	Title	What to Report	Amounts to Report	Due Date	
				To IRS	To Recipient (unless indicated otherwise)
1042-S	Foreign Person's U.S. Source Income Subject to Withholding	Income such as interest, dividends, royalties, pensions and annuities, etc., and amounts withheld under Chapter 3. Also, distributions of effectively connected income by publicly traded partnerships or nominees.	See form instructions	March 15	March 15
1098	Mortgage Interest Statement	Mortgage interest (including points) and certain mortgage insurance premiums you received in the course of your trade or business from individuals and reimbursements of overpaid interest.	\$600 or more	February 28*	(To Payer/ Borrower) January 31
1098-C	Contributions of Motor Vehicles, Boats, and Airplanes	Information regarding a donated motor vehicle, boat, or airplane.	Gross proceeds of more than \$500	February 28*	(To Donor) 30 days from date of sale or contribution
1098-E	Student Loan Interest Statement	Student loan interest received in the course of your trade or business.	\$600 or more	February 28*	January 31
1098-T	Tuition Statement	Qualified tuition and related expenses, reimbursements or refunds, and scholarships or grants (optional).	See instructions	February 28*	January 31
1099-A	Acquisition or Abandonment of Secured Property	Information about the acquisition or abandonment of property that is security for a debt for which you are the lender.	All amounts	February 28*	(To Borrower) January 31
1099-B	Proceeds From Broker and Barter Exchange Transactions	Sales or redemptions of securities, futures transactions, commodities, and barter exchange transactions.	All amounts	February 28*	February 15**
1099-C	Cancellation of Debt	Cancellation of a debt owed to a financial institution, the Federal Government, a credit union, RTC, FDIC, NCUA, a military department, the U.S. Postal Service, the Postal Rate Commission, or any organization having a significant trade or business of lending money.	\$600 or more	February 28*	January 31
1099-CAP	Changes in Corporate Control and Capital Structure	Information about cash, stock, or other property from an acquisition of control or the substantial change in capital structure of a corporation.	Amounts of stock or property valued at \$100 million or more	February 28*	(To Shareholders) January 31
1099-DIV	Dividends and Distributions	Distributions, such as dividends, capital gain distributions, or nontaxable distributions, that were paid on stock and liquidation distributions.	\$10 or more, except \$600 or more for liquidations	February 28*	January 31**
1099-G	Certain Government Payments	Unemployment compensation, state and local income tax refunds, agricultural payments, and taxable grants.	\$10 or more for refunds and unemployment	February 28*	January 31
1099-H	Health Coverage Tax Credit (HCTC) Advance Payments	Health insurance premiums paid on behalf of certain individuals.	All amounts	February 28*	January 31
1099-INT	Interest Income	Interest income.	\$10 or more (\$600 or more in some cases)	February 28*	January 31**
1099-LTC	Long-Term Care and Accelerated Death Benefits	Payments under a long-term care insurance contract and accelerated death benefits paid under a life insurance contract or by a viatical settlement provider.	All amounts	February 28*	January 31
1099-MISC	Miscellaneous Income  (Also, use to report direct sales of \$5,000 or more of consumer goods for resale.)	Rent or royalty payments; prizes and awards that are not for services, such as winnings on TV or radio shows.	\$800 or more, except \$10 or more for royalties	February 28*	January 31**
		Payments to crew members by owners or operators of fishing boats including payments of proceeds from sale of catch.	All amounts		
		Section 409A income from nonqualified deferred compensation plans (NQDCs).	All amounts		
		Payments to a physician, physicians' corporation, or other supplier of health and medical services. Issued mainly by medical assistance programs or health and accident insurance plans.	\$600 or more		
		Payments for services performed for a trade or business by people not treated as its employees. Examples: fees to subcontractors or directors and golden parachute payments.	\$600 or more		
		Fish purchases paid in cash for resale.	\$600 or more		
		Crop insurance proceeds.	\$600 or more		
		Substitute dividends and tax-exempt interest payments reportable by brokers.	\$10 or more		
Gross proceeds paid to attorneys.	\$600 or more	February 15**			
					February 15**
1099-OID	Original Issue Discount	Original issue discount.	\$10 or more	February 28*	January 31**
1099-PATR	Taxable Distributions Received From Cooperatives	Distributions from cooperatives passed through to their patrons including any domestic production activities deduction and certain pass-through credits.	\$10 or more	February 28*	January 31

\*The due date is March 31 if filed electronically. \*\*The due date is March 15 for reporting by trustees and middlemen of WHFITs.



**Guide to Information Returns** (Continued)

Form	Title	What to Report	Amounts to Report	Due Date	
				To IRS	To Recipient (unless indicated otherwise)
1099-Q	Payments From Qualified Education Programs (Under Sections 529 and 530)	Earnings from qualified tuition programs and Coverdell ESAs.	All amounts	February 28*	January 31
1099-R	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	Distributions from retirement or profit-sharing plans, any IRA, insurance contracts, and IRA recharacterizations.	\$10 or more	February 28*	January 31
1099-S	Proceeds From Real Estate Transactions	Gross proceeds from the sale or exchange of real estate and certain royalty payments.	Generally, \$600 or more	February 28*	February 15
1099-SA	Distributions From an HSA, Archer MSA, or Medicare Advantage MSA	Distributions from an HSA, Archer MSA, or Medicare Advantage MSA.	All amounts	February 28*	January 31
3921	Exercise of an Incentive Stock Option Under Section 422(b)	Transfer of an employer's stock to an employee pursuant to the exercise of an incentive stock option under section 422(b).	All amounts	February 28*	January 31
3922	Transfer of Stock Acquired Through an Employee Stock Purchase Plan Under Section 423(c)	Transfer(s) of stock acquired through an employee stock purchase plan under section 423(c)	All amounts	February 28*	January 31
5498	IRA Contribution Information	Contributions (including rollover contributions) to any individual retirement arrangement (IRA) including a SEP, SIMPLE, and Roth IRA; Roth conversions; IRA recharacterizations; and the fair market value (FMV) of the account.	All amounts	May 31	(To Participant) For FMV/RMD Jan 31; For contributions, May 31
5498-ESA	Coverdell ESA Contribution Information	Contributions (including rollover contributions) to a Coverdell ESA.	All amounts	May 31	April 30
5498-SA	HSA, Archer MSA, or Medicare Advantage MSA Information	Contributions to an HSA (including transfers and rollovers) or Archer MSA and the FMV of an HSA, Archer MSA, or Medicare Advantage MSA.	All amounts	May 31	(To Participant) May 31
W-2G	Certain Gambling Winnings	Gambling winnings from horse racing, dog racing, jai alai, lotteries, keno, bingo, slot machines, sweepstakes, wagering pools, poker tournaments, etc.	Generally, \$600 or more; \$1,200 or more from bingo or slot machines; \$1,500 or more from keno	February 28*	January 31
W-2	Wage and Tax Statement	Wages, tips, other compensation; social security; Medicare; withheld income taxes; and advance earned income credit (EIC) payments. Include bonuses, vacation allowances, severance pay, certain moving expense payments, some kinds of travel allowances, and third-party payments of sick pay.	See separate instructions	To SSA Last day of February*	To Recipient January 31

\*The due date is March 31 if filed electronically.

### Types of Payments

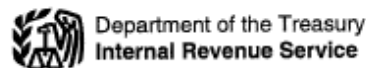
Below is an alphabetic list of some payments and the forms to file and report them. However, it is not a complete list of all payments, and the absence of a payment from the list does not indicate that the payment is not reportable. For instructions on a specific type of payment, see the separate instructions in the form(s) listed.

Type of Payment	Report on Form	Type of Payment	Report on Form
Abandonment	1099-A	Income tax refunds, state and local	1099-G
Accelerated death benefits	1099-LTC	Indian gaming profits paid to tribal members	1099-MISC
Acquisition of control	1099-CAP	Interest income	1099-INT
Advance earned income credit	W-2	Tax-exempt	1099-INT
Advance health insurance payments	1099-H	Interest, mortgage	1098
Agriculture payments	1099-G	IRA contributions	5498
Allocated tips	W-2	IRA distributions	1099-R
Alternate TAA payments	1099-G	Life insurance contract distributions	1099-R, 1099-LTC
Annuities	1099-R	Liquidation, distributions in	1099-DIV
Archer MSAs:		Loans, distribution from pension plan	1099-R
Contributions	5498-SA	Long-term care benefits	1099-LTC
Distributions	1099-SA	Medicare Advantage MSAs:	
Attorney, fees and gross proceeds	1099-MISC	Contributions	5498-SA
Auto reimbursements, employee	W-2	Distributions	1099-SA
Auto reimbursements, nonemployee	1099-MISC	Medical services	1099-MISC
Awards, employee	W-2	Mileage, employee	W-2
Awards, nonemployee	1099-MISC	Mileage, nonemployee	1099-MISC
Barter exchange income	1099-B	Military retirement	1099-R
Bonuses, employee	W-2	Mortgage insurance premiums	1098
Bonuses, nonemployee	1099-MISC	Mortgage interest	1098
Broker transactions	1099-B	Moving expense	W-2
Cancellation of debt	1099-C	Nonemployee compensation	1099-MISC
Capital gain distributions	1099-DIV	Nonqualified deferred compensation:	
Car expense, employee	W-2	Beneficiary	1099-R
Car expense, nonemployee	1099-MISC	Employee	W-2
Changes in capital structure	1099-CAP	Nonemployee	1099-MISC
Charitable gift annuities	1099-R	Original issue discount (OID)	1099-OID
Commissions, employee	W-2	Patronage dividends	1099-PATR
Commissions, nonemployee	1099-MISC	Pensions	1099-R
Commodities transactions	1099-B	Points	1098
Compensation, employee	W-2	Prizes, employee	W-2
Compensation, nonemployee	1099-MISC	Prizes, nonemployee	1099-MISC
Contributions of motor vehicles, boats, and airplanes	1098-C	Profit-sharing plan	1099-R
Cost of current life insurance protection	1099-R	Punitive damages	1099-MISC
Coverdell ESA contributions	5498-ESA	Qualified plan distributions	1099-R
Coverdell ESA distributions	1099-Q	Qualified tuition program payments	1099-Q
Crop insurance proceeds	1099-MISC	Real estate transactions	1099-S
Damages	1099-MISC	Recharacterized IRA contributions	1099-R, 5498
Death benefits	1099-R	Refund, state and local tax	1099-G
Accelerated	1099-LTC	Rents	1099-MISC
Debt cancellation	1099-C	Retirement	1099-R
Dependent care payments	W-2	Roth conversion IRA contributions	5498
Direct rollovers	1099-Q	Roth conversion IRA distributions	1099-R
	1099-R, 5498	Roth IRA contributions	5498
Direct sales of consumer products for resale	1099-MISC	Roth IRA distributions	1099-R
Directors' fees	1099-MISC	Royalties	1099-MISC
Discharge of indebtedness	1099-C	Timber, pay-as-cut contract	1099-S
Dividends	1099-DIV	Sales:	
Donation of motor vehicle	1098-C	Real estate	1099-S
Education loan interest	1098-E	Securities	1099-B
Employee business expense reimbursement	W-2	Section 1035 exchange	1099-R
Employee compensation	W-2	SEP contributions	W-2, 5498
Excess deferrals, excess contributions, distributions of	1099-R	SEP distributions	1099-R
Exercise of incentive stock option under section 422(b)	3921	Severance pay	W-2
Fees, employee	W-2	Sick pay	W-2
Fees, nonemployee	1099-MISC	SIMPLE contributions	W-2, 5498
Fishing boat crew members proceeds	1099-MISC	SIMPLE distributions	1099-R
Fish purchases for cash	1099-MISC	Student loan interest	1098-E
Foreclosures	1099-A	Substitute payments in lieu of dividends or tax-exempt interest	1099-MISC
Foreign persons' income	1042-S	Supplemental unemployment	W-2
401(k) contributions	W-2	Tax refunds, state and local	1099-G
404(k) dividend	1099-DIV	Tips	W-2
Gambling winnings	W-2G	Transfer of stock acquired through an employee stock purchase plan under section 423(c)	3922
Golden parachute, employee	W-2	Tuition	1098-T
Golden parachute, nonemployee	1099-MISC	Unemployment benefits	1099-G
Grants, taxable	1099-G	Vacation allowance, employee	W-2
Health care services	1099-MISC	Vacation allowance, nonemployee	1099-MISC
Health insurance advance payments	1099-H	Wages	W-2
Health savings accounts:			
Contributions	5498-SA		
Distributions	1099-SA		
Income attributable to domestic production activities, deduction for	1099-PATR		

**Index**

<b>A</b>	<b>H</b>	<b>Q</b>
Account number box ..... 8	Help ..... 14	Qualified settlement funds ..... 3
<b>B</b>	<b>I</b>	<b>S</b>
Backup withholding ..... 2, 11	Information returns, other ..... 3	State and local tax departments ..... 4
<b>C</b>	<b>K</b>	Statement mailing requirements ... 9, 10
Corporations, payments to ..... 12	Keeping copies ..... 5	Statements to recipients ..... 2, 9, 10
Corrected returns, how to file ..... 6	<b>L</b>	Substitute forms ..... 2, 6, 9
<b>D</b>	Limited liability company (LLC) ..... 6, 8	Successor/predecessor reporting ..... 3
Due dates ..... 4, 5, 10	Logos or substitute statements ..... 9	<b>T</b>
<b>E</b>	<b>M</b>	Taxpayer Advocate ..... 14
Electronic reporting ..... 5	Mailing forms ..... 5	Taxpayer identification number .... 6, 11
Extension to file ..... 4	<b>N</b>	Telephone numbers on statements .... 9
Extension to furnish statements ..... 10	Names, TINs, etc. .... 6	TIN Matching ..... 2
<b>F</b>	Nominee/middleman ..... 2	Transmitters, paying agents, etc. .... 4
Filing returns ..... 4	<b>O</b>	Truncating payee identification number ..... 9
FIRE System ..... 5	Ordering forms ..... 14	<b>V</b>
Foreign intermediaries, payments made through ..... 13	<b>P</b>	Void returns ..... 6
Foreign person, payment to ..... 3	Paper document reporting ..... 5	<b>W</b>
Form 1096 ..... 2, 4	Partnerships, payments to ..... 12	What's New ..... 1
Form 945 ..... 11	Payee statements ..... 2, 9, 10	When to file ..... 4, 5
Form W-9 ..... 8	Payments made through foreign intermediaries ..... 13	When to furnish statements ..... 10
Forms, how to get ..... 14	Penalties ..... 5, 11	Where to file ..... 4
<b>G</b>	Private delivery services ..... 4	Who must file ..... 2, 5
Grantor trusts ..... 13		Widely held fixed investment trusts ..... 3
		Withholding, backup ..... 2, 11

# 2010



## Instructions for Form 1099-MISC

Section references are to the Internal Revenue Code unless otherwise noted.

### What's New

**Truncating recipient's identification number on paper payee statements.** Notice 2009-93 allows filers of this form to truncate an individual payee's identification number (social security number (SSN), individual taxpayer identification number (ITIN), or adoption taxpayer identification number (ATIN)) on paper payee statements for tax years 2009 and 2010. See part M in the 2010 General Instructions for Certain Information Returns (Forms 1098, 1099, 3921, 3922, 5498, and W-2G).

### Reminder

In addition to these specific instructions, you should also use the 2010 General Instructions for Certain Information Returns. Those general instructions include information about the following topics.

- Backup withholding.
- Electronic reporting requirements.
- Penalties.
- Who must file (nominee/middleman).
- When and where to file.
- Taxpayer identification numbers.
- Statements to recipients.
- Corrected and void returns.
- Other general topics.

You can get the general instructions from the IRS website at [www.irs.gov](http://www.irs.gov) or by calling 1-800-TAX-FORM (1-800-829-3676).

### Specific Instructions

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

- At least \$10 in royalties (see *Box 2* on page 4) or broker payments in lieu of dividends or tax-exempt interest (see *Box 8* on page 6);
- At least \$600 in rents, services (including parts and materials), prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish, or, generally, the cash paid from a notional principal contract to an individual, partnership, or estate;
- Any fishing boat proceeds; or
- Gross proceeds to an attorney. See *Payments to attorneys* on page 2.

In addition, use Form 1099-MISC to report that you made direct sales of at least \$5,000 of consumer products to a buyer for resale anywhere other than a permanent retail establishment. You must also file Form 1099-MISC for each person from whom you have withheld any federal income tax under the backup withholding rules regardless of the amount of the payment.



**Be sure to report each payment in the proper box because the IRS uses this information to determine whether the recipient has properly reported the payment.**

**Trade or business reporting only.** Report on Form 1099-MISC only when payments are made in the course of your trade or business. Personal payments are not reportable. You are engaged in a trade or business if you operate for gain or profit. However, nonprofit organizations are considered to be engaged in a trade or business and are subject to these reporting requirements. Organizations also subject to these reporting requirements include trusts of qualified pension or profit-sharing plans of employers, certain organizations exempt from tax under section 501(c) or (d), farmers' cooperatives that are exempt from tax under section 521, and widely held fixed investment trusts. Payments by federal, state, or local government agencies are also reportable.

**Exceptions.** Some payments are not required to be reported on Form 1099-MISC, although they may be taxable to the recipient. Payments for which a Form 1099-MISC is not required include:

- Generally, payments to a corporation; but see *Reportable payments to corporations* on page 2;
- Payments for merchandise, telegrams, telephone, freight, storage, and similar items;
- Payments of rent to real estate agents, but see Regulations section 1.6041-1(e)(5), Example 5;
- Wages paid to employees (report on Form W-2, Wage and Tax Statement);
- Military differential wage payments made to employees while they are on active duty in the Armed Forces or other uniformed services (report on Form W-2);
- Business travel allowances paid to employees (may be reportable on Form W-2);
- Cost of current life insurance protection (report on Form W-2 or Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.);
- Payments to a tax-exempt organization including tax-exempt trusts (IRAs, HSAs, Archer MSAs, and Coverdell ESAs), the United States, a state, the District of Columbia, a U.S. possession, or a foreign government; and
- Certain payment card transactions if a payment card organization has assigned a merchant/payee a Merchant Category Code (MCC) indicating that reporting is not required. A cardholder/payor may rely on the MCC assigned to a merchant/payee to determine if a payment card transaction with that merchant/payee is subject to reporting under section 6041 or section 6041A. For more information and a list of merchant types with corresponding MCCs, see Revenue Procedure 2004-43 available at [www.irs.gov/irb/2004-31\\_IRB/ar17.html](http://www.irs.gov/irb/2004-31_IRB/ar17.html).

**Fees paid to informers.** A payment to an informer as an award, fee, or reward for information about criminal activity is not required to be reported if the payment is made by a federal, state, or local government agency, or by a nonprofit organization exempt from tax under section 501(c)(3) that makes the payment to further the charitable purpose of lessening the burdens of government. For more information, see Regulations section 1.6041-3(l).

**Scholarships.** Do not use Form 1099-MISC to report scholarship or fellowship grants. Scholarship or fellowship

Cat. No. 27982J

grants that are taxable to the recipient because they are paid for teaching, research, or other services as a condition for receiving the grant are considered wages and must be reported on Form W-2. Other taxable scholarship or fellowship payments (to a degree or nondegree candidate) are not required to be reported by you to the IRS on any form. See Notice 87-31, 1987-1 C.B. 475, and Regulations section 1.6041-3(n) for more information.

**Difficulty-of-care payments.** Difficulty-of-care payments that are excludable from the recipient's gross income are not required to be reported. Difficulty-of-care payments to foster care providers are not reportable if paid for not more than 10 children under age 19 and not more than five individuals age 19 or older. Amounts paid for more than 10 children or more than five other individuals are reportable on Form 1099-MISC.

**Canceled debt.** A canceled debt is not reportable on Form 1099-MISC. Canceled debts are required to be reported on Form 1099-C, Cancellation of Debt, by financial institutions, credit unions, federal government agencies, certain agencies connected with the Federal Government, and an organization where the lending of money (such as finance and credit card companies) is a significant trade or business. See the Instructions for Forms 1099-A and 1099-C.

**Reportable payments to corporations.** The following payments made to corporations generally must be reported on Form 1099-MISC.

- Medical and health care payments reported in box 6.
- Fish purchases for cash reported in box 7.
- Attorneys' fees reported in box 7.
- Gross proceeds paid to an attorney reported in box 14.
- Substitute payments in lieu of dividends or tax-exempt interest reported in box 8.
- Payments by a federal executive agency for services (vendors) reported in box 7.



**Federal executive agencies may also have to file Form 8596, Information Return for Federal Contracts, and Form 8596-A, Quarterly Transmittal of Information Returns for Federal Contracts, if a contracted amount for personal services is more than \$25,000. See Rev. Rul. 2003-66, which is on page 1115 of Internal Revenue Bulletin 2003-26 at [www.irs.gov/pub/irs-irbs/irb03-26.pdf](http://www.irs.gov/pub/irs-irbs/irb03-26.pdf) for details.**

**Payments to attorneys.** The term attorney includes a law firm or other provider of legal services. Attorneys' fees of \$600 or more paid in the course of your trade or business are reportable in box 7 of Form 1099-MISC.

**Gross proceeds paid to attorneys.** Under section 6045(f), report in box 14 payments to an attorney made in the course of your trade or business in connection with legal services, for example, as in a settlement agreement, unless the attorney's fees are reportable by you in box 7. Generally, you are not required to report the claimant's attorney's fees. For example, an insurance company pays a claimant's attorney \$100,000 to settle a claim. The insurance company reports the payment as gross proceeds of \$100,000 in box 14. The insurance company does not have a reporting requirement for the claimant's attorney's fees subsequently paid from these funds.

These rules apply whether or not the legal services are provided to the payer and whether or not the attorney is exclusive payee (for example, the attorney's and claimant's names are on one check) or other information returns are required for some or all of a payment under section 6041A(a)(1). For example, a person who, in the course of a trade or business, pays \$600 of taxable damages to a claimant by paying that amount to a claimant's attorney is required to furnish Form 1099-MISC to the claimant under section 6041 and furnish Form 1099-MISC to the claimant's attorney under section 6045(f). For more examples and exceptions relating to payments to attorneys, see Regulations section 1.6045-5.

However, these rules do not apply to wages paid to attorneys that are reportable on Form W-2 or to profits distributed by a partnership to its partners that are reportable on:

- Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc., or
- Schedule K-1 (Form 1065-B), Partner's Share of Income (Loss) From an Electing Large Partnership.

**Payments to corporations for legal services.** The exemption from reporting payments made to corporations does not apply to payments for legal services. Therefore, you must report attorneys' fees (in box 7) or gross proceeds (in box 14) as described earlier to corporations that provide legal services.

**Taxpayer identification numbers (TINs).** To report payments to an attorney on Form 1099-MISC, you must obtain the attorney's TIN. You may use Form W-9, Request for Taxpayer Identification Number and Certification, to obtain the attorney's TIN. An attorney is required to promptly supply its TIN whether it is a corporation or other entity, but the attorney is not required to certify its TIN. If the attorney fails to provide its TIN, the attorney may be subject to a penalty under section 6723 and its regulations, and you must backup withhold on the reportable payments.

**Fish purchases.** If you are in the trade or business of purchasing fish for resale, you must report total cash payments of \$600 or more paid during the year to any person who is engaged in the trade or business of catching fish. Report these payments in box 7. You are required to keep records showing the date and amount of each cash payment made during the year, but you must report only the total amount paid for the year on Form 1099-MISC.

"Fish" means all fish and other forms of aquatic life. "Cash" means U.S. and foreign coin and currency and a cashier's check, bank draft, traveler's check, or money order. Cash does not include a check drawn on your personal or business account.

**Deceased employee's wages.** If an employee dies during the year, you must report the accrued wages, vacation pay, and other compensation paid after the date of death. If you made the payment in the same year the employee died, you must withhold social security and Medicare taxes on the payment and report them only as social security and Medicare wages on the employee's Form W-2 to ensure that proper social security and Medicare credit is received. On the Form W-2, show the payment as social security wages (box 3) and Medicare wages and tips (box 5) and the social security and Medicare taxes withheld in boxes 4 and 6; do not show the payment in box 1 of Form W-2.

If you made the payment after the year of death, do not report it on Form W-2, and do not withhold social security and Medicare taxes.

Whether the payment is made in the year of death or after the year of death, you also must report the payment to the estate or beneficiary on Form 1099-MISC. Report the payment in box 3 (rather than in box 7 as specified in Rev. Rul. 86-109, 1986-2 C.B. 196). See the *Example* below. Enter the name and TIN of the payment recipient on Form 1099-MISC. For example, if the recipient is an individual beneficiary, enter the name and social security number of the individual; if the recipient is the estate, enter the name and employer identification number of the estate. The general backup withholding rules apply to this payment.

Death benefits from nonqualified deferred compensation plans paid to the estate or beneficiary of a deceased employee are reportable on Form 1099-MISC. Do not report these death benefits on Form 1099-R. However, if the benefits are from a qualified plan, report them on Form 1099-R. See the Instructions for Forms 1099-R and 5498.

**Example.** Before Employee A's death on June 15, 2010, A was employed by Employer X and received \$10,000 in wages on which federal income tax of \$1,500 was withheld. When A died, X owed A \$2,000 in wages and \$1,000 in accrued vacation pay. The total of \$3,000 (less the social security and Medicare taxes withheld) was paid to A's estate on July 20, 2010. Because X made the payment during the year of death, X must withhold social security and Medicare taxes on the \$3,000 payment and must complete Form W-2 as follows.

- Box 1—10000.00 (does not include the \$3,000 accrued wages and vacation pay)
- Box 2—1500.00
- Box 3—13000.00 (includes the \$3,000 accrued wages and vacation pay)
- Box 4—806.00 (6.2% of the amount in box 3)
- Box 5—13000.00 (includes the \$3,000 accrued wages and vacation pay)
- Box 6—188.50 (1.45% of the amount in box 5)

Employer X also must complete Form 1099-MISC as follows.

- Boxes for recipient's name, address, and TIN—the estate's name, address, and TIN.
- Box 3—3000.00 (Even though amounts were withheld for social security and Medicare taxes, the gross amount is reported here.)

If Employer X made the payment after the year of death, the \$3,000 would not be subject to social security and Medicare taxes and would not be shown on Form W-2. However, the employer would still file Form 1099-MISC.

**Employee business expense reimbursements.** Do not use Form 1099-MISC to report employee business expense reimbursements. Report payments made to employees under a nonaccountable plan as wages on Form W-2. Generally, payments made to employees under an accountable plan are not reportable on Form W-2, except in certain cases when you pay a *per diem* or mileage allowance. For more information, see the Instructions for Forms W-2 and W-3; Pub. 463, Travel, Entertainment, Gift, and Car Expenses; and Pub. 1542, Per Diem Rates. For information on reporting employee moving expense reimbursements on Form W-2, see the Instructions for Forms W-2 and W-3.

**Independent contractor or employee.** Generally, you must report payments to independent contractors on Form 1099-MISC in box 7. See the instructions for box 7 beginning on page 5.

**TIP** Section 530 of the Revenue Act of 1978 as extended by section 269(c) of P.L. 97-248 deals with the employment tax status of independent contractors and employees. To qualify for relief under section 530, employers must file Form 1099-MISC. Additional requirements for relief are discussed in Rev. Proc. 85-18, 1985-1 C.B. 518. Also see Pub. 15-A, Employer's Supplemental Tax Guide, for special rules that may apply to technical service specialists and test proctors and room supervisors.

**Transit passes and parking for independent contractors.** Although you cannot provide qualified transportation fringes to independent contractors, the working condition and *de minimis* fringe rules for transit passes and parking apply to independent contractors. Tokens or farecards that enable an independent contractor to commute on a public transit system (not including privately operated van pools) are excludable from the independent contractor's gross income and are not reportable on Form 1099-MISC if their value in any month is \$21 or less. However, if the value of a pass provided in a month is greater than \$21, the full value is includable in gross income and is reportable on Form 1099-MISC. The value of parking may be excludable from an independent contractor's gross income, and, therefore, not reportable on Form 1099-MISC if certain requirements are met. See Regulations section 1.132-9(b), Q/A-24.

**Directors' fees.** You must report directors' fees and other remuneration, including payments made after retirement, on Form 1099-MISC in the year paid. Report them in box 7.

**Commissions paid to lottery ticket sales agents.** A state that has control over and responsibility for online and instant lottery games must file Form 1099-MISC to report commissions paid, whether directly or indirectly, to licensed sales agents. For example, State X retains control over and liability for online and instant lottery games. For online ticket sales, State X pays commissions by allowing an agent to retain 5% of the ticket proceeds the agent remits to State X. For instant ticket sales, State X pays commissions by providing tickets to the agent for 5% less than the proceeds to be obtained by the agent from the

sale of those tickets. If the commissions for the year total \$600 or more, they must be reported in box 7 on Form 1099-MISC. See Rev. Rul. 92-96, 1992-2 C.B. 281.

**Escrow agent; construction project.** When an escrow agent maintains owner-provided funds in an escrow account for a construction project, performs management and oversight functions relating to the construction project, and makes payments for the owner and the general contractor, the escrow agent must file Form 1099-MISC for reportable payments of \$600 or more. This requirement applies whether or not the escrow agent is a bank. If the contractor is the borrower of the funds, do not report on Form 1099-MISC any loan payments made to the contractor/borrower.

**Indian gaming profits, payments to tribal members.** If you make payments to members of Indian tribes from the net revenues of class II or class III gaming activities conducted or licensed by the tribes, you must withhold federal income tax on such payments. File Form 1099-MISC to report the payments and withholding to tribal members. Report the payments in box 3 and the federal income tax withheld in box 4. Pub. 15-A contains the necessary "Tables for Withholding on Distributions of Indian Gaming Profits to Tribal Members."

**State or local sales taxes.** If state or local sales taxes are imposed on the service provider and you (as the buyer) pay them to the service provider, report them on Form 1099-MISC as part of the reportable payment. However, if sales taxes are imposed on you (as the buyer) and collected from you by the service provider, do not report the sales taxes on Form 1099-MISC.

**Widely held fixed investment trusts (WHFITs).** Trustees and middlemen of WHFITs must report items of gross income attributable to a trust income holder (TIH) on the appropriate Form 1099. A tax information statement that includes the information provided to the IRS on Forms 1099, as well as additional information identified in Regulations section 1.671-5(e), must be furnished to TIHs. For details, see the 2010 General Instructions for Certain Information Returns.

**Statements to recipients.** If you are required to file Form 1099-MISC, you must provide a statement to the recipient. For more information about the requirement to furnish a statement to each recipient, see part M in the 2010 General Instructions for Certain Information Returns.

**2nd TIN not.** You may enter an "X" in this box if you were notified by the IRS twice within 3 calendar years that the payee provided an incorrect TIN. If you mark this box, the IRS will not send you any further notices about this account. However, if you received both IRS notices in the same year, or if you received them in different years but they both related to information returns filed for the same year, do not check the box at this time. For purposes of the two notices in 3-years rule, you are considered to have received one notice. You are not required to send a second "B" notice upon receipt of the second notice. See part N in the 2010 General Instructions for Certain Information Returns for more information.

**TIP** For information on the TIN Matching System offered by the IRS, see the 2010 General Instructions for Certain Information Returns.

### Account Number

The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 1099-MISC. Additionally, the IRS encourages you to designate an account number for all Forms 1099-MISC that you file. See part L in the 2010 General Instructions for Certain Information Returns.

### Box 1. Rents

Enter amounts of \$600 or more for all types of rents, such as real estate rentals paid for office space (unless paid to a real estate agent), machine rentals (for example, renting a bulldozer to level your parking lot), and pasture rentals (for example, farmers paying for the use of grazing land). If the machine rental is part of a contract that includes both the use of the

machine and the operator, the rental should be prorated between the rent of the machine (reported in box 1) and the operator's charge (reported as nonemployee compensation in box 7).

Public housing agencies must report in box 1 rental assistance payments made to owners of housing projects. See Rev. Rul. 88-53, 1988-1 C.B. 384.

**Coin-operated amusements.** If an arrangement between an owner of coin-operated amusements and an owner of a business establishment where the amusements are placed is a lease of the amusements or the amusement space, the owner of the amusements or the owner of the space, whoever makes the payments, must report the lease payments in box 1 of Form 1099-MISC if the payments total at least \$600. However, if the arrangement is a joint venture, the joint venture must file a Form 1065, U.S. Return of Partnership Income, and provide each partner with the information necessary to report the partner's share of the taxable income. Coin-operated amusements include video games, pinball machines, jukeboxes, pool tables, slot machines, and other machines and gaming devices operated by coins or tokens inserted into the machines by individual users. For more information, see Rev. Rul. 92-49, 1992-1 C.B. 433.

### Box 2. Royalties

Enter gross royalty payments of \$10 or more before reduction for severance and other taxes that may have been withheld and paid. Use box 2 to report gross royalties (before reduction for fees, commissions, or expenses) paid by a publisher directly to an author or literary agent, unless the agent is a corporation. The literary agent (whether or not a corporation) that receives the royalty payment on behalf of the author must report the gross amount of royalty payments to the author on Form 1099-MISC whether or not the publisher reported the payment to the agent on its Form 1099-MISC. Do not include surface royalties. They should be reported in box 1. Do not report oil or gas payments for a working interest in box 2; report payments for working interests in box 7. Do not report timber royalties made under a pay-as-cut contract; report these timber royalties on Form 1099-S, Proceeds From Real Estate Transactions.

### Box 3. Other Income

Enter other income of \$600 or more required to be reported on Form 1099-MISC that is not reportable in one of the other boxes on the form.

Also enter in box 3 prizes and awards that are not for services performed. Include the fair market value (FMV) of merchandise won on game shows. Also include amounts paid to a winner of a sweepstakes not involving a wager. If a wager is made, report the winnings on Form W-2G, Certain Gambling Winnings.

**TIP** *If, not later than 60 days after the winner becomes entitled to the prize, the winner can choose the option of a lump sum or an annuity payable over at least 10 years, the payment of winnings is considered made when actually paid. If the winner chooses an annuity, file Form 1099-MISC each year to report the annuity paid during that year.*

Do not include prizes and awards paid to your employees. Report these on Form W-2. Do not include in box 3 prizes and awards for services performed by nonemployees, such as an award for the top commission salesperson. Report them in box 7.

Prizes and awards received in recognition of past accomplishments in religious, charitable, scientific, artistic, educational, literary, or civic fields are not reportable if:

- The winners are chosen without action on their part,
- The winners are not expected to perform future services, and
- The payer transfers the prize or award to a charitable organization or governmental unit under a designation made by the recipient. See Rev. Proc. 87-54, 1987-2 C.B. 669.

Other items required to be reported in box 3 include the following.

1. Generally, all punitive damages, any damages for nonphysical injuries or sickness, and any other taxable damages. Report punitive damages even if they relate to physical injury or physical sickness. Generally, report all compensatory damages for nonphysical injuries or sickness, such as employment discrimination or defamation. However, do not report damages (other than punitive damages):

- a. Received on account of personal physical injuries or physical sickness;
- b. That do not exceed the amount paid for medical care for emotional distress;
- c. Received on account of nonphysical injuries (for example, emotional distress) under a written binding agreement, court decree, or mediation award in effect on or issued by September 13, 1995; or
- d. That are for a replacement of capital, such as damages paid to a buyer by a contractor who failed to complete construction of a building.

Damages received on account of emotional distress, including physical symptoms such as insomnia, headaches, and stomach disorders, are not considered received for a physical injury or physical sickness and are reportable unless described in b or c above. However, damages received on account of emotional distress due to physical injuries or physical sickness are not reportable.

Also report liquidated damages received under the Age Discrimination in Employment Act of 1967.

**TIP** *Taxable back pay damages may be wages and reportable on Form W-2. See Pub. 957, Reporting Back Pay and Special Wage Payments to the Social Security Administration.*

2. Payments as explained on page 2 under *Deceased employee's wages.*
3. Payments as explained on page 3 under *Indian gaming profits, payments to tribal members.*
4. Termination payments to former self-employed insurance salespeople. These payments are not subject to self-employment tax and are reportable in box 3 (rather than box 7) if all the following apply.

- a. The payments are received from an insurance company because of services performed as an insurance salesperson for the company.
- b. The payments are received after termination of the salesperson's agreement to perform services for the company.
- c. The salesperson did not perform any services for the company after termination and before the end of the year.
- d. The salesperson enters into a covenant not to compete against the company for at least 1 year after the date of termination.
- e. The amount of the payments depends primarily on policies sold by the salesperson or credited to the salesperson's account during the last year of the service agreement or to the extent those policies remain in force for some period after termination, or both.
- f. The amount of the payments does not depend at all on length of service or overall earnings from the company (regardless of whether eligibility for payment depends on length of service).

If the termination payments do not meet all these requirements, report them in box 7.

5. A payment or series of payments made to individuals for participating in a medical research study or studies.

### Box 4. Federal Income Tax Withheld

Enter backup withholding. For example, persons who have not furnished their TIN to you are subject to withholding at a 28% rate on payments required to be reported in boxes 1, 2 (net of severance taxes), 3, 5 (to the extent paid in cash), 6, 7 (except fish purchases for cash), 8, 10, and 14. For more information on backup withholding, see part N in the 2010 General Instructions for Certain Information Returns.





which is on page 1115 of Internal Revenue Bulletin 2003-26 at [www.irs.gov/pub/irs-irbs/irb03-26.pdf](http://www.irs.gov/pub/irs-irbs/irb03-26.pdf).

**What is nonemployee compensation?** If the following four conditions are met, you must generally report a payment as nonemployee compensation.

- You made the payment to someone who is not your employee;
- You made the payment for services in the course of your trade or business (including government agencies and nonprofit organizations);
- You made the payment to an individual, partnership, estate, or, in some cases, a corporation; and
- You made payments to the payee of at least \$600 during the year.

**Self-employment tax.** Generally, amounts reportable in box 7 are subject to self-employment tax. If payments to individuals are not subject to this tax and are not reportable elsewhere on Form 1099-MISC, report the payments in box 3. However, report section 530 (of the Revenue Act of 1978) worker payments in box 7.

**Examples.** The following are some examples of payments to be reported in box 7.

- Professional service fees, such as fees to attorneys (including corporations), accountants, architects, contractors, engineers, etc.
- Fees paid by one professional to another, such as fee-splitting or referral fees.
- Payments by attorneys to witnesses or experts in legal adjudication.
- Payment for services, including payment for parts or materials used to perform the services if supplying the parts or materials was incidental to providing the service. For example, report the total insurance company payments to an auto repair shop under a repair contract showing an amount for labor and another amount for parts, if furnishing parts was incidental to repairing the auto.
- Commissions paid to nonemployee salespersons that are subject to repayment but not repaid during the calendar year.
- A fee paid to a nonemployee, including an independent contractor, or travel reimbursement for which the nonemployee did not account to the payer, if the fee and reimbursement total at least \$600. To help you determine whether someone is an independent contractor or an employee, see Pub. 15-A.
- Payments to nonemployee entertainers for services. Use Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, for payments to nonresident aliens.
- Exchanges of services between individuals in the course of their trades or businesses. For example, an attorney represents a painter for nonpayment of business debts in exchange for the painting of the attorney's law offices. The amount reportable by each on Form 1099-MISC is the FMV of his or her own services performed. However, if the attorney represents the painter in a divorce proceeding, this is an activity that is unrelated to the painter's trade or business. The attorney must report on Form 1099-MISC the value of his or her services. But the painter need not report on Form 1099-MISC the value of painting the law offices because the work is in exchange for legal services that are separate from the painter's business.
- Taxable fringe benefits for nonemployees. For information on the valuation of fringe benefits, see Pub. 15-B, Employer's Tax Guide to Fringe Benefits.
- Gross oil and gas payments for a working interest.
- Payments to an insurance salesperson who is not your common law or statutory employee. See Pub. 15-A for the definition of employee. However, for termination payments to former insurance salespeople, see page 4.
- Directors' fees as explained under *Directors' fees* on page 3.
- Commissions paid to licensed lottery ticket sales agents as explained under *Commissions paid to lottery ticket sales agents* on page 3.
- Payments to section 530 (of the Revenue Act of 1978) workers. See the *TIP* on page 3.
- Fish purchases for cash. See *Fish purchases* on page 2.

**Nonqualified deferred compensation (Section 409A) income.** Include in box 7 the amount of all deferrals (plus earnings) reported in box 15b that are includible in gross income because the nonqualified deferred compensation (NQDC) plan fails to satisfy the requirements of section 409A. These amounts generally are subject to self-employment tax and are also subject to a substantial additional tax under section 409A that is reported on the nonemployee's Form 1040. See Regulations sections 1.409A-1 through 1.409A-6.

**Golden parachute payments.** A parachute payment is any payment that meets all of the following conditions.

1. The payment is in the nature of compensation.
2. The payment is to, or for the benefit of, a disqualified individual.
3. The payment is contingent on a change in the ownership of a corporation, the effective control of a corporation, or the ownership of a substantial portion of the assets of a corporation (a change in ownership or control).
4. The payment has (together with other payments described in 1, 2, and 3, above, made to the same individual) an aggregate present value of at least three times the individual's base amount.

A disqualified individual is one who at any time during the 12-month period prior to and ending on the date of the change in ownership or control of the corporation (the disqualified individual determination period) was an employee or independent contractor and was, in regard to that corporation, a shareholder, an officer, or a highly compensated individual.

For more details, see Regulations section 1.280G-1. Also, see Rev. Proc. 2003-68, which is on page 398 of Internal Revenue Bulletin 2003-34 at [www.irs.gov/pub/irs-irbs/irb03-34.pdf](http://www.irs.gov/pub/irs-irbs/irb03-34.pdf), concerning the valuation of stock options for purposes of golden parachute payment rules. For the treatment of unvested shares of restricted stock, see Rev. Rul. 2005-39, available at [www.irs.gov/irb/2005-27\\_IRB/ar08.html](http://www.irs.gov/irb/2005-27_IRB/ar08.html).

**Independent contractor.** Enter in box 7 the total compensation, including any golden parachute payment. For excess golden parachute payments, see box 13 reporting instructions.

For employee reporting of these payments, see Pub. 15-A.

**Payments not reported in box 7.** Do not report in box 7, nor elsewhere on Form 1099-MISC, the cost of current life insurance protection (report on Form W-2 or Form 1099-R); an employee's wages, travel or auto allowance, or bonuses (report on Form W-2); or the cost of group-term life insurance paid on behalf of a former employee (report on Form W-2).

### Box 8. Substitute Payments in Lieu of Dividends or Interest

Enter aggregate payments of at least \$10 received by a broker for a customer in lieu of dividends or tax-exempt interest as a result of a loan of a customer's securities. For this purpose, a customer includes an individual, trust, estate, partnership, association, company, or corporation. See Notice 2003-67, which is on page 752 of Internal Revenue Bulletin 2003-40 at [www.irs.gov/pub/irs-irbs/irb03-40.pdf](http://www.irs.gov/pub/irs-irbs/irb03-40.pdf). It does not include a tax-exempt organization, the United States, any state, the District of Columbia, a U.S. possession, or a foreign government. File Form 1099-MISC with the IRS and furnish a copy to the customer for whom you received the payment. Also, file Form 1099-MISC for and furnish a copy to an individual for whom you received a payment in lieu of tax-exempt interest.

Substitute payment means a payment in lieu of (a) a dividend or (b) tax-exempt interest to the extent that interest (including OID) has accrued while the securities were on loan.

### Box 9. Payer Made Direct Sales of \$5,000 or More

Enter an "X" in the checkbox for sales by you of \$5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other commission basis for resale (by the buyer or any other person) anywhere other than in a

permanent retail establishment. Do not enter a dollar amount in this box.

If you are reporting an amount in box 7, you may also check box 9 on the same Form 1099-MISC.

The report you must give to the recipient for these direct sales need not be made on the official form. It may be in the form of a letter showing this information along with commissions, prizes, awards, etc.

#### **Box 10. Crop Insurance Proceeds**

Enter crop insurance proceeds of \$600 or more paid to farmers by insurance companies unless the farmer has informed the insurance company that expenses have been capitalized under section 278, 263A, or 447.

#### **Boxes 11 and 12. Reserved**

Make no entries in these boxes.

#### **Box 13. Excess Golden Parachute Payments**

Enter any excess golden parachute payments. An excess parachute payment is the amount of the excess of any parachute payment over the base amount (the average annual compensation for services includible in the individual's gross income over the most recent 5 tax years). See Q/A-38 through Q/A-44 of Regulations section 1.280G-1 for how to compute the excess amount.

See *Golden parachute payments* on page 6 for more information.

#### **Box 14. Gross Proceeds Paid to an Attorney**

Enter gross proceeds paid to an attorney in connection with legal services (regardless of whether the services are performed for the payer). See *Payments to attorneys* on page 2.

#### **Box 15a. Section 409A Deferrals**

You do not have to complete this box. For details, see Notice 2008-115, available at [www.irs.gov/irb/2008-52\\_IRB/ar10.html](http://www.irs.gov/irb/2008-52_IRB/ar10.html).

If you complete this box, enter the total amount deferred during the year of at least \$600 for the nonemployee under all nonqualified plans. The deferrals during the year include earnings on the current year and prior year deferrals. For additional information, see Regulations sections 1.409A-1 through 1.409A-6.

For deferrals and earnings under NQDC plans for employees, see the instructions for Forms W-2 and W-3.

#### **Box 15b. Section 409A Income**

Enter all amounts deferred (including earnings on amounts deferred) that are includible in income under section 409A because the NQDC plan fails to satisfy the requirements of section 409A. Do not include amounts properly reported on a Form 1099-MISC, corrected Form 1099-MISC, Form W-2, or Form W-2c for a prior year. Also, do not include amounts that are considered to be subject to a substantial risk of forfeiture for purposes of section 409A. For additional information, see Regulations sections 1.409A-1 through 1.409A-6; Notice 2008-113, available at [www.irs.gov/irb/2008-51\\_IRB/ar12.html](http://www.irs.gov/irb/2008-51_IRB/ar12.html); and Notice 2008-115.

The amount included in box 15b is also includible in box 7 and generally is subject to self-employment tax.

#### **Boxes 16–18. State Information**

These boxes, and Copies 1 and 2, are provided for your convenience only and need not be completed for the IRS. Use the state information boxes to report payments for up to two states. Keep the information for each state separated by the dash line. If you withheld state income tax on this payment, you may enter it in box 16. In box 17, enter the abbreviated name of the state and the payer's state identification number. The state number is the payer's identification number assigned by the individual state. In box 18, you may enter the amount of the state payment. Use Copy 1 to provide information to the state tax department. Give Copy 2 to the recipient for use in filing the recipient's state income tax return.

**Index**

<p><b>A</b></p> <p>Armed Forces ..... 1</p> <p>Attorneys' fees and gross proceeds ..... 2, 5, 7</p> <hr/> <p><b>B</b></p> <p>Backup withholding ..... 2, 4</p> <p>Broker transactions ..... 1, 6</p> <hr/> <p><b>C</b></p> <p>Canceled debt ..... 2</p> <p>Coin-operated amusements ..... 4</p> <p>Commissions ..... 3, 5, 6</p> <p>Construction project, escrow agent ..... 3</p> <p>Consumer products of \$5,000, indicator for ..... 1, 6</p> <p>Corporations, payments to ..... 2, 5</p> <p>Crop insurance proceeds ..... 1, 7</p> <hr/> <p><b>D</b></p> <p>Damages ..... 4</p> <p>Deceased employee's wages ..... 2, 4</p> <p>Difficulty-of-care payments ..... 2</p> <p>Direct sales of consumer products for resale ..... 1, 6</p> <p>Directors' fees ..... 3, 5</p> <hr/> <p><b>E</b></p> <p>Excess golden parachute payments .... 7</p> <p>Exchange of services ..... 5</p> <hr/> <p><b>F</b></p> <p>Fees ..... 1, 3, 5, 6</p> <p>Fish purchases for cash ..... 2, 5, 6</p> <p>Fishing boat proceeds ..... 5</p> <p>Form W-9 ..... 2</p> <p>Former insurance salesperson, termination payments ..... 4, 6</p>	<p><b>G</b></p> <p>Golden parachute payments ..... 6</p> <p>Gross proceeds, attorneys ..... 2, 5, 7</p> <hr/> <p><b>H</b></p> <p>Health care services, payments ..... 1, 2, 5</p> <hr/> <p><b>I</b></p> <p>Independent contractor payments .... 3, 5</p> <p>Indian gaming profits ..... 3</p> <p>Informants, fees ..... 1</p> <hr/> <p><b>L</b></p> <p>Lottery ticket agents, commissions .... 3, 6</p> <hr/> <p><b>M</b></p> <p>Medical payments ..... 2</p> <p>Medical research payments ..... 4</p> <p>Medical services payments ..... 5</p> <p>Military differential payments ..... 1</p> <p>Miscellaneous income ..... 1</p> <hr/> <p><b>N</b></p> <p>Nonemployee compensation ..... 5</p> <p>Nonqualified deferred compensation ..... 6, 7</p> <hr/> <p><b>O</b></p> <p>Other income ..... 4</p> <hr/> <p><b>P</b></p> <p>Parking, value of ..... 3</p> <p>Payment card transactions ..... 1, 4</p> <p>Prizes and awards ..... 4</p>	<p>Punitive damages ..... 4</p> <hr/> <p><b>Q</b></p> <p>Qualified payment card agents (QPCAs) ..... 1, 4</p> <hr/> <p><b>R</b></p> <p>Rents ..... 1, 3</p> <p>Royalties ..... 1, 4</p> <hr/> <p><b>S</b></p> <p>Scholarships ..... 1</p> <p>Section 409A deferrals ..... 7</p> <p>Section 409A income ..... 6, 7</p> <p>Section 530 worker ..... 3, 5, 6</p> <p>Self-employment tax ..... 5</p> <p>State and local sales taxes ..... 3</p> <p>Statements to recipients ..... 3</p> <p>Substitute payments in lieu of dividends or tax-exempt interest ..... 1, 6</p> <hr/> <p><b>T</b></p> <p>Taxpayer identification number ..... 2, 3</p> <p>Termination payments, insurance salespeople ..... 4, 6</p> <p>Trade or business ..... 1</p> <p>Transit passes ..... 3</p> <hr/> <p><b>W</b></p> <p>Withholding:</p> <p>    Backup ..... 2, 4</p> <p>    Indian gaming ..... 3, 4</p>
--	--	--

## QRG 4: 1099 Forms

**For most recent 1099 forms, please visit the IRS website.**

CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Unemployment compensation \$	OMB No. 1545-0120  <span style="font-size: 2em; font-weight: bold;">2010</span>  Form 1099-G	<b>Certain Government Payments</b>
		2 State or local income tax refunds, credits, or offsets \$		
PAYER'S federal identification number	RECIPIENT'S identification number	3 Box 2 amount is for tax year	4 Federal income tax withheld \$	<b>Copy B For Recipient</b>  This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
RECIPIENT'S name  Street address (including apt. no.)  City, state, and ZIP code		5 ATAA payments \$	6 Taxable energy grants \$	
		7 Agriculture payments \$	8 Check if box 2 is trade or business income <input type="checkbox"/>	
Account number (see instructions)		9 Market gain \$	10a State      10b State identification no.      11 State income tax withheld	

Form 1099-G
(keep for your records)
Department of the Treasury - Internal Revenue Service

### Instructions for Recipient

**Recipient's identification number.** For your protection, this form may show only the last four digits of your SSN, ITIN, or ATIN. However, the issuer has reported your complete identification number to the IRS, and, where applicable, to state and/or local governments.

**Account number.** May show an account or other unique number the payer has assigned to distinguish your account.

**Box 1.** Shows the total unemployment compensation paid to you this year. Combine the box 1 amounts from all Forms 1099-G and report the total as income on the unemployment compensation line of your tax return. Except as explained below, this is your taxable amount. If you are married filing jointly, each spouse must figure his or her taxable amount separately. If you expect to receive these benefits in the future, you can ask the payer to withhold federal income tax from each payment. Or, you can make estimated tax payments. For details, see Form 1040-ES. If you made contributions to a governmental unemployment compensation program or to a governmental paid family leave program and received a payment from that program, the payer must issue a separate Form 1099-G to report this amount to you. If you itemize deductions, you may deduct your contributions on Schedule A (Form 1040) as taxes paid. If you do not itemize, you only need to include in income the amount that is in excess of your contributions.

**Box 2.** Shows refunds, credits, or offsets of state or local income tax you received. It may be taxable to you if you deducted the state or local income tax paid on Schedule A (Form 1040). Even if you did not receive the amount shown, for example, because it was credited to your state or local estimated tax, it is still taxable if it was deducted. If you received interest on this amount, you should receive Form 1099-INT for the interest. However, the payer may include interest of less than \$600 in the blank box next to Box 9 on Form 1099-G. Regardless of whether the interest is reported to you, report it as interest income on your tax return. See your tax return instructions.

**Box 3.** Identifies the tax year for which the box 2 refunds, credits, or offsets shown were made. If there is no entry in this box, the refund is for 2009 taxes.

**Box 4.** Shows backup withholding or withholding you requested on unemployment compensation, Commodity Credit Corporation (CCC) loans, or certain crop disaster payments. Generally, a payer must backup withhold on certain payments at a 28% rate if you did not give your taxpayer identification number to the payer. See Form W-9 for information on backup withholding. Include this amount on your income tax return as tax withheld.

**Box 5.** Shows alternative trade adjustment assistance (ATAA) payments you received. Include on Form 1040 on the "Other income" line. See the Form 1040 instructions.

**Box 6.** Shows taxable energy grants you received from a federal, state, or local government.

**Box 7.** Shows your taxable Department of Agriculture payments. If the payer shown is anyone other than the Department of Agriculture, it means the payer has received a payment, as a nominee, that is taxable to you. This may represent the entire agricultural subsidy payment received on your behalf by the nominee, or it may be your pro rata share of the original payment. See Pub. 225 and the instructions for Schedule F (Form 1040) for information about where to report this income. Partnerships, see Form 8825 for how to report.

**Box 8.** If this box is checked, the amount in box 2 is attributable to an income tax that applies exclusively to income from a trade or business and is not a tax of general application. If taxable, report the amount in box 2 on Schedule C, C-EZ, or F (Form 1040), as appropriate.

**Box 9.** Shows market gain on CCC loans whether repaid using cash or CCC certificates. See the instructions for Schedule F (Form 1040).

**Boxes 10a-11.** State income tax withheld reporting boxes.

CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.		Payer's RTN (optional)	OMB No. 1545-0112	<div style="font-size: 2em; font-weight: bold;">2010</div> <div style="font-size: 1.5em; font-weight: bold;">Interest Income</div>	
		1 Interest income \$	<div style="font-weight: bold;">Form 1099-INT</div>		
		2 Early withdrawal penalty \$			
PAYER'S federal identification number	RECIPIENT'S identification number	3 Interest on U.S. Savings Bonds and Treas. obligations \$	<div style="font-weight: bold;">Copy B For Recipient</div> <p style="font-size: 0.8em;">This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.</p>		
RECIPIENT'S name		4 Federal income tax withheld \$			5 Investment expenses \$
Street address (including apt. no.)		6 Foreign tax paid \$			7 Foreign country or U.S. possession
City, state, and ZIP code		8 Tax-exempt interest \$			9 Specified private activity bond interest \$
Account number (see instructions)		10 Tax-exempt bond CUSIP no. (see instructions)			

Form 1099-INT

(keep for your records)

Department of the Treasury - Internal Revenue Service

### Instructions for Recipient

**Recipient's identification number.** For your protection, this form may show only the last four digits of your social security number (SSN), individual taxpayer identification number (ITIN), or adoption taxpayer identification number (ATIN). However, the issuer has reported your complete identification number to the IRS and, where applicable, to state and/or local governments.

**Account number.** May show an account or other unique number the payer assigned to distinguish your account.

**Box 1.** Shows taxable interest paid to you during the calendar year by the payer. This does not include interest shown in box 3. May also show the total amount of the credits from clean renewable energy bonds, Gulf tax credit bonds, qualified forestry conservation bonds, new clean renewable energy bonds, qualified energy conservation bonds, qualified zone academy bonds, Midwestern tax credit bonds, qualified school construction bonds, and build America bonds that must be included in your interest income. These amounts were treated as paid to you during 2010 on the credit allowance dates (March 15, June 15, September 15, and December 15). For more information, see Form 8912, Credit to Holders of Tax Credit Bonds.

**Box 2.** Shows interest or principal forfeited because of early withdrawal of time savings. You may deduct this amount to figure your adjusted gross income on your income tax return. See the instructions for Form 1040 to see where to take the deduction.

**Box 3.** Shows interest on U.S. Savings Bonds, Treasury bills, Treasury bonds, and Treasury notes. This may or may not all be taxable. See Pub. 550. This interest is exempt from state and local income taxes. This interest is not included in box 1.

**Box 4.** Shows backup withholding. Generally, a payer must backup withhold at a 28% rate if you did not furnish your taxpayer identification number (TIN) or you did not furnish the correct TIN to the payer. See Form W-9. Include this amount on your income tax return as tax withheld.

**Box 5.** Any amount shown is your share of investment expenses of a single-class REMIC. If you file Form 1040, you may deduct these expenses on the "Other expenses" line of Schedule A (Form 1040) subject to the 2% limit. This amount is included in box 1.

**Box 6.** Shows foreign tax paid. You may be able to claim this tax as a deduction or a credit on your Form 1040. See your Form 1040 instructions.

**Box 8.** Shows tax-exempt interest, including exempt-interest dividends from a mutual fund or other regulated investment company, paid to you during the calendar year by the payer. Report this amount on line 8b of Form 1040 or Form 1040A. This amount may be subject to backup withholding. See box 4.

**Box 9.** Shows tax-exempt interest subject to the alternative minimum tax. This amount is included in box 8. See the Instructions for Form 6251.

**Box 10.** Shows CUSIP number(s) for tax-exempt bond(s) on which tax-exempt interest was paid to you during the calendar year and reported in box 8. If blank, no CUSIP number was issued for the bond(s).

**Nominees.** If this form includes amounts belonging to another person(s), you are considered a nominee recipient. Complete a Form 1099-INT for each of the other owners showing the income allocable to each. File Copy A of the form with the IRS. Furnish Copy B to each owner. List yourself as the "payer" and the other owner(s) as the "recipient." File Form(s) 1099-INT with Form 1096 with the Internal Revenue Service Center for your area. On Form 1096 list yourself as the "filer." A husband or wife is not required to file a nominee return to show amounts owned by the other.

VOID     CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents	OMB No. 1545-0115  <span style="font-size: 2em; font-weight: bold;">2010</span>  Form <b>1099-MISC</b>		<b>Miscellaneous Income</b>
		\$			
		2 Royalties			
PAYER'S federal identification number		\$	Copy 1 <b>For State Tax Department</b>		
		3 Other income			
		\$			
RECIPIENT'S name		4 Federal income tax withheld	Form <b>1099-MISC</b>		
		\$			
		5 Fishing boat proceeds			
RECIPIENT'S identification number		\$	Copy 1 <b>For State Tax Department</b>		
		6 Medical and health care payments			
		\$			
RECIPIENT'S name		7 Nonemployee compensation	Form <b>1099-MISC</b>		
		\$			
		8 Substitute payments in lieu of dividends or interest			
Street address (including apt. no.)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	Form <b>1099-MISC</b>		
		\$			
		10 Crop insurance proceeds			
City, state, and ZIP code		11	Form <b>1099-MISC</b>		
		\$			
		12			
Account number (see instructions)		13 Excess golden parachute payments	Form <b>1099-MISC</b>		
		\$			
		14 Gross proceeds paid to an attorney			
15a Section 409A deferrals		15	Form <b>1099-MISC</b>		
		\$			
		16 State tax withheld			
15b Section 409A income		\$	Form <b>1099-MISC</b>		
		\$			
		17 State/Payer's state no.			
18 State income		\$	Form <b>1099-MISC</b>		
		\$			
		\$			

Form **1099-MISC** Department of the Treasury - Internal Revenue Service

CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents	OMB No. 1545-0115  <span style="font-size: 2em; font-weight: bold;">2010</span>  Form <b>1099-MISC</b>		<b>Miscellaneous Income</b>
		\$			
		2 Royalties			
PAYER'S federal identification number		\$	Copy B <b>For Recipient</b>		
		3 Other income			
		\$			
RECIPIENT'S name		4 Federal income tax withheld	Copy B <b>For Recipient</b>		
		\$			
		5 Fishing boat proceeds			
RECIPIENT'S identification number		\$	Copy B <b>For Recipient</b>		
		6 Medical and health care payments			
		\$			
RECIPIENT'S name		7 Nonemployee compensation	Copy B <b>For Recipient</b>		
		\$			
		8 Substitute payments in lieu of dividends or interest			
Street address (including apt. no.)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	Copy B <b>For Recipient</b>		
		\$			
		10 Crop insurance proceeds			
City, state, and ZIP code		11	Copy B <b>For Recipient</b>		
		\$			
		12			
Account number (see instructions)		13 Excess golden parachute payments	Copy B <b>For Recipient</b>		
		\$			
		14 Gross proceeds paid to an attorney			
15a Section 409A deferrals		15	Copy B <b>For Recipient</b>		
		\$			
		16 State tax withheld			
15b Section 409A income		\$	Copy B <b>For Recipient</b>		
		\$			
		17 State/Payer's state no.			
18 State income		\$	Copy B <b>For Recipient</b>		
		\$			
		\$			

Form **1099-MISC** Department of the Treasury - Internal Revenue Service

(keep for your records)

## Instructions for Recipient

**Recipient's identification number.** For your protection, this form may show only the last four digits of your social security number (SSN), individual taxpayer identification number (ITIN), or adoption taxpayer identification number (ATIN). However, the issuer has reported your complete identification number to the IRS and, where applicable, to state and/or local governments.

**Account number.** May show an account or other unique number the payer assigned to distinguish your account.

**Amounts shown may be subject to self-employment (SE) tax.** If your net income from self-employment is \$400 or more, you must file a return and compute your SE tax on Schedule SE (Form 1040). See Pub. 334 for more information. If no income or social security and Medicare taxes were withheld and you are still receiving these payments, see Form 1040-ES. Individuals must report these amounts as explained in the box 7 instructions on this page. Corporations, fiduciaries, or partnerships must report the amounts on the proper line of their tax returns.

**Form 1099-MISC incorrect?** If this form is incorrect or has been issued in error, contact the payer. If you cannot get this form corrected, attach an explanation to your tax return and report your income correctly.

**Boxes 1 and 2.** Report rents from real estate on Schedule E (Form 1040). However, report rents on Schedule C or C-EZ (Form 1040) if you provided significant services to the tenant, sold real estate as a business, rented personal property as a business, or you and your spouse elected to be treated as a qualified joint venture. Report royalties from oil, gas, or mineral properties on Schedule E (Form 1040). However, report payments for a working interest as explained in the box 7 instructions. For royalties on timber, coal, and iron ore, see Pub. 544.

**Box 3.** Generally, report this amount on the "Other income" line of Form 1040 and identify the payment. The amount shown may be payments received as the beneficiary of a deceased employee, prizes, awards, taxable damages, Indian gaming profits, or other taxable income. See Pub. 525. If it is trade or business income, report this amount on Schedule C, C-EZ, or F (Form 1040).

**Box 4.** Shows backup withholding or withholding on Indian gaming profits. Generally, a payer must backup withhold at a 28% rate if you did not furnish your taxpayer identification number. See Form W-9 and Pub. 505 for more information. Report this amount on your income tax return as tax withheld.

**Box 5.** An amount in this box means the fishing boat operator considers you self-employed. Report this amount on Schedule C or C-EZ (Form 1040). See Pub. 334.

**Box 6.** For individuals, report on Schedule C or C-EZ (Form 1040).

**Box 7.** Shows nonemployee compensation. If you are in the trade or business of catching fish, box 7 may show cash you received for the sale of fish. If payments in this box are SE income, report this amount on Schedule C, C-EZ, or F (Form 1040), and complete Schedule SE (Form 1040). You received this form instead of Form W-2 because the payer did not consider you an employee and did not withhold income tax or social security and Medicare tax. If you believe you are an employee and cannot get the payer to correct this form, report the amount from box 7 on Form 1040, line 7 (or Form 1040NR, line 8). You must also complete Form 8919 and attach it to your return.

**Box 8.** Shows substitute payments in lieu of dividends or tax-exempt interest received by your broker on your behalf as a result of a loan of your securities. Report on the "Other income" line of Form 1040.

**Box 9.** If checked, \$5,000 or more of sales of consumer products was paid to you on a buy-sell, deposit-commission, or other basis. A dollar amount does not have to be shown. Generally, report any income from your sale of these products on Schedule C or C-EZ (Form 1040).

**Box 10.** Report this amount on line 8 of Schedule F (Form 1040).

**Box 13.** Shows your total compensation of excess golden parachute payments subject to a 20% excise tax. See the Form 1040 instructions for where to report.

**Box 14.** Shows gross proceeds paid to an attorney in connection with legal services. Report only the taxable part as income on your return.

**Box 15a.** May show current year deferrals as a nonemployee under a nonqualified deferred compensation (NQDC) plan that is subject to the requirements of section 409A, plus any earnings on current and prior year deferrals.

**Box 15b.** Shows income as a nonemployee under an NQDC plan that does not meet the requirements of section 409A. This amount is also included in box 7 as nonemployee compensation. Any amount included in box 15a that is currently taxable is also included in this box. This income is also subject to a substantial additional tax to be reported on Form 1040. See "Total Tax" in the Form 1040 instructions.

**Boxes 16-18.** Shows state or local income tax withheld from the payments.

<input type="checkbox"/> CORRECTED (if checked)		<b>Form NC-1099PS</b> <b>Personal Services</b> <b>Income Paid to a</b> <b>Nonresident</b>	
PAYER'S name, street address, city, state and ZIP code		TAX YEAR	
PAYER'S federal identification no.	RECIPIENT'S federal identification no.	1. Gross income paid for personal services in North Carolina \$	<ul style="list-style-type: none"> <li>● See #1 in the box below for information on the new electronic submission requirements.</li> <li>● Give two copies to recipient</li> <li>● Keep one copy for your records</li> </ul>
RECIPIENT'S name, address, (incl. apt. no.), city, state and ZIP code		2. North Carolina income tax withheld \$	
		3. PAYER'S North Carolina withholding account no.	
<b>Form NC-1099PS</b> Rev. 10-09 (Web) North Carolina Department of Revenue, P.O. Box 25000, Raleigh, N.C. 27640-0001			

Form NC-1099PS to be completed by Payer only  
**Personal Services Income Paid to a Nonresident**

North Carolina income tax is required to be withheld from non-wage compensation paid to nonresidents for certain personal services rendered in this State. The requirement to withhold applies to payers who, in the course of a trade or business, pay more than \$1,500 of non-wage compensation to a nonresident individual or to a nonresident entity for services performed in this State in connection with a performance, an entertainment or athletic event, a speech, or the creation of a film, radio, or television program. These payers must withhold North Carolina income tax at the rate of four percent (4%) from the compensation. (Note: See NC-30, **Income Tax Withholding Tables and Instructions for Employers**, for a more detailed explanation of requirements.)

**Instructions for Payer**

Complete this form to report the gross income paid to a nonresident individual, corporation, partnership, or limited liability company for personal services performed in North Carolina and the North Carolina tax withheld from that income. If the gross income was paid to a nonresident individual and you are required to complete federal Form 1099-MISC, you do not have to complete this form. Send Copy 1 of the federal form to the North Carolina Department of Revenue with the annual reconciliation. Do not use this form to report the payment of wages.

**The Payer Must**

1. See the **North Carolina Income Tax Withholding Tables and Instructions for Employers (Form NC-30)**, or our website after January 1, 2011, for changes regarding the submission of the **Annual Withholding Reconciliation (Form NC-3)**, and for information on the new electronic submission requirements for filing and reporting W-2 and 1099 withholding information.
2. Furnish two copies to the recipient by January 31 following the calendar year in which the compensation was paid. Include a copy of these instructions with the recipient's copies of Form NC-1099PS. (Note: If the personal services are completed before the end of the year, the statement is due within 45 days of the last payment of compensation if the recipient requests the statement.)
3. Keep a copy for your records.

**Instructions for Recipient**

Withholding of income tax from your personal services income does not relieve you of your responsibility to file a North Carolina income tax return. Individuals and C corporations may claim the tax withheld reported in Box 2 against the income tax liability for the year. Partnerships may claim only the portion of the tax withheld attributable to its nonresident partners for which the managing partner pays the tax on their behalf. S corporations may claim only the portion of the tax withheld attributable to its nonresident shareholders on whose behalf a composite income tax return is filed. Attach a copy of Form NC-1099PS without the instructions to the income tax return to support North Carolina tax withheld.





## QRG 5: First B Notice

For most recent 1099 forms, please visit the IRS website.

### First B Notice

### IMPORTANT TAX NOTICE ACTION IS REQUIRED

#### Backup Withholding Warning!

**WE NEED A FORM W-9 FROM YOU BEFORE:** \_\_\_\_\_. **Otherwise; backup withholding will begin on**

#### Account Number

#### Current Name on Account

#### Current TIN on Account

The Internal Revenue Service (IRS) has notified us that the taxpayer identification number (TIN) on your account with us does not match its records. The IRS considers a TIN as incorrect if either the name or number shown on an account does not match a name and number combination in their files or the files of the Social Security Administration (SSA). If you do not take appropriate action to help us correct this problem before the date shown above, the law requires us to backup withhold on interest, dividends, and certain other payments that we make to your account. The backup withholding rate is: \_\_ [set forth rates/dates] In addition to backup withholding, you may be subject to a \$50 penalty by the IRS for failing to give us your correct Name/ TIN combination. This notice tells you how to help us make your account records accurate and how to avoid backup withholding and the penalty.

#### Why Your TIN May Be Considered As Incorrect.

An individual's TIN is his or her social security number (SSN). Often a TIN does not match IRS records because a name has changed through marriage, divorce, adoption, etc., and the change has not been reported to SSA, so it has not been recorded in SSA's files. Sometimes an account or transaction may not contain the correct SSN of the actual owner. For example, an account in a child's name may reflect a parent's SSN. (An account should be in the name and SSN of the actual owner.)

#### What You Need To Do for Individuals

If you have never been assigned a social security number (or if you lost your social security card and do not know your SSN), call your local SSA office and find out how to obtain an original (or a replacement) social security card. Then apply for it. If you already have a social security number: Compare the name and SSN on your account with us (shown at the beginning of this notice) with the name and SSN shown on your social security card. Then use the chart on the next page to decide what action to take.

IF	Then
<p>1. The last name and SSN on your account agree with the last name and SSN on your social security card</p>	<p>1. Contact your local SSA office to ascertain whether the information on SSA's records is different from that on your social security card, and to resolve any problem. Also, put your name and SSN on the enclosed Form W-9 following the instructions on the form. Sign the Form W-9 and send it to us.</p>
<p>2. The SSN on your account is different from the SSN on your social security card, but the last name is the same</p>	<p>2. Put your name and SSN, as shown on your social security card, on the enclosed Form W-9, following the instructions on the form, sign it, and send it to us. You do not need to contact SSA.</p>
<p>3. The last name on your account is different from the last name on your social security card, but the SSN is the same on both</p>	<p>3. Take one of the following steps (but not both):                      (a) If the last name on your account is correct, contact SSA to correct the name on your social security card. Put your SSN and name shown on your account on the enclosed Form W-9 following the instructions on the form, sign it, and send it to us. However, if you are not able to contact SSA at this time, you can provide us with both last names. Put your SSN and the name shown on your social security card plus the last name shown on your account (in that order) on the enclosed Form W-9 following the instructions on the form, sign it, and return it to us. For example, if your social security card lists your maiden name, give us your SSN and your name in the following order: First/maiden/married name. Please note, however, that you should contact SSA as soon as possible so they can correct their records.                      (b) If the last name on your social security card is correct, put that name and your SSN on the enclosed Form W-9 following the instructions on the form. Sign it, and return it to us. You do not need to contact SSA.</p>
<p>4. Both the last name and SSN on your account are different from the last name and SSN on your social security card</p>	<p>4. (a) If the last name and SSN on your social security card are correct, put that name and SSN on the enclosed Form W-9 following the instructions on the form. Sign it, and send it to us. You do not need to contact SSA.                      (b) If the last name on your account and the SSN on your social security card are correct, follow the procedure in section 3(a) above. Be sure to put the name shown on your account and the name on your social security card on the Form W-9.</p>

Once you have resolved what your correct name and TIN combination is, you must provide this information to us (and all your other payors) for all of your accounts to avoid a problem in the future. If you are required to visit an SSA office, take this notice, your social security card, and any other related documents with you. Before you go, you should call SSA so that they can explain what other documents you need to bring.

#### **Instructions for Non-individuals and Certain Sole Proprietors**

For most **non-individuals** (such as trusts, estates, partnerships, and similar entities), the TIN is the employer identification number (EIN). The EIN on your account may be incorrect because it does not contain the number of the actual owner of the account. For example, an account of an investment club or bowling league should reflect the organization's own EIN and name, rather than the SSN of a member. Please put the name and EIN on the enclosed Form W-9, sign it, and send it to us.

A **sole proprietor** must furnish his or her individual name and either his or her SSN or the EIN for his or her sole proprietorship. In addition to his or her individual name, the sole proprietor may also furnish the business name for the sole proprietorship, provided his or her individual name is listed before the business name. A sole proprietor must not furnish only the business name. Please put the individual name and SSN or EIN on the enclosed Form W-9, sign it, and send it to us.

#### **Important Reminder!**

**You must send us a signed IRS Form W-9 before the due date of this notice** even if the name and number (SSN or EIN) on your account with us match the name and number (SSN or EIN) on your social security card or the document issuing you an EIN. If we do not receive your Form W-9, and any other documents that we need to change the name or TIN (or both) on your account before the date of this notice, we are required by law to backup withhold on any reportable payment that we pay to your account until we receive the necessary documents. A Form W-9 is enclosed for your convenience, as well as any additional documents allowing us to change the Name/TIN combination on your account.



## QRG 6: Second B Notice

For most recent 1099 forms, please visit the IRS website.

### Second B Notice

### IMPORTANT TAX NOTICE ACTION IS REQUIRED

#### Second Backup Withholding Warning!

**YOU MUST HAVE THE IRS OR SSA VALIDATE YOUR TAXPAYER IDENTIFICATION NUMBER AND RETURN IT TO US:** \_\_\_\_\_. **Otherwise, backup withholding will begin.**

#### Account Number

#### Current Name on Account

#### Current TIN on Account

We have received notice from the Internal Revenue Service (IRS) twice within 3 years stating that the combination of the name and taxpayer identification number (Name/TIN combination) on your account with us is incorrect. (Your account number, current name on the account, and current taxpayer identification number (TIN) on the account are shown above.) A Name/TIN combination is incorrect if it does not match a Name/TIN combination shown on the records of the Social Security Administration (SSA) or the IRS.

You should follow the instructions below to correct this problem and send the corrected information to us before the date shown above. If we do not have the correct information before that date, the law requires us to backup withhold on interest, dividends, and certain other payments that we make to your account. The backup withholding rate is: \_\_ [set forth rates/dates]

Section 3406 of the Internal Revenue Code requires that we withhold a predetermined percent in tax, called backup withholding, when you do not give us your correct Name/TIN combination. Because of the notices we received from the IRS, we are now required to disregard any future Name/TIN combinations you furnish us for your account (whether or not you certify your TIN under penalties of perjury) unless SSA (or, in the case of an incorrect employer identification number, the IRS) validates your Name/TIN combination. Also, the IRS may charge you a \$50 penalty for failing to provide us with your correct Name/TIN combination.

#### What You Need To Do for individuals

Follow the instructions below to correct your account record to avoid backup withholding on your account (or to stop it once it has begun) and to avoid the penalty.

#### Individuals

##### Instructions for Incorrect Social Security Numbers

If the incorrect TIN you furnished us is a social security number, you must:

1. Contact your local SSA office to secure a Social Security Number Printout.
2. Give a copy of this notice to the SSA; and
3. Request a Social Security Number Printout from the local Social Security Administration Office. Send the Social Security Number Printout directly to us with a copy of this notice attached.

#### Non- individuals or Certain Sole Proprietors

##### Instructions for Incorrect Employer Identification Numbers

If the incorrect TIN you furnished is an employer identification number, you must:

1. Write the Internal Revenue Service Center where you file your income tax return, and ask the IRS to send you a Letter 147C;
2. Enclose a copy of this notice in your letter to the Internal Revenue Service Center; and
3. When the IRS sends you the Letter 147C, send it to us with a copy of this notice attached



# QRG 7: Form W-9 and Instructions (Request for Taxpayer Identification Number and Certification)

For most recent 1099 forms, please visit the IRS website.

Form <b>W-9</b> (Rev. January 2011) Department of the Treasury Internal Revenue Service	<b>Request for Taxpayer Identification Number and Certification</b>	Give Form to the requester. Do not send to the IRS.
Print or type See Specific Instructions on page 2.	Name (as shown on your income tax return)	
	Business name/disregarded entity name, if different from above	
	Check appropriate box for federal tax classification (required): <input type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate	
	<input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶	
	<input type="checkbox"/> Other (see instructions) ▶	
Address (number, street, and apt. or suite no.)		Requester's name and address (optional)
City, state, and ZIP code		
List account number(s) here (optional)		

**Part I Taxpayer Identification Number (TIN)**

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

**Note.** If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

<b>Social security number</b>				
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; border: 1px solid black; height: 20px;"></td> <td style="width: 25%; border: 1px solid black; height: 20px;"></td> <td style="width: 25%; border: 1px solid black; height: 20px;"></td> <td style="width: 25%; border: 1px solid black; height: 20px;"></td> </tr> </table>				
<b>Employer identification number</b>				
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; border: 1px solid black; height: 20px;"></td> <td style="width: 25%; border: 1px solid black; height: 20px;"></td> <td style="width: 25%; border: 1px solid black; height: 20px;"></td> <td style="width: 25%; border: 1px solid black; height: 20px;"></td> </tr> </table>				

**Part II Certification**

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
- I am a U.S. citizen or other U.S. person (defined below).

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 4.

<b>Sign Here</b>	Signature of U.S. person ▶	Date ▶
------------------	----------------------------	--------

**General Instructions**

Section references are to the Internal Revenue Code unless otherwise noted.

**Purpose of Form**

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

- Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
- Certify that you are not subject to backup withholding, or
- Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

**Note.** If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

**Definition of a U.S. person.** For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

**Special rules for partnerships.** Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax on any foreign partners' share of income from such business. Further, in certain cases where a Form W-9 has not been received, a partnership is required to presume that a partner is a foreign person, and pay the withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid withholding on your share of partnership income.



The person who gives Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States is in the following cases:

- The U.S. owner of a disregarded entity and not the entity,
- The U.S. grantor or other owner of a grantor trust and not the trust, and
- The U.S. trust (other than a grantor trust) and not the beneficiaries of the trust.

**Foreign person.** If you are a foreign person, do not use Form W-9. Instead, use the appropriate Form W-8 (see Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities).

**Nonresident alien who becomes a resident alien.** Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a "saving clause." Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the payee has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Form W-9 that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.
2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

**Example.** Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if his or her stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first protocol) and is relying on this exception to claim an exemption from tax on his or her scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a nonresident alien or a foreign entity not subject to backup withholding, give the requester the appropriate completed Form W-8.

**What is backup withholding?** Persons making certain payments to you must under certain conditions withhold and pay to the IRS a percentage of such payments. This is called "backup withholding." Payments that may be subject to backup withholding include interest, tax-exempt interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

**Payments you receive will be subject to backup withholding if:**

1. You do not furnish your TIN to the requester,
2. You do not certify your TIN when required (see the Part II instructions on page 3 for details),
3. The IRS tells the requester that you furnished an incorrect TIN,
4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or
5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See the instructions below and the separate instructions for the Requester of Form W-9.

Also see *Special rules for partnerships* on page 1.

**Updating Your Information**

You must provide updated information to any person to whom you claimed to be an exempt payee if you are no longer an exempt payee and anticipate receiving reportable payments in the future from this person. For example, you may need to provide updated information if you are a C corporation that elects to be an S corporation, or if you no longer are tax exempt. In addition, you must furnish a new Form W-9 if the name or TIN changes for the account, for example, if the grantor of a grantor trust dies.

**Penalties**

**Failure to furnish TIN.** If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

**Civil penalty for false information with respect to withholding.** If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

**Criminal penalty for falsifying information.** Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

**Misuse of TINs.** If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

**Specific Instructions**

**Name**

If you are an individual, you must generally enter the name shown on your income tax return. However, if you have changed your last name, for instance, due to marriage without informing the Social Security Administration of the name change, enter your first name, the last name shown on your social security card, and your new last name.

If the account is in joint names, list first, and then circle, the name of the person or entity whose number you entered in Part I of the form.

**Sole proprietor.** Enter your individual name as shown on your income tax return on the "Name" line. You may enter your business, trade, or "doing business as (DBA)" name on the "Business name/disregarded entity name" line.

**Partnership, C Corporation, or S Corporation.** Enter the entity's name on the "Name" line and any business, trade, or "doing business as (DBA) name" on the "Business name/disregarded entity name" line.

**Disregarded entity.** Enter the owner's name on the "Name" line. The name of the entity entered on the "Name" line should never be a disregarded entity. The name on the "Name" line must be the name shown on the income tax return on which the income will be reported. For example, if a foreign LLC that is treated as a disregarded entity for U.S. federal tax purposes has a domestic owner, the domestic owner's name is required to be provided on the "Name" line. If the direct owner of the entity is also a disregarded entity, enter the first owner that is not disregarded for federal tax purposes. Enter the disregarded entity's name on the "Business name/disregarded entity name" line. If the owner of the disregarded entity is a foreign person, you must complete an appropriate Form W-8.

**Note.** Check the appropriate box for the federal tax classification of the person whose name is entered on the "Name" line (Individual/sole proprietor, Partnership, C Corporation, S Corporation, Trust/estate).

**Limited Liability Company (LLC).** If the person identified on the "Name" line is an LLC, check the "Limited liability company" box only and enter the appropriate code for the tax classification in the space provided. If you are an LLC that is treated as a partnership for federal tax purposes, enter "P" for partnership. If you are an LLC that has filed a Form 8832 or a Form 2553 to be taxed as a corporation, enter "C" for C corporation or "S" for S corporation. If you are an LLC that is disregarded as an entity separate from its owner under Regulation section 301.7701-3 (except for employment and excise tax), do not check the LLC box unless the owner of the LLC (required to be identified on the "Name" line) is another LLC that is not disregarded for federal tax purposes. If the LLC is disregarded as an entity separate from its owner, enter the appropriate tax classification of the owner identified on the "Name" line.

**Other entities.** Enter your business name as shown on required federal tax documents on the "Name" line. This name should match the name shown on the charter or other legal document creating the entity. You may enter any business, trade, or DBA name on the "Business name/disregarded entity name" line.

**Exempt Payee**

If you are exempt from backup withholding, enter your name as described above and check the appropriate box for your status, then check the "Exempt payee" box in the line following the "Business name/disregarded entity name," sign and date the form.

Generally, individuals (including sole proprietors) are not exempt from backup withholding. Corporations are exempt from backup withholding for certain payments, such as interest and dividends.

**Note.** If you are exempt from backup withholding, you should still complete this form to avoid possible erroneous backup withholding.

The following payees are exempt from backup withholding:

1. An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2),
2. The United States or any of its agencies or instrumentalities,
3. A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities,
4. A foreign government or any of its political subdivisions, agencies, or instrumentalities, or
5. An international organization or any of its agencies or instrumentalities.

Other payees that may be exempt from backup withholding include:

6. A corporation,
7. A foreign central bank of issue,
8. A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States,
9. A futures commission merchant registered with the Commodity Futures Trading Commission,
10. A real estate investment trust,
11. An entity registered at all times during the tax year under the Investment Company Act of 1940,
12. A common trust fund operated by a bank under section 584(a),
13. A financial institution,
14. A middleman known in the investment community as a nominee or custodian, or
15. A trust exempt from tax under section 664 or described in section 4947.

The following chart shows types of payments that may be exempt from backup withholding. The chart applies to the exempt payees listed above, 1 through 15.

IF the payment is for . . .	THEN the payment is exempt for . . .
Interest and dividend payments	All exempt payees except for 9
Broker transactions	Exempt payees 1 through 5 and 7 through 13. Also, C corporations.
Barter exchange transactions and patronage dividends	Exempt payees 1 through 5
Payments over \$800 required to be reported and direct sales over \$5,000 <sup>1</sup>	Generally, exempt payees 1 through 7 <sup>2</sup>

<sup>1</sup> See Form 1099-MISC, Miscellaneous Income, and its Instructions.

<sup>2</sup> However, the following payments made to a corporation and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees, gross proceeds paid to an attorney, and payments for services paid by a federal executive agency.

**Part I. Taxpayer Identification Number (TIN)**

**Enter your TIN in the appropriate box.** If you are a resident alien and you do not have and are not eligible to get an SSN, your TIN is your IRS individual taxpayer identification number (ITIN). Enter it in the social security number box. If you do not have an ITIN, see *How to get a TIN* below.

If you are a sole proprietor and you have an EIN, you may enter either your SSN or EIN. However, the IRS prefers that you use your SSN.

If you are a single-member LLC that is disregarded as an entity separate from its owner (see *Limited Liability Company (LLC)* on page 2), enter the owner's SSN (or EIN, if the owner has one). Do not enter the disregarded entity's EIN. If the LLC is classified as a corporation or partnership, enter the entity's EIN.

**Note.** See the chart on page 4 for further clarification of name and TIN combinations.

**How to get a TIN.** If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local Social Security Administration office or get this form online at [www.ssa.gov](http://www.ssa.gov). You may also get this form by calling 1-800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at [www.irs.gov/businesses](http://www.irs.gov/businesses) and clicking on Employer Identification Number (EIN) under Starting a Business. You can get Forms W-7 and SS-4 from the IRS by visiting [IRS.gov](http://IRS.gov) or by calling 1-800-TAX-FORM (1-800-829-3676).

If you are asked to complete Form W-9 but do not have a TIN, write "Applied For" in the space for the TIN, sign and date the form, and give it to the requester. For interest and dividend payments, and certain payments made with respect to readily tradable instruments, generally you will have 60 days to get a TIN and give it to the requester before you are subject to backup withholding on payments. The 60-day rule does not apply to other types of payments. You will be subject to backup withholding on all such payments until you provide your TIN to the requester.

**Note.** Entering "Applied For" means that you have already applied for a TIN or that you intend to apply for one soon.

**Caution:** A disregarded domestic entity that has a foreign owner must use the appropriate Form W-8.

**Part II. Certification**

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Form W-9. You may be requested to sign by the withholding agent even if item 1, below, and items 4 and 5 on page 4 indicate otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). In the case of a disregarded entity, the person identified on the "Name" line must sign. Exempt payees, see *Exempt Payee* on page 3.

**Signature requirements.** Complete the certification as indicated in items 1 through 3, below, and items 4 and 5 on page 4.

**1. Interest, dividend, and barter exchange accounts opened before 1984 and broker accounts considered active during 1983.** You must give your correct TIN, but you do not have to sign the certification.

**2. Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983.** You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

**3. Real estate transactions.** You must sign the certification. You may cross out item 2 of the certification.

**4. Other payments.** You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to a nonemployee for services, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).

**5. Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), IRA, Coverdell ESA, Archer MSA or HSA contributions or distributions, and pension distributions.** You must give your correct TIN, but you do not have to sign the certification.

**Note.** If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

**Secure Your Tax Records from Identity Theft**

Identity theft occurs when someone uses your personal information such as your name, social security number (SSN), or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax preparer.

If your tax records are affected by identity theft and you receive a notice from the IRS, respond right away to the name and phone number printed on the IRS notice or letter.

If your tax records are not currently affected by identity theft but you think you are at risk due to a lost or stolen purse or wallet, questionable credit card activity or credit report, contact the IRS Identity Theft Hotline at 1-800-908-4490 or submit Form 14039.

For more information, see Publication 4535, Identity Theft Prevention and Victim Assistance.

Victims of identity theft who are experiencing economic harm or a system problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

**Protect yourself from suspicious emails or phishing schemes.**

Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common act is sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request personal detailed information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward this message to [phishing@irs.gov](mailto:phishing@irs.gov). You may also report misuse of the IRS name, logo, or other IRS property to the Treasury Inspector General for Tax Administration at 1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at: [spam@uce.gov](mailto:spam@uce.gov) or contact them at [www.ftc.gov/idtheft](http://www.ftc.gov/idtheft) or 1-877-IDTHEFT (1-877-438-4338).

Visit [IRS.gov](http://IRS.gov) to learn more about identity theft and how to reduce your risk.

**What Name and Number To Give the Requester**

For this type of account:	Give name and SSN of:
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account <sup>1</sup>
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor <sup>2</sup>
4. a. The usual revocable savings trust (grantor is also trustee)	The grantor-trustee <sup>3</sup>
b. So-called trust account that is not a legal or valid trust under state law	The actual owner <sup>1</sup>
5. Sole proprietorship or disregarded entity owned by an individual	The owner <sup>3</sup>
6. Grantor trust filing under Optional Form 1099 Filing Method 1 (see Regulation section 1.671-4(b)(2)(v)(A))	The grantor <sup>4</sup>
For this type of account:	Give name and EIN of:
7. Disregarded entity not owned by an individual	The owner
8. A valid trust, estate, or pension trust	Legal entity <sup>4</sup>
9. Corporation or LLC electing corporate status on Form 8832 or Form 2553	The corporation
10. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
11. Partnership or multi-member LLC	The partnership
12. A broker or registered nominee	The broker or nominee
13. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity
14. Grantor trust filing under the Form 1041 Filing Method or the Optional Form 1099 Filing Method 2 (see Regulation section 1.671-4(b)(2)(i)(B))	The trust

<sup>1</sup> List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

<sup>2</sup> Circle the minor's name and furnish the minor's SSN.

<sup>3</sup> You must show your individual name and you may also enter your business or "DBA" name on the "Business name/disregarded entity" name line. You may use either your SSN or EIN (if you have one), but the IRS encourages you to use your SSN.

<sup>4</sup> List first and circle the name of the trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.) Also see *Special rules for partnerships* on page 1.

\*Note. Grantor also must provide a Form W-9 to trustee of trust.

**Privacy Act Notice**

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons (including federal agencies) who are required to file information returns with the IRS to report interest, dividends, or certain other income paid to you; mortgage interest you paid; the acquisition or abandonment of secured property; the cancellation of debt; or contributions you made to an IRA, Archer MSA, or HSA. The person collecting this form uses the information on the form to file information returns with the IRS, reporting the above information. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation and to cities, states, the District of Columbia, and U.S. possessions for use in administering their laws. The information also may be disclosed to other countries under a treaty, to federal and state agencies to enforce civil and criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. You must provide your TIN whether or not you are required to file a tax return. Under section 3406, payers must generally withhold a percentage of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to the payer. Certain penalties may also apply for providing false or fraudulent information.

## QRG 8: 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 (28%)	<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
<b>Please check the appropriate Box to Start Backup Withholding:</b>		
<input type="checkbox"/>	Vendor will not provide their taxpayer identification number (TIN).	
<input type="checkbox"/>	B Notice returned because of undeliverable address.	
<input type="checkbox"/>	No receipt of W-9 form by date on First B Notice.	
<input type="checkbox"/>	No receipt of IRS letter 147C or SSA form 7028 by date on Second B Notice.	
<input type="checkbox"/>	Non-Resident Alien.	
<input type="checkbox"/>	Out of state vendor.	
<b>Please check the appropriate Box to Stop Backup Withholding:</b>		
<input type="checkbox"/>	Vendor provided a taxpayer identification number (TIN).	
<input type="checkbox"/>	Vendor provided a deliverable address.	
<input type="checkbox"/>	Receipt of current W-9 form.	
<input type="checkbox"/>	Receipt of IRS letter 147C or SSA 7028 form.	
<input type="checkbox"/>	No longer a Non-Resident Alien.	
Please attach any documentation to support the above request.		
_____	_____	_____
Signature	Printed Name	Date
OSC Use Only		
Date Received: _____	<input type="checkbox"/> Verify Files	<input type="checkbox"/> Withholding On
	<input type="checkbox"/> Update System	<input type="checkbox"/> Withholding Off
Date Completed: _____	Completed by: _____	
If you have any questions about this form, contact the OSC NCAS Support Services at (919) 707-0795 Fax # (919) 981-5561		
Revised: 02/05		

## QRG 9: Form 945 and Instructions (Annual Return of Withheld Federal Income Tax)

For most recent 1099 forms, please visit the IRS website.

Form <b>945</b> Department of the Treasury Internal Revenue Service	<b>Annual Return of Withheld Federal Income Tax</b> ▶ For withholding reported on Forms 1099 and W-2G. ▶ See separate instructions. For more information on income tax withholding, see Pub. 15 (Circ. E) and Pub. 15-A. Please type or print.	OMB No. 1545-1430  <span style="font-size: 2em; font-weight: bold;">2010</span>
---	---	---

Enter state code for state in which deposits were made <b>only</b> if different from state in address to the right ▶ (see the instructions).	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-bottom: 1px solid black;">Name (as distinguished from trade name)</td> <td style="width: 50%; border-bottom: 1px solid black;">Calendar year</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Trade name, if any</td> <td style="border-bottom: 1px solid black;">Employer identification number (EIN)</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Address (number and street)</td> <td style="border-bottom: 1px solid black;">City, state, and ZIP code</td> </tr> </table>	Name (as distinguished from trade name)	Calendar year	Trade name, if any	Employer identification number (EIN)	Address (number and street)	City, state, and ZIP code	If address is different from prior return, check here. ▶ <input type="checkbox"/>
Name (as distinguished from trade name)	Calendar year							
Trade name, if any	Employer identification number (EIN)							
Address (number and street)	City, state, and ZIP code							

**A** If you do not have to file returns in the future, check here ▶  and enter date final payments made. ▶

1 Federal income tax withheld from pensions, annuities, IRAs, gambling winnings, etc. . . . .	1		
2 Backup withholding . . . . .	2		
3 <b>Total taxes.</b> If \$2,500 or more, this must equal line 7M below or line M of Form 945-A . . . . .	3		
4 Total deposits for 2010, including overpayment applied from a prior year and overpayment applied from Form 945-X . . . . .	4		
5 <b>Balance due.</b> If line 3 is more than line 4, write the difference here. For information on how to pay, see the instructions . . . . .	5		

**6 Overpayment.** If line 4 is more than line 3, enter overpayment here ▶ \$ and check if to be:  
 Applied to next return or  Refunded.

- **All filers:** If line 3 is less than \$2,500, **do not** complete line 7 or Form 945-A.
- **Semiweekly schedule depositors:** Complete **Form 945-A** and check here ▶
- **Monthly schedule depositors:** Complete **line 7, entries A through M**, and check here ▶

7 Monthly Summary of Federal Tax Liability. (Do not complete if you were a semiweekly schedule depositor.)					
	Tax liability for month		Tax liability for month		Tax liability for month
A January . . . . .		F June . . . . .		K November . . . . .	
B February . . . . .		G July . . . . .		L December . . . . .	
C March . . . . .		H August . . . . .		M Total liability for year (add lines A through L) . . . . .	
D April . . . . .		I September . . . . .			
E May . . . . .		J October . . . . .			

**Third-Party Designee** Do you want to allow another person to discuss this return with the IRS (see the instructions)?  Yes. Complete the following.  No.

Designee's name ▶	Phone no. ▶	Personal identification number (PIN) ▶
-------------------	-------------	--

**Sign Here** Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature ▶	Print Your Name and Title ▶	Date ▶
-------------	-----------------------------	--------

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶	Firm's EIN ▶		Phone no.	
Firm's address ▶				

## Form 945-V, Payment Voucher

### Purpose of Form

Complete Form 945-V, Payment Voucher, if you are making a payment with Form 945, Annual Return of Withheld Federal Income Tax. We will use the completed voucher to credit your payment more promptly and accurately, and to improve our service to you.

If you have your return prepared by a third party and make a payment with that return, please provide Form 945-V to the return preparer.

### Making Payments With Form 945

To avoid a penalty, make your payment with your 2010 Form 945 **only** if:

- Your total taxes for the year (line 3 on Form 945) are less than \$2,500 and you are paying in full with a timely filed return, or
- You are a monthly schedule depositor making a payment in accordance with the Accuracy of Deposits Rule. See section 11 of Pub. 15 (Circular E), Employer's Tax Guide, for details. In this case, the amount of your payment may be \$2,500 or more.

Otherwise, you must deposit your payment by using the Electronic Federal Tax Payment System (EFTPS). See section 11 of Pub. 15 (Circular E) for deposit instructions. Do not use Form 945-V to make federal tax deposits.

**Caution.** Use Form 945-V when making any payment with Form 945. However, if you pay an amount with Form 945 that should have been deposited, you may be subject to a penalty. See Deposit Penalties in section 11 of Pub. 15 (Circular E).

### Specific Instructions

**Box 1—Employer identification number (EIN).** If you do not have an EIN, apply for one on Form SS-4, Application for Employer Identification Number, and write "Applied For" and the date you applied in this entry space.

**Box 2—Amount paid.** Enter the amount paid with Form 945.

**Box 3—Name and address.** Enter your name and address as shown on Form 945.

- Enclose your check or money order made payable to the "United States Treasury." Be sure to enter your EIN, "Form 945," and "2010" on your check or money order. Do not send cash. Do not staple Form 945-V or your payment to the return (or to each other).

- Detach Form 945-V and send it with your payment and Form 945 to the address provided in the instructions for Form 945.

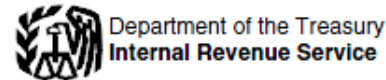
**Note.** You must also complete the entity information above line A on Form 945.

✂      ▼      **Detach Here and Mail With Your Payment and Form 945.**      ▼      ✂

---

Form <b>945-V</b>  Department of the Treasury Internal Revenue Service	<b>Payment Voucher</b>  ► Do not attach this voucher or your payment to Form 945.	OMB No. 1545-1430  <b>2010</b>
1 Enter your employer identification number (EIN).	2	Dollars      Cents  <b>Enter the amount of your payment . . ►</b>
3 Enter your business name (Individual name if sole proprietor).  Enter your address.  Enter your city, state, and ZIP code.		

# 2010 Instructions for Form 945



## Annual Return of Withheld Federal Income Tax

Section references are to the Internal Revenue Code unless otherwise noted.

### What's New

**Electronic deposit requirement.** The IRS has issued proposed regulations under section 6302 which provide that beginning January 1, 2011, you must deposit all depository taxes (such as employment tax, excise tax, and corporate income tax) electronically using the Electronic Federal Tax Payment System (EFTPS). Under these proposed regulations, which are expected to be finalized by December 31, 2010, Forms 8109 and 8109-B, Federal Tax Deposit Coupon, cannot be used after December 31, 2010. For more information about EFTPS or to enroll in EFTPS, visit the EFTPS website at [www.eftps.gov](http://www.eftps.gov), or call 1-800-555-4477. You can also get Pub. 966, The Secure Way to Pay Your Federal Taxes.

**Voluntary income tax withholding rates for 2011.** The 10%, 15%, and 25% voluntary income tax withholding rates that applied in 2010 increase to 15%, 28%, and 31%, respectively, for payments made in 2011. However, at the time these instructions were prepared for printing, an extension of the previous rates was being discussed in Congress. To find out if additional legislation was enacted to extend the previous rates, monitor the news media or go to [IRS.gov](http://IRS.gov), click on Forms and Publications, and then click on Changes to Current Tax Products.

### Reminders

**Additional information.** Pub. 15 (Circular E), Employer's Tax Guide, explains the rules for withholding, depositing, and reporting federal income tax. Pub. 15-A, Employer's Supplemental Tax Guide, includes information on federal income tax withholding from pensions, annuities, and Indian gaming profits. For information on withholding from gambling winnings, see the Instructions for Forms W-2G and 5754.

For a list of employment tax products, visit the IRS website at [www.irs.gov/businesses](http://www.irs.gov/businesses) and select "Employment Taxes" under the **Businesses Topics** heading.

**How to get forms and publications.** You can get most IRS forms and publications by accessing the IRS website at [IRS.gov](http://IRS.gov) or by calling the IRS at 1-800-TAX-FORM (1-800-829-3676).

**Employment tax adjustment process.** If you discover an error on a previously filed Form 945, make the correction using Form 945-X, Adjusted Annual Return of Withheld Federal Income Tax or Claim for Refund. Form 945-X is a stand-alone form, meaning taxpayers can file Form 945-X when an error is discovered. For more information, get the Instructions for Form 945-X or visit the IRS website at [IRS.gov](http://IRS.gov) and type *Correcting Employment Taxes* in the search box.

**Telephone help.** You can call the IRS Business and Specialty Tax Line toll free at 1-800-829-4933 for answers to your questions about completing Form 945, tax deposit rules, or obtaining an employer identification number (EIN).

**Credit or debit card payments.** Payers can pay the balance due shown on Form 945 by credit or debit card. Do not use a credit or debit card to make federal tax deposits. For more information on paying your taxes with a credit or debit card, visit the IRS website at [www.irs.gov/epay](http://www.irs.gov/epay).

### Photographs of Missing Children

The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

### General Instructions

**Purpose of form.** Use Form 945 to report withheld federal income tax from nonpayroll payments. Nonpayroll payments include:

- Pensions (including section 403(b) and governmental section 457(b) plan distributions), annuities, and IRA distributions;
- Military retirement;
- Gambling winnings;
- Indian gaming profits;
- Voluntary withholding on certain government payments; and
- Backup withholding.

Report all federal income tax withholding from nonpayroll payments or distributions annually on one Form 945. **Do not** file more than one Form 945 for any calendar year.

All federal income tax withholding reported on Forms 1099 (for example, Form 1099-R or 1099-MISC) or Form W-2G must be reported on Form 945. **Do not** report federal income tax withholding from wages on Form 945.

All employment taxes and federal income tax withholding reported on Form W-2, Wage and Tax Statement, must be reported on Form 941 or Form 944, Form 943 for agricultural employees, Schedule H (Form 1040) for household employees, or Form CT-1 for railroad employees.

Do not report on Form 945 federal income tax withheld on distributions to participants from nonqualified pension plans (including **nongovernmental** section 457(b) plans) and some other deferred compensation arrangements that are treated as wages and are reported on Form W-2. Report such withholding on Form 941 or Form 944. See Pub. 15 (Circular E) for more information.

**Who must file.** If you withhold federal income tax (including backup withholding) from nonpayroll payments, you must file Form 945. See *Purpose of form* above. You do not have to file Form 945 for those years in which you do not have a nonpayroll tax liability. **Do not** report on Form 945 withholding that is required to be reported on Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons.

Cat. No. 20534D

**Where to file.** In the list below, find the location of your legal residence, principal place of business, office, or agency. Send Form 945 to the address listed for your location.



Where you file depends on whether or not you are including a payment with the return.

If you are in . . .		Without a payment . . .	With a payment . . .
Connecticut	New Jersey	Department of the Treasury	Internal Revenue Service
Delaware	New York		P. O. Box 804524
District of Columbia	North Carolina	Internal Revenue Service	Cincinnati, OH
Georgia	Ohio	45999-0042	45280-4524
Illinois	Pennsylvania	Cincinnati, OH	
Indiana	Rhode Island		
Kentucky	South Carolina		
Maine	Tennessee		
Maryland	Vermont		
Massachusetts	Virginia		
Michigan	West Virginia		
New Hampshire	Wisconsin		
Alabama	Missouri	Department of the Treasury	Internal Revenue Service
Alaska	Montana		P.O. Box 105153
Arizona	Nebraska	Internal Revenue Service	Atlanta, GA
Arkansas	Nevada	Ogden, UT	30348-5153
California	New Mexico	84201-0042	
Colorado	North Dakota		
Florida	Oklahoma		
Hawaii	Oregon		
Idaho	South Dakota		
Iowa	Texas		
Kansas	Utah		
Louisiana	Washington		
Minnesota	Wyoming		
Mississippi			
No legal residence or principal place of business in any state:		Internal Revenue Service P.O. Box 409101 Ogden, UT 84409	Internal Revenue Service P.O. Box 105288 Atlanta, GA 30348-5288
If you are filing Form 945 for an exempt organization or government entity (federal, state, local, or Indian tribal government), use the following addresses, regardless of your location:		Department of the Treasury Internal Revenue Service Ogden, UT 84201-0042	Internal Revenue Service P.O. Box 105153 Atlanta, GA 30348-5153

**When to file.** For 2010, file Form 945 by January 31, 2011. However, if you made deposits on time in full payment of the taxes for the year, you may file the return by February 10, 2011. Your return will be considered timely filed if it is properly addressed and mailed First-Class or sent by an IRS-designated private delivery service on or before the due date. See Pub. 15 (Circular E) for more information on IRS-designated private delivery services.

**Employer identification number (EIN).** If you do not have an EIN, you may apply for one online. Go to the IRS website at [IRS.gov](http://IRS.gov) and click on *Apply for an Employer Identification Number (EIN) Online*. You may also apply for an EIN by calling 1-800-829-4933, or you can fax or mail Form SS-4, Application for Employer Identification Number, to the IRS.

**Penalties and interest.** There are penalties for filing Form 945 late and for paying or depositing taxes late, unless there is reasonable cause. See section 11 of Pub. 15 (Circular E) for more information on deposit penalties. There are also penalties for failure to furnish information returns (for example, Forms 1099-MISC, 1099-R, or W-2G) to payees and failure to file copies with the IRS.



If amounts that must be withheld are not withheld or are not deposited or paid to the United States Treasury, the **trust fund recovery penalty** may apply. The penalty is the full amount of any unpaid trust fund

tax. This penalty may apply when these unpaid taxes cannot be immediately collected from the employer or business. The trust fund recovery penalty may be imposed on all persons who are determined by the IRS to have been responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so. "Willfully" in this case means voluntarily, consciously, and intentionally. A responsible person acts willfully if the person knows that the required actions are not taking place.

**Voluntary income tax withholding.** States must allow unemployment compensation recipients to elect to have federal income tax withheld at a 15% rate in 2011. Recipients paid under the Railroad Unemployment Insurance Act may also elect withholding at a 15% rate in 2011.

Recipients of any of the following federal payments may request federal income tax withholding in 2011 at a rate of 7%, 15%, 28%, or 31% on:

- Social security and Tier 1 railroad retirement benefits,
- Certain crop disaster payments, and
- Commodity Credit Corporation loans.

The payee may request withholding on Form W-4V, Voluntary Withholding Request, or you may develop your own substitute form. Any voluntary withholding on these payments must be reported on Form 945 (and on the required information return—Form 1099-G, Form SSA-1099, or Form RRB-1099) and is subject to the deposit rules.

### Depositing Withheld Taxes

Deposit all nonpayroll (Form 945) withheld federal income tax, including backup withholding, using EFTPS. Combine all Form 945 taxes for deposit purposes. **Do not** combine deposits for Forms 941, 943, 944, or Form CT-1 with deposits for Form 945.

Generally, the deposit rules that apply to Form 941 also apply to Form 945. However, because Form 945 is an annual return, the rules for determining your deposit schedule (discussed below) are different from those for Form 941. See section 11 of Pub. 15 (Circular E) for a detailed discussion of the deposit rules.

**Determining your deposit schedule.** There are two deposit schedules—**monthly** or **semiweekly**—for determining when you must deposit withheld federal income tax. These schedules tell you when a deposit is due after a tax liability arises (that is, you make a payment subject to federal income tax withholding, including backup withholding). Before the beginning of each calendar year, you must determine which of the two deposit schedules you must use.

For 2011, you are a monthly schedule depositor for Form 945 if the total tax reported on your 2009 Form 945 (line 3) was \$50,000 or less. If the total tax reported for 2009 exceeded \$50,000, you are a semiweekly schedule depositor.



If you are a monthly schedule depositor and accumulate a \$100,000 liability or more on any day during a calendar month, your deposit schedule changes on the next day to semiweekly for the remainder of the year and for the following year. For more information, see the \$100,000 Next-Day Deposit Rule in section 11 of Pub. 15 (Circular E).



## Specific Instructions

**State code.** If you made your deposits using Form 8109 or by using an EFTPS bank account in a state other than that shown in your address on Form 945, enter the state code for the state where you made deposits or initiated EFTPS transfers in the box provided in the upper left corner of Form 945. Use the two-letter United States Postal Service state abbreviation as the state code. Enter the code "MU" in the state code box if you deposit in more than one state. If you deposit in the **same state** as shown in your address, **do not** make an entry in this box.

**Line A—Final return.** If you go out of business or end operations and you will not have to file Form 945 in the future, file a final return. Be sure to check the box on line A and enter the date that final nonpayroll payments were made.

**Line 1—Federal income tax withheld.** Enter the federal income tax that you withheld (or were required to withhold) from pensions (including distributions from section 403(b) and governmental section 457(b) plans), annuities, IRA distributions, military retirement, Indian gaming profits, and gambling winnings (regular gambling withholding only). Also enter any voluntary amount that you withheld on certain government payments. If you are required to report federal income tax withholding on Forms 1099 (for example, Form 1099-R or 1099-MISC) or Form W-2G, you must report the federal income tax withheld on Form 945.

**Note.** Federal income tax withholding reported on Form W-2 **must** be reported on Form 941, Form 943, Form 944, or Schedule H (Form 1040), as appropriate.

**Line 2—Backup withholding.** Enter any backup withholding, including backup withholding on gambling winnings.

Regulated investment companies (RICs) and real estate investment trusts (REITs) must report any backup withholding on Form 945 in the year that the dividends are actually paid. This includes January payments of dividends declared during October, November, and December of the prior year. See the Instructions for Form 1099-DIV for special reporting requirements.

**Line 3—Total taxes.** Add lines 1 and 2. If total taxes are \$2,500 or more, the amount reported on line 3 must equal the total liability for the year reported on line 7M of the Monthly Summary of Federal Tax Liability, or line M of Form 945-A.

**Line 4—Total deposits.** Enter your total Form 945 deposits for the year, including any overpayment that you applied from filing Form 945-X and any overpayment that you applied from your 2009 return.

**Line 5—Balance due.** You do not have to pay if line 5 is under \$1. Generally, you should have a balance due only if your total taxes for the year (line 3) are less than \$2,500. If you made payments under the accuracy of deposits rule, see section 11 of Pub. 15 (Circular E). Enter your EIN, "Form 945," and "2010" on your check or money order and make it payable to the "United States Treasury." Complete Form 945-V, Payment Voucher, if you are making a payment with Form 945. If line 3 is \$2,500 or more and you deposited all taxes when due, the amount on line 5 should be zero.



*If you did not make required deposits (using EFTPS or Form 8109, as required) and instead pay these amounts with your return, you may be subject to a penalty.*

Instructions for Form 945 (2010)

**Line 6—Overpayment.** If you deposited more than the correct amount for the year, you can have the overpayment refunded or applied to your next return by checking the appropriate box. The IRS may apply your overpayment to any past due tax account under your EIN. If line 6 is under \$1, we will send a refund or apply it to your next return only on written request.

### Line 7—Monthly Summary of Federal Tax Liability.



*This is a summary of your monthly tax liability, not a summary of deposits made. If line 3 is less than \$2,500, **do not** complete line 7 or Form 945-A.*

Complete line 7 only if you were a **monthly schedule depositor** for the entire year and line 3 is \$2,500 or more. See *Determining your deposit schedule* on page 2.



*The amount entered on line 7M must equal the amount reported on line 3.*

Report your liabilities on Form 945-A instead of on line 7 if either of the following apply.

- You were a **semiweekly schedule depositor** during 2010. **Do not** complete entries A through M of line 7. Instead, complete and file Form 945-A with Form 945.
- You were a **monthly schedule depositor** for 2010 and during any month you accumulated nonpayroll taxes of \$100,000 or more. Because this converted you to a semiweekly schedule depositor for the remainder of 2010 (and for 2011), you must report your liabilities on Form 945-A for the entire year. **Do not** complete entries A through M of line 7. For more information, see the *\$100,000 Next-Day Deposit Rule* in section 11 of Pub. 15 (Circular E).

**Third-Party Designee.** If you want to allow any individual, corporation, firm, organization, or partnership to discuss your 2010 Form 945 with the IRS, check the "Yes" box in the Third-Party Designee section of Form 945. Also, enter the name, phone number, and any five-digit personal identification number (PIN) for the specific person to speak with — not the name of the firm who prepared your return.

By checking the "Yes" box, you are authorizing the IRS to speak with the designee to answer any questions relating to the information reported on your tax return. You are also authorizing the designee to:

- Give the IRS any information that is missing from your return,
- Call the IRS for information about the processing of your return or the status of your refund or payments,
- Receive copies of notices or transcripts related to your return upon request, and
- Respond to certain IRS notices about math errors, offsets, and return preparation.

You are not authorizing the designee to receive any refund check, bind you to anything (including additional tax liability), or otherwise represent you before the IRS. If you want to expand the designee's authorization, see Pub. 947, *Practice Before the IRS and Power of Attorney*.

The authorization will automatically expire 1 year from the due date (without regard to extensions) for filing your 2010 Form 945. If you or your designee wants to terminate the authorization, write to the IRS office for your locality using the address for *Where to file (without a payment)* in the chart on page 2.

**Who must sign.** Form 945 must be signed as follows:

- **Sole proprietorship** — The individual who owns the business.
- **Corporation (including a limited liability company (LLC) treated as a corporation)** — The president, vice president, or other principal officer duly authorized to sign.

- **Partnership (including an LLC treated as a partnership) or unincorporated organization** — A responsible and duly authorized member or officer having knowledge of its affairs.
- **Single member LLC treated as a disregarded entity** — The owner of the limited liability company (LLC).
- **Trust or estate** — The fiduciary.

Form 945 may also be signed by a duly authorized agent of the taxpayer if a valid power of attorney has been filed.

**Alternative signature method.** Corporate officers or duly authorized agents may sign Form 945 by rubber stamp, mechanical device, or computer software program. For details and required documentation, see Rev. Proc. 2005-39, 2005-28 I.R.B. 82, available at [www.irs.gov/irb/2005-28\\_IRB/ar16.html](http://www.irs.gov/irb/2005-28_IRB/ar16.html).

**Paid preparers.** A paid preparer must sign Form 945 and provide the information in the "Paid Preparer's Use Only" section if the preparer was paid to prepare Form 945 and is not an employee of the filing entity. Paid preparers must sign paper returns with a manual signature. The preparer must give you a copy of the return in addition to the copy to be filed with the IRS.

If you are a paid preparer, enter your Preparer Tax Identification Number (PTIN) in the space provided. Include your complete address. If you work for a firm, enter the firm's name and the EIN of the firm. You can apply for a PTIN online or by filing Form W-12, IRS Paid Preparer Tax Identification Number (PTIN) Application. For more information about applying for a PTIN online, visit the IRS website at [www.irs.gov/taxpros](http://www.irs.gov/taxpros). You cannot use your PTIN in place of the EIN of the tax preparation firm.

Generally, do not complete this section if you are filing the return as a reporting agent and have a valid Form 8655, Reporting Agent Authorization, on file with the IRS. However, a reporting agent must complete this section if the reporting agent offered legal advice, for example, advising the client on determining whether federal income tax withholding is required on certain payments.

**Privacy Act and Paperwork Reduction Act Notice.** We ask for the information on Form 945 to carry out the Internal Revenue laws of the United States. We need it to figure and collect the right amount of tax. Sections 3402, 3405, and 3406 of the Internal Revenue Code require taxpayers to pay over to the IRS federal income tax withheld from certain nonpayroll payments and distributions, including backup withholding. Form 945 is used to determine the amount of the taxes that you owe. Section 6011 requires you to provide the requested information if the tax applies to you. Section 6109 requires you to provide your identification number.

You do not have to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

Generally, tax returns and return information are confidential, as required by section 6103. However, section 6103 allows or requires the Internal Revenue Service to disclose or give the information shown on your tax return to others described in the Code. For example, we may disclose your tax information to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and possessions to administer their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

The time needed to complete and file Form 945 will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 7 hr., 9 min.; **Learning about the law or the form**, 47 min.; and **Preparing and sending the form to the IRS**, 56 min. If you have comments concerning the accuracy of these time estimates or suggestions for making Form 945 simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. **Do not** send Form 945 to this address. Instead, see *Where to file* on page 2.

## QRG 10: From NC-5

### (Employer's Report of NC Income Tax Withheld from Wages and Personal Services Compensation)

For most recent DOR forms, please visit the DOR website.

### General Information

Effective January 1, 2002, employers who withhold an average of at least \$250 but less than \$2,000 from wages each month must file a withholding return (Form NC-5) and pay the withheld taxes on a monthly basis. All monthly returns and payments, except those for December, are due by the 15th day of the month following the month in which the tax was withheld. The return and payment for the month of December are due by January 31. Employers who withhold an average of less than \$250 from wages each month must file Form NC-5 and pay the withheld taxes on a quarterly basis. All quarterly returns and payments are due by the last day of the month following the end of the calendar quarter.

### Instructions for Form NC-5 Withholding Return

Indicate the period covered by the return in the blocks provided. Complete the legal name, Account ID, and Federal Employer Identification Number (FEIN) or Social Security Number (SSN). Use capital letters when entering legal name and address. Enter amounts in whole dollars only. Do not enter cents.

Line 1 - Tax withheld: Enter amount of North Carolina income tax required to be withheld.

Line 2 - Penalty: A penalty of 10% of the amount required to be withheld is imposed for failure either to withhold or to pay when due. The penalty for failure to timely file a withholding return is 5% of the tax due per month (maximum 25%). In addition, criminal penalties are provided for willful failure to comply with the withholding statutes.

Line 3 - Interest: If payment is late, interest will accrue at the current rate set by the Secretary of Revenue. The Department's website, [www.dor.state.nc.us](http://www.dor.state.nc.us), lists the current interest rate.

**Please do not fold, staple, tape, or paper clip the return or payment.**

**Use blue or black ink to complete your return.**

Make check payable in U.S. currency to N.C. Department of Revenue.

Cut return on line below and mail it with your payment to the address on the return.

Cut Here

---

Period Beginning (MM-DD-YY) _____	Period Ending (MM-DD-YY) _____	<b>Withholding Return</b> North Carolina Department of Revenue	This report must be returned even if no tax has been withheld.															
Account ID _____	FEIN or SSN _____	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%; padding: 2px 5px;">1. Tax Withheld</td> <td style="width: 10%; text-align: center;">▶</td> <td style="width: 40%; border-bottom: 1px solid black; text-align: right;">.00</td> </tr> <tr> <td style="padding: 2px 5px;">2. Penalty</td> <td></td> <td style="border-bottom: 1px solid black; text-align: right;">.00</td> </tr> <tr> <td style="padding: 2px 5px;">3. Interest</td> <td></td> <td style="border-bottom: 1px solid black; text-align: right;">.00</td> </tr> <tr> <td style="padding: 2px 5px;">4. Total Due</td> <td style="text-align: center;">\$</td> <td style="border-bottom: 1px solid black; text-align: right;">.00</td> </tr> <tr> <td colspan="3" style="font-size: x-small; padding: 2px 5px;">(Add Lines 1, 2, and 3)</td> </tr> </table>		1. Tax Withheld	▶	.00	2. Penalty		.00	3. Interest		.00	4. Total Due	\$	.00	(Add Lines 1, 2, and 3)		
1. Tax Withheld	▶	.00																
2. Penalty		.00																
3. Interest		.00																
4. Total Due	\$	.00																
(Add Lines 1, 2, and 3)																		
USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS Legal Name (Flat 22 Characters) _____ _____ _____ Street Address _____ _____ City _____		State _____	Zip Code (5 Digit) _____															
Signature: _____ <small>I CERTIFY THAT, TO THE BEST OF MY KNOWLEDGE, THIS RETURN IS ACCURATE AND COMPLETE.</small>		Date: _____ 3040106007 																
Title: _____ Phone: ( ) _____		<b>NC-5</b> 10-04 Web																
MAIL TO: P.O. Box 25000, Raleigh, NC 27640-0010																		



## QRG 11: From NC-3

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

For most recent DOR forms, please visit the DOR website.

### General Information

This report serves two purposes - to balance the total North Carolina income tax withheld as listed on the W-2 and 1099 statements with the amount required to be withheld for the year, and to act as a transmittal form for the N.C. copies of the W-2 and 1099 statements. This report with the copies of the W-2 and 1099 statements for the preceding calendar year must be filed on or before February 28. If your business terminates during the year, the report should be filed within thirty days of the last payment of compensation.

### Instructions for Form NC-3 Annual Withholding Reconciliation

- Line 1 - 4: Enter on these lines the total tax required to be withheld for each quarter.
- Line 6a: Enter on this line the N.C. income tax withheld from wages as reported on W-2 statements.
- Line 6b: Enter on this line the N.C. income tax withheld as reported on 1099 statements. This includes amounts withheld from personal services compensation paid to nonresidents and amounts withheld from pensions, annuities, and deferred compensation.
- Line 7: Enter the total North Carolina income tax withheld as reported on all W-2 and 1099 statements and attach an adding machine tape or other listing to this report. If the total tax required to be withheld (Line 5) does not agree with the total tax withheld (Line 7), complete an amended withholding return, Form NC-5X, and send it along with any payment due. Do not mail the amended return and payment with Form NC-3.

**Please do not fold, staple, tape, or paper clip the form.**

**Use blue or black ink to complete this form.**

Cut form on line below and mail it to the address on the return.

Cut Here

---

<b>Annual Withholding Reconciliation</b>		<b>Quarter Ending</b>	<b>N.C. Income Tax Withheld</b>
North Carolina Department of Revenue			
Year <input type="text" value=""/> <small>(YYYY)</small>	File By: <input type="text" value="February 28"/>	1. <input type="text" value="March 31"/>	.00
Account ID <input type="text"/>	FEIN or SSN <input type="text"/>	2. <input type="text" value="June 30"/>	.00
<hr/>		3. <input type="text" value="September 30"/>	.00
<small>USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS</small>		4. <input type="text" value="December 31"/>	.00
<small>Legal Name (First 21 Characters)</small>		5. <b>Total Tax Withheld</b>	.00
<input type="text" value=""/>		6a. <b>Tax Withheld Per W-2 Statements</b>	.00
<small>Street Address</small>		6b. <b>Tax Withheld Per 1099 Statements</b>	.00
<input type="text" value=""/>	<input type="text" value=""/>	7. <b>Total Tax Withheld Per Statements</b>	.00
<small>City</small>	<small>State</small>		
<input type="text" value=""/>	<input type="text" value=""/>		
<small>Zip Code (5 Digit)</small>			
<input type="text" value=""/>			
<small>Signature</small>	<small>Date</small>	3020106004	
<small>3020106004</small>			
<small>Title</small>		<b>NC-3</b>	
<small>Phone</small>		1-02	
<small>MAIL TO: P.O. Box 25000, Raleigh, NC 27640-0001</small>		Web	



## QRG 12: CP2100 Notice

**For most recent IRS forms, please visit the IRS website.**

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

PAYER TIN: 561122334 TRANSMITTER CONTROL CODE: 49L39  
PAGE: 1  
PAYER NAME: STATE OF NORTH CAROLINA FORM: 1099-MISC  
PAYEE TIN STAUTS: INCORRECT NAME/TIN(=)

---

ACCT NO: 212121212A PAYEE TIN: 123456789 SEQUENCE NO: 00002	SHARON HORNER DBA 415 ROME STREET RALEIGH NC 27607
ACCT NO: 212121221 PAYEE TIN: 234567891 SEQUENCE NO: 00003	PRO REPORTING INC PO BOX 70 AYDEN NC 28513
ACCT NO: 212121324 PAYEE TIN: 345678912 SEQUENCE NO: 00004	RAPID COMPUTER CONSULTIING 6161 MULLER STREET PALM BEACH FL 33411
ACCT NO: 212123454B PAYEE TIN: 456789123 SEQUENCE NO: 00005	CROSS BODY SHOP 521 DOXMIRE DRIVE CARY NC 27511
ACCT NO: 212124545A PAYEE TIN: 567891234 SEQUENCE NO: 00006	DIAL-UP ANSWERING SERVICE PO BOX 13131 NEW HILL NC 28555
ACCT NO: 212156565C PAYEE TIN: 678912345 SEQUENCE NO: 00007	KASEY'S FRAMING 456 WEST DRIVE GARNER NC 27529
ACCT NO: 212167676A PAYEE TIN: 789123456 SEQUENCE NO: 00008	HOPPER'S BODY SHOP PO BOX 515 FARMVILLE NC 28545
ACCT NO: 212178787 PAYEE TIN: 891234567 SEQUENCE NO: 00009	GEORGE C PENDLETON 301 MCNAIR STREET CHARLOTTE NC 28204
ACCT NO: 212189898 PAYEE TIN: 912345678 SEQUENCE NO: 00010	COLLINS REPAIR SERVICE ACCOUNTING DENVER NC 28001
ACCT NO: 212190909 PAYEE TIN: 987654321 SEQUENCE NO: 00011	PARKER COLLISION REPAIRS 7900 CAPITAL BLVD ROCKY MOUNT NC 28501
ACCT NO: 212123456 PAYEE TIN: 876543219 SEQUENCE NO: 00012	FRANKLINS PAINT & BODY SHOP FOR BENEFIT OF WILLIAM SELLERS MT HOLLY NC 28613
ACCT NO: 212234567 PAYEE TIN: 765432198 SEQUENCE NO: 00013	ATTY MARK J HOLLINGER 100 PERRY STREET DANVILLE VA 40454
ACCT NO: 212345678 PAYEE TIN: 654321987 SEQUENCE NO: 00014	DAVID W GRAHAM ATTORNEY COUR ARCADE SUITE 100 GASTONIA NC 28113



## QRG 13: 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/>

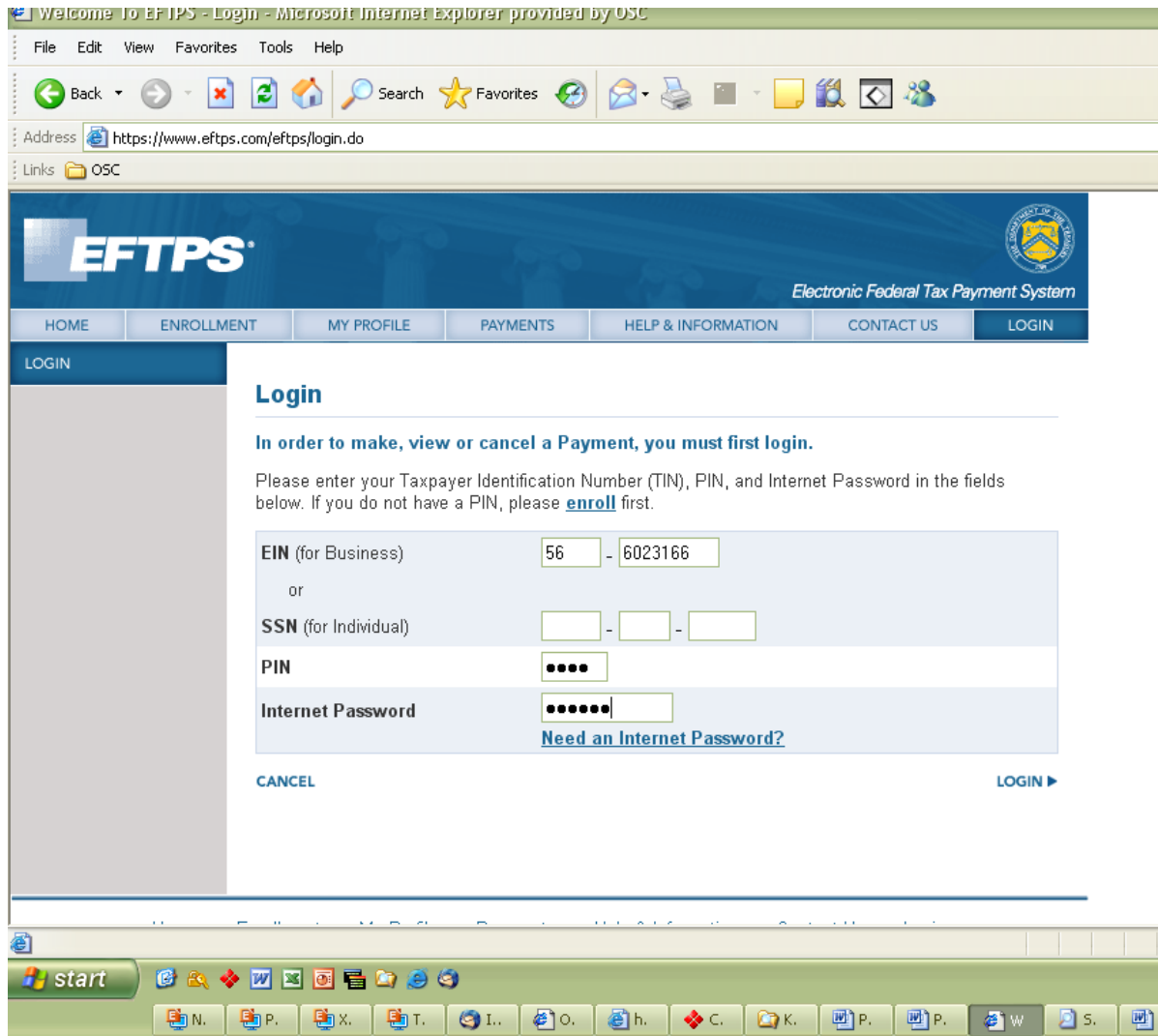
Click on *LOGIN*.

The screenshot shows a Microsoft Internet Explorer browser window displaying the EFTPS Online website. The address bar shows <https://www.eftps.com/eftps/>. The website header features the EFTPS logo and the text "Electronic Federal Tax Payment System". A navigation menu includes links for HOME, ENROLLMENT, MY PROFILE, PAYMENTS, HELP & INFORMATION, CONTACT US, and LOGIN. A sidebar on the left contains links for ABOUT EFTPS, HOW TO USE EFTPS, FAQ, WHAT'S NEW?, STATE PILOT, PRIVACY STATEMENT, and ACCESSIBILITY STATEMENT. The main content area displays a "WELCOME TO EFTPS ONLINE" message with the tagline "The Easiest Way to Pay Your Federal Taxes". Below this is an "IMPORTANT PRESS RELEASE" section with a "PLEASE NOTE" box containing information about tax payment due dates and emergency procedures. The browser's taskbar at the bottom shows several open applications, including Notepad, Paint, and Internet Explorer.

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 title is "Welcome To EFTPS - Payments". The main navigation menu includes "HOME", "ENROLLMENT", "MY PROFILE", and "PAYMENTS". The "PAYMENTS" section is active, showing options for "MAKE A TAX PAYMENT", "CANCEL A TAX PAYMENT", and "CHECK PAYMENT HISTORY". The "TAXPAYER NAME: STATE OF NOR" is displayed. The "Tax Form Selection" section prompts the user to "Please enter the number of the Tax the drop-down lists." and provides instructions to "ENTER TAX FORM NUMBER" or "SELECT A TAX FORM". A list of tax forms is shown, 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, 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. The "All forms in numeric order" option is selected. The "CLEAR FORM" and "NEXT" buttons are visible at the bottom of the form selection area. The footer contains links for "Home", "Enrollment", "My Profile", "Payments", "Help & Information", "Contact Us", and "Logout".

Click on *NEXT*.

The screenshot shows a web browser window with the URL <https://www.eftps.com/eftps/payments/business-payment-flow?execution=e1s3>. The browser title is "Welcome To EFTPS - Payments - Windows Internet Explorer provided by OSC". 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 highlighted), HELP & INFORMATION, CONTACT US, and LOGOUT. Below the navigation menu, a sidebar on the left contains links for 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 section is titled "Tax Form Selection" and includes the instruction: "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." There are two input options: "ENTER TAX FORM NUMBER" with a text box, and "SELECT A TAX FORM" with two dropdown menus. The first dropdown is labeled "Most Common Forms" and shows "select a form". The second dropdown is labeled "All forms in numeric order" and shows "1042 W/H US Source Income Foreign Person". At the bottom of the form area are "CLEAR FORM" and "NEXT ►" buttons. A footer at the bottom of the page contains a horizontal menu 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 the EFTPS (Electronic Federal Tax Payment System) interface. At the top, there is a navigation menu with options: HOME, ENROLLMENT, MY PROFILE, PAYMENTS (selected), HELP & INFORMATION, CONTACT US, and LOGOUT. Below the menu, the user's name is identified as 'TAXPAYER NAME: STATE OF NORTH CAROLINA' with a TIN of 'xxxxx3166'. The main content area is titled 'Business Tax Payment' and includes a warning: 'If you select the next business date for your settlement date, you will not be able to cancel this payment. EFTPS requires your settlement date to be at least 2 business days in the future to cancel a payment.' Below this, there are instructions on the payment amount format and a link for an example. The payment form 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)

 At the bottom of the form, there are 'CLEAR FORM', 'PREVIOUS', and 'NEXT' buttons. A secondary navigation bar at the very bottom of the page repeats the menu items: 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*.

Welcome To EFTPS - Payments - Windows Internet Explorer provided by OSC

https://www.eftps.com/eftps/payments/business-payment-flow?execution=e1s8

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

CHECK PAYMENT HISTORY

### Verify Payment Information

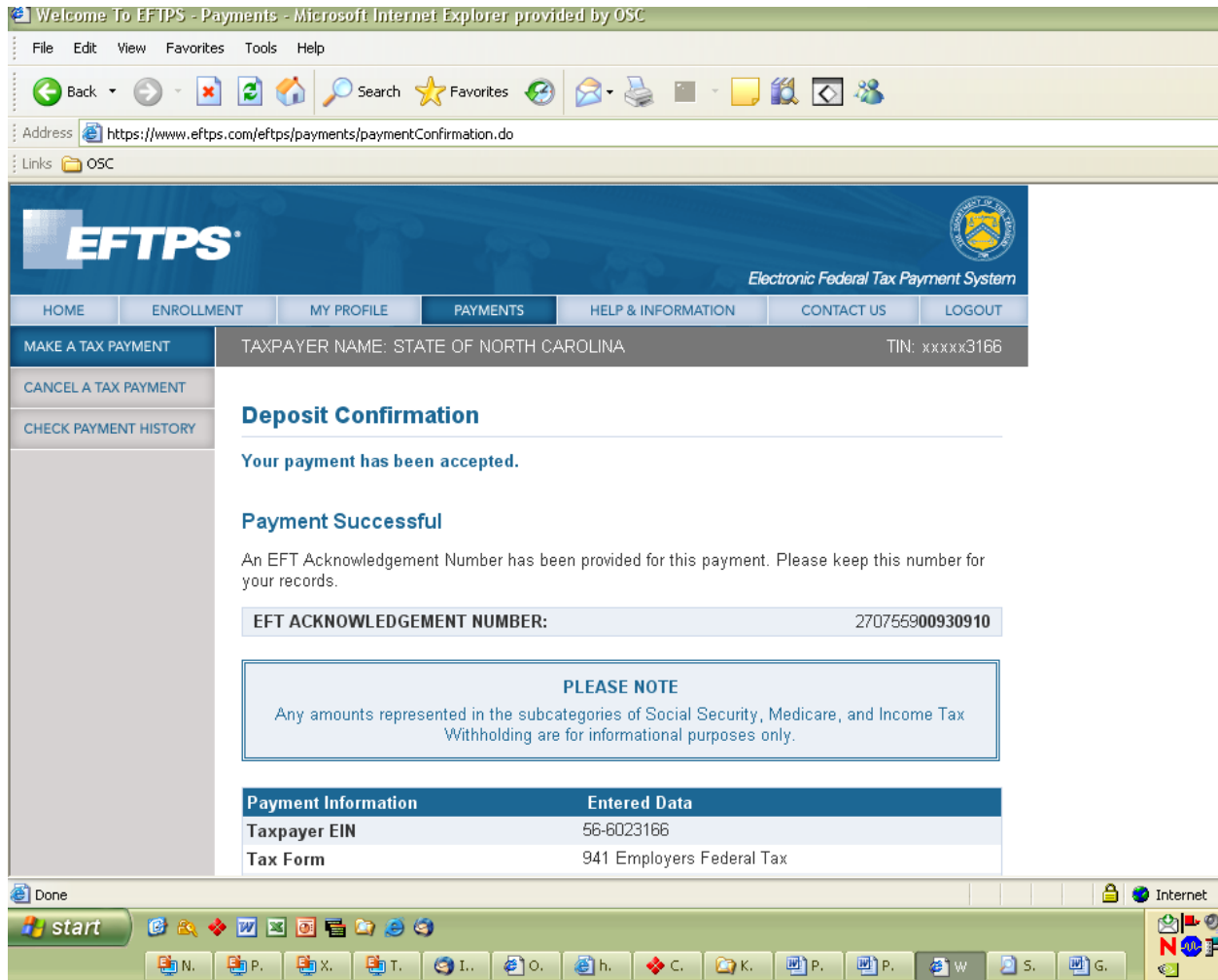
Please review all the information you have input before you click "Make a Payment." If you wish to make changes, click the "Previous" button below.

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.



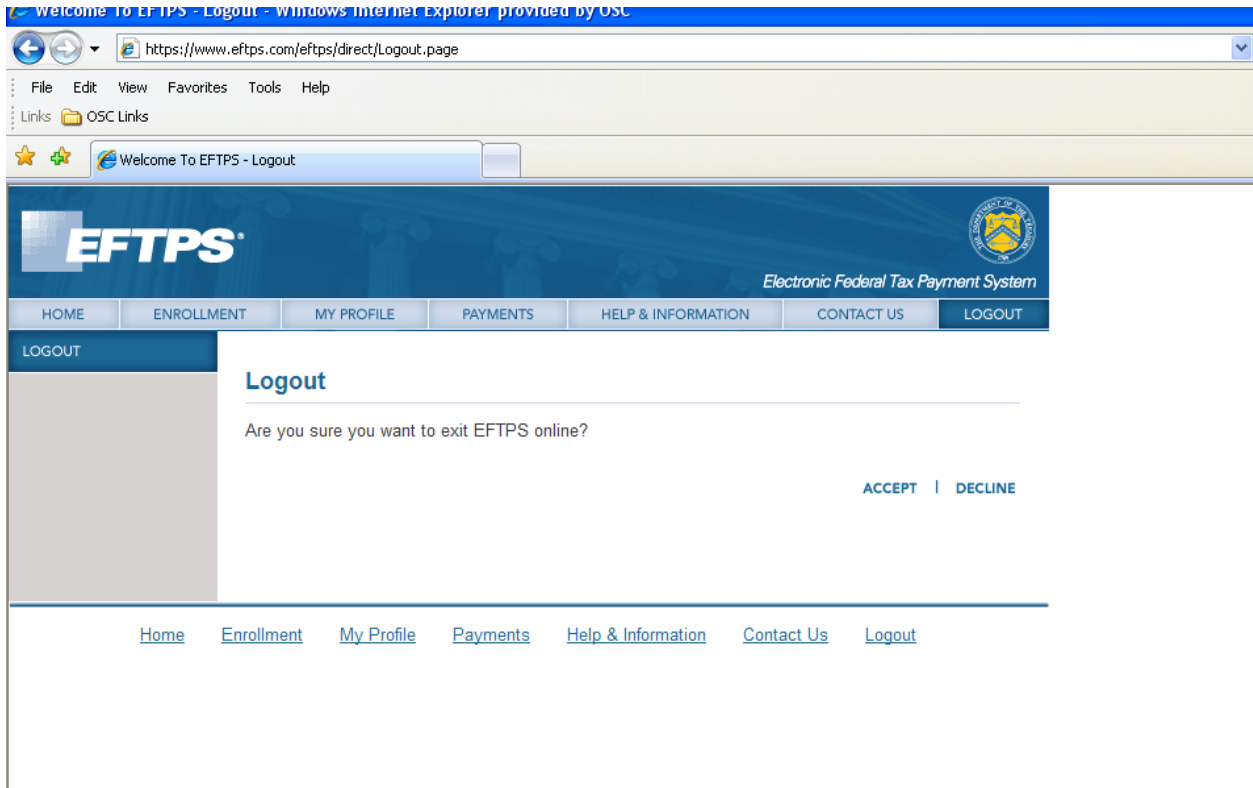
(screen continued on next page).

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

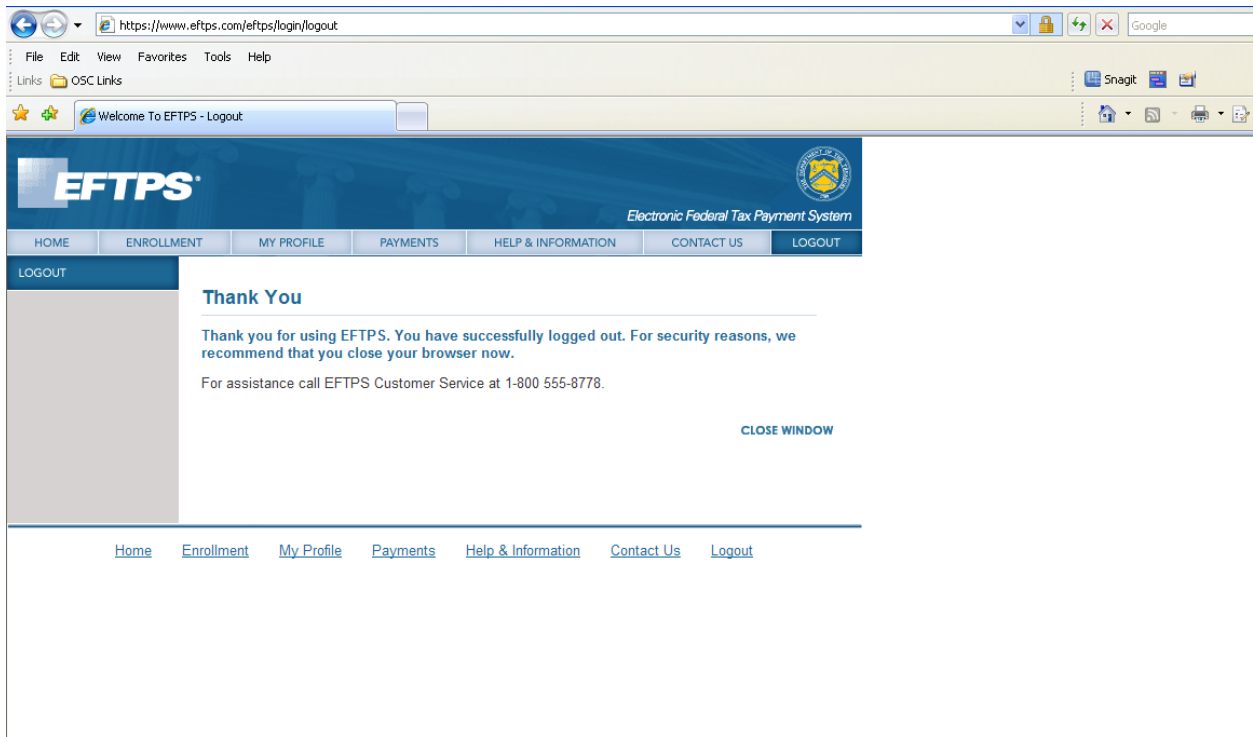


To Logout of EFTPS, click on *LOGOUT*.

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

NC State Withholding Verification Report by Paying Entity (AP-NC002).....	219
Trade Vendors Set for 1099 Withholding Due to Tax ID Expiration Date.....	221
Daily Withholding Transactions.....	223
Monthly Withholding Transaction.....	225
Annual Withholding Transactions .....	227
1099 Detail Verification Report by Paying Entity .....	229
1099 Detail Verification Report by Payer TIN.....	231
1099 Exceptions Report.....	233
1099 Error Report.....	235



---

---

## 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.

4/04/2011  
MDSID: VEND

NORTH CAROLINA ACCOUNTING SYSTEM  
TRADE VENDORS SET FOR 1099 WITHHOLDING  
DUE TO TAX ID EXPIRATION DATE

PAGE 5

PAYING ENTITY	VENDOR NUMBER	GRP NBR	VENDOR NAME	TAX ID EXPIRE DATE	1099 CODE	WITHHOLD RATE	DIST IND
VEND	950858867	A	LABOR RELATIONS INFORMATION	01/01/2010	NO	4.00	951
VEND	953712925	01	MCCARTHY SCIENTIFIC CO	01/01/2010	NO	4.00	951
VEND	953863182	01	H AND H SPORTS	01/01/2010	NO	4.00	951
VEND	954719796	01	MEDIA DISTRIBUTORS	01/01/2010	NO	4.00	951
VEND	954784909	01	METIRI GROUP LLC	01/01/2010	NO	4.00	951
VEND	980354545	01	ROSICA COLIN LTD	06/13/2010	NR	30.00	953
VEND	980481283	01	GET DATA PTY LTD	12/08/2009		5.00	950
VEND	980622137	01	HELP DESK TECHNOLOGY CORP	11/30/2010	NR	30.00	953
VEND	984781554	01	MA VIANEY TRUJILLO	01/01/2010	NO	4.00	951



## 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 .

RMDSID08  
03/30/2011

NORTH CAROLINA ACCOUNTING SYSTEM  
OFFICE OF THE STATE CONTROLLER  
DAILY WITHHOLDING TRANSACTIONS  
FOR : 03/30/2011

PAGE: 1  
C-AP-WITHHOLDING

FEDERAL TAX ID : 56-1492826  
COMPANY ACCOUNT FUND  
0801 211951 1000

PAY ENTY VENDOR NAME	VENDOR NUMBER	TAX ID	DOCUMENT ID / INVOICE NUMBER	CHECK NUMBER	EFF / PAY DATE	INVOICE TOTAL	YTD WITHHELD
WITHHOLDING TYPE: WITHHOLDING							
08PT JAMES E MARTIN	358386254A	358386254	100	00011660214	03/30/2011	2,705.07	-108.20
						VENDOR TOTAL	-108.20
						TOTAL WITHHOLDING :	-108.20
						TOTAL FOR ACCOUNT: 211951	-108.20

---

## 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.

RMDSID08  
03/04/2011

NORTH CAROLINA ACCOUNTING SYSTEM  
OFFICE OF THE STATE CONTROLLER  
MONTHLY WITHHOLDING TRANSACTIONS  
FOR : 02/01/2011 - 02/27/2011

PAGE: 1  
C-AP-WITHHOLDING

FEDERAL TAX ID : 56-1492826  
COMPANY ACCOUNT FUND  
0801 211951 1000

PAY ENTY VENDOR NAME	VENDOR NUMBER	TAX ID	DOCUMENT ID / INVOICE NUMBER	CHECK NUMBER	EFF / PAY DATE	INVOICE TOTAL	YTD WITHHELD
WITHHOLDING TYPE: WITHHOLDING							
08PT DR MARGARITA CALDERON	202613095A	202613095	S012511	00011655410	02/07/2011	15,000.00	-600.00
08PT DR MARGARITA CALDERON	202613095A	202613095	S012511A	00011655410	02/07/2011	15,000.00	-600.00
					VENDOR TOTAL		-1,200.00
08PT BYRON WILSON	237530872A	237530872	S021811	00011656771	02/23/2011	400.00	-16.00
					VENDOR TOTAL		-16.00
08PT HANNIA BEJARANO	24095065201	240950652	S02082011	00011655983	02/14/2011	4,080.00	-163.20
					VENDOR TOTAL		-163.20
08PT JOHN HANCOCK	509668175A	509668175	S021711	00011656792	02/23/2011	410.35	-16.41
					VENDOR TOTAL		-16.41
					TOTAL WITHHOLDING :		-1,395.61
					TOTAL FOR ACCOUNT: 211951		-1,395.61

---

## 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.

RMDSID08  
01/06/2011

NORTH CAROLINA ACCOUNTING SYSTEM  
OFFICE OF THE STATE CONTROLLER  
ANNUAL WITHHOLDING TRANSACTIONS  
FOR : 01/01/2010 - 12/31/2010

PAGE: 12  
C-AP-WITHHOLDING

FEDERAL TAX ID : 56-1492826  
COMPANY ACCOUNT FUND  
0801 211951 1000

PAY ENTRY VENDOR NAME	VENDOR NUMBER	TAX ID	DOCUMENT ID / INVOICE NUMBER	CHECK NUMBER	EFF / PAY DATE	INVOICE TOTAL	YTD WITHHELD
--------------------------	------------------	-----------	---------------------------------	-----------------	-------------------	------------------	-----------------

WITHHOLDING TYPE: WITHHOLDING

VENDOR TOTAL -352.20

08PT THE ANDERSON RESEARCH GROUP	571058287A	571058287	2010-0102	00011624275	01/13/2010	44,000.00	-1,760.00
08PT THE ANDERSON RESEARCH GROUP	571058287A	571058287	2010-0103	00011624275	01/13/2010	48,000.00	-1,920.00
08PT THE ANDERSON RESEARCH GROUP	571058287A	571058287	20101-611	00011636607	06/29/2010	60,000.00	-2,400.00
08PT THE ANDERSON RESEARCH GROUP	571058287A	571058287	2011-1215	00011651815	12/13/2010	24,000.00	-960.00

VENDOR TOTAL -7,040.00

08PT SYNERGY SOLUTIONS LLC	571220766A	571220766	S080410	00011642187	08/30/2010	2,500.00	-100.00
----------------------------	------------	-----------	---------	-------------	------------	----------	---------

VENDOR TOTAL -100.00

08PT GREEN LIGHT EDUCATION LLC	660705116A	660705116	032909	00011633677	05/17/2010	15,000.00	-600.00
--------------------------------	------------	-----------	--------	-------------	------------	-----------	---------

VENDOR TOTAL -600.00

08PT AHA PROCESS INCORPORATED	760502646A	760502646	AHA000082971	00011628044	03/08/2010	179.50	-7.00
08PT AHA PROCESS INCORPORATED	760502646A	760502646	AHA000082971	00011628044	03/08/2010	179.50	-.18

VENDOR TOTAL -7.18

08PT ROLLINGS CARTER CONSULTING L	770674970A	770674970	FRC-LNGFL21910	00011628045	03/08/2010	8,500.00	-340.00
08PT ROLLINGS CARTER CONSULTING L	770674970A	770674970	S041410	00011632653	05/03/2010	8,000.00	-320.00
08PT ROLLINGS CARTER CONSULTING L	770674970A	770674970	FRC-LNGFL90610	00011648359	11/03/2010	10,000.00	-400.00

VENDOR TOTAL -1,060.00

TOTAL WITHHOLDING : -14,881.08

TOTAL FOR ACCOUNT: 211951 -14,733.90

---

## 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.

REPORT ID: AP-TN002  
TIME : 21:58:05

ACCOUNTS PAYABLE  
1099 DETAIL VERIFICATION REPORT BY PAYING ENTITY  
2011

PAGE : 1  
AS OF: 03/31/2011

PAYING ENTITY: A9PT

1099 CATEGORY	INVOICE NUMBER	INVOICE DATE	PYMT NBR	PRTL NBR	INVC LINE	PAYMENT DATE	ACCOUNT NUMBER	EXPENSE AMOUNT	WITHHELD AMOUNT
204911115 03	SEQUOIA INVESTMENTS XIV LLC						TIN: 204911115		
	PO BOX 405411						GA 30387-5411		
	ATLANTA								
MISC-RENT	RENT FY10-11	07/01/2010	8		1	01/24/2011	532512	300.00	
MISC-RENT	RENT FY10-11	07/01/2010	9		1	02/21/2011	532512	300.00	
MISC-RENT	RENT FY10-11	07/01/2010	10		1	03/21/2011	532512	300.00	
							*** CATEGORY CODE M1 TOTALS	900.00	.00
							**** VENDOR 204911115 03 TOTALS	900.00	.00
352154753 02	PEOPLELINK LLC						TIN: 352154753		
	PO BOX 1897						IN 46581-1897		
	WARSAW								
MISC-NONEMPL	619372	01/12/2011	1		1	01/19/2011	532170002	282.00	
MISC-NONEMPL	620599	01/26/2011	1		1	02/07/2011	532170002	380.70	
MISC-NONEMPL	621741	02/09/2011	1		1	02/16/2011	532170002	338.40	
MISC-NONEMPL	622712	02/23/2011	1		1	03/02/2011	532170002	338.40	
MISC-NONEMPL	624058	03/09/2011	1		1	03/16/2011	532170002	183.30	
							*** CATEGORY CODE M7 TOTALS	1,522.80	.00
							**** VENDOR 352154753 02 TOTALS	1,522.80	.00
							***** PAY ENTITY A9PT TOTALS	2,422.80	.00



## 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.

REPORT ID: AP-TN003  
TIME : 21:58:05

ACCOUNTS PAYABLE  
1099 DETAIL VERIFICATION REPORT BY PAYER TIN  
2011

PAGE : 1  
AS OF: 03/31/2011

PAYER TIN: 56-0847358

1099 CATEGORY	PAYING ENTITY	INVOICE INVOICE NUMBER	INVOICE DATE	PYMT NBR	PTL NBR	INVC LINE	PAYMENT DATE	ACCOUNT NUMBER	EXPENSE AMOUNT	WITHHELD AMOUNT
002504404	GERALYN M LAGRANGE							TIN: 002504404		
	513 WILDWOOD LN GRAHAM							NC 27253-4374		
MISC-NONEMPL	02PN	09CRS92959	01/03/2011	1	0	1	01/06/2011	532110032	35.00	
MISC-NONEMPL	02PN	09CRS92959	01/03/2011	1	0	2	01/06/2011	532110032	15.00	
MISC-NONEMPL	02PN	10CRS66769	03/07/2011	1	0	1	03/14/2011	532110032	1,137.50	
MISC-NONEMPL	02PN	10CRS66769	03/07/2011	1	0	2	03/14/2011	532110032	487.50	
MISC-NONEMPL	02PN	09CRS101084	02/01/2011	1	0	1	02/09/2011	532110032	161.00	
MISC-NONEMPL	02PN	09CRS101084	02/01/2011	1	0	2	02/09/2011	532110032	69.00	
*** CATEGORY CODE M7 TOTALS									1,905.00	.00
*** PAYEE TIN 002504404 TOTALS									1,905.00	.00
005861184	CARRIE MATHIEU							TIN: 005861184		
	PO BOX 1333 WILMINGTON							NC 28402-1333		
MISC-NONEMPL	02PN	08J145	02/07/2011	1	0	1	02/16/2011	532110032	537.75	
MISC-NONEMPL	02PN	08J145	02/07/2011	1	0	2	02/16/2011	532110032	179.25	
MISC-NONEMPL	02PN	05CRS50571	03/22/2011	1	0	1	03/28/2011	532110032	95.00	
MISC-NONEMPL	02PN	08CRS53953	03/09/2011	1	0	1	03/16/2011	532110032	71.75	
MISC-NONEMPL	02PN	08CRS53953	03/09/2011	1	0	2	03/16/2011	532110032	30.75	
*** CATEGORY CODE M7 TOTALS									914.50	.00
*** PAYEE TIN 005861184 TOTALS									914.50	.00

---

## 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, or miscellaneous) is negative, nets to zero, or is less than the amounts specified by law.

REPORT ID: AP-TN004  
TIME : 21:58:05

ACCOUNTS PAYABLE  
1099 EXCEPTIONS REPORT  
2011

PAGE : 1  
AS OF: 03/31/2011

PAYER TIN: 56-0847358

VENDOR NAME	VENDOR NUMBER	PAY ENTITY	EXCEPTION MESSAGE	
MOSELEY ELLIOTT & DICKENS VENDOR TIN: 010564783	010564783 01	02PN	FORM 1099-MISC NOT PRODUCED - TOTAL LESS THAN \$	600.00
GALINA IANCU VENDOR TIN: 010846765	010846765	02PN	FORM 1099-MISC NOT PRODUCED - TOTAL LESS THAN \$	600.00
THE CUMMINGS LEGAL GROUP PLLC VENDOR TIN: 010910399	010910399	02PA	FORM 1099-MISC NOT PRODUCED - TOTAL LESS THAN \$	600.00
LAW FIRM OF JOHN W OAKES II PA VENDOR TIN: 020598966	020598966	02PA	FORM 1099-MISC NOT PRODUCED - TOTAL LESS THAN \$	600.00
BRAY LAW FIRM PLLC VENDOR TIN: 020657304	020657304	02PA	FORM 1099-MISC NOT PRODUCED - TOTAL LESS THAN \$	600.00
MADELEINE SCHWARTZ VENDOR TIN: 040688916	040688916	02PN	FORM 1099-MISC NOT PRODUCED - TOTAL LESS THAN \$	600.00
GARRITY AND GOSAGE LLP VENDOR TIN: 043844072	043844072	02PA	FORM 1099-MISC NOT PRODUCED - TOTAL LESS THAN \$	600.00
DEBORAH S ROBBINS VENDOR TIN: 060347156	060347156	02PA	FORM 1099-MISC NOT PRODUCED - TOTAL LESS THAN \$	600.00
KEVIN LEE PEREZ VENDOR TIN: 062581997	062581997	02PN	FORM 1099-MISC NOT PRODUCED - TOTAL LESS THAN \$	600.00
MICHAEL F HAVELIN VENDOR TIN: 077367110	077367110	02PN	FORM 1099-MISC NOT PRODUCED - TOTAL LESS THAN \$	600.00

---

## 1099 Error Report

- Report Group:** 1099-1 AP 1099 REPORTS (comprised of 3 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.

REPORT-ID: AP-TN005  
TIME : 21:58:48

ACCOUNTS PAYABLE  
1099 ERROR REPORT  
2011

PAGE : 8  
AS OF: 03/31/2011

PAYING ENTITY: B2PN                      ERROR TYPE              VENDOR ERRORS

---

VENDOR NUMBER	VENDOR NAME	VENDOR TIN	TIN ERROR
239700477	WILLIAM TALMAGE BROCK	239700477	
		PAYER TIN: 56-1544811	PAYING ENTITY: B2PN

---

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

REPORT-ID: AP-TN05A  
TIME : 21:58:53

ACCOUNTS PAYABLE  
1099 ERROR REPORT  
2011

PAGE : 9  
AS OF: 03/31/2011

PAYING ENTITY: B2PN

ERROR TYPE

VENDOR ERRORS

---

VENDOR NUMBER	VENDOR NAME	VENDOR TIN	TIN ERROR
239700477	WILLIAM TALMAGE BROCK	239700477	
		PAYER TIN: 56-1544811	PAYING ENTITY: B2PN
		VENDOR REMIT-TO RECORD NOT ESTABLISHED INVALID VENDOR STREET ADDRESS INVALID VENDOR CITY INVALID VENDOR POSTAL CODE	
239700477	WILLIAM TALMAGE BROCK	239700477	
		PAYER TIN: 56-1544811	PAYING ENTITY: B2PN
		VENDOR REMIT-TO RECORD NOT ESTABLISHED INVALID VENDOR STREET ADDRESS INVALID VENDOR CITY INVALID VENDOR POSTAL CODE	

---

REPORT-ID: AP-TN05A  
TIME : 21:58:53

ACCOUNTS PAYABLE  
1099 ERROR REPORT  
2011

PAGE : 18  
AS OF: 03/31/2011

PAYING ENTITY: 02PA ERROR TYPE TAX CODES NOT REQUESTED

TAX	PAY	PAYMENT			INVOICE	PYMT	INVC	ACCOUNT	CNTL	EXPENSE	WITHHELD
CD	ENT	DATE	VENDOR NUMBER	VENDOR NAME	INVOICE-NUMBER	NBR	LINE	NUMBER	NBR	AMOUNT	AMOUNT
NO	02PA	01/24/2011	061799998	GRABERERINM	TR-12-10 01/10/2011	1	1	532732	7301	149.92	.00
NO	02PA	01/24/2011	203353196	BRINKLEYDEWEYP	TR-12-10 12/23/2010	1	1	532732	7301	149.92	.00
NO	02PA	01/24/2011	238199080	NEWTONDEBORAHL	TR-12-10 01/18/2011	1	1	532714	7301	149.92	.00
NO	02PA	01/24/2011	271894994	MACHTMICHAEL	TR-12-10 01/04/2011	1	1	532732	7301	149.92	.00
NO	02PA	01/24/2011	320056116	SUTTONKERSTINWA	TR-12-10 12/17/2010	1	1	532714	7301	149.92	.00
NO	02PA	01/26/2011	202376164 01	RUBAINSTACEY	TR-12-10 01/24/2011	1	1	532732	7301	149.92	.00
NO	02PA	03/21/2011	051383926	MARTINROBERTM	TR-03-11 03/15/2011	1	1	532732	7301	150.24	.00
NO	02PA	03/21/2011	141845052	MCNEILRICHARD	TR-03-11 03/15/2011	1	1	532732	7301	150.24	.00
NO	02PA	03/21/2011	200533777	TYNDALLAMOS	TR-03-11 03/15/2011	1	1	532732	7301	150.24	.00
NO	02PA	03/21/2011	204135946	GEOFFRIONMATTHE	TR-03-11 03/15/2011	1	1	532732	7301	150.24	.00
NO	02PA	03/21/2011	205762674 01	DIXONSAMUELB	TR-03-11 03/04/2011	1	1	532731	7301	126.00	.00
NO	02PA	03/21/2011	205762674 01	DIXONSAMUELB	TR-03-11 03/04/2011	1	2	532732	7301	150.24	.00
NO	02PA	03/21/2011	231669319	BEARHDAVIDH	TR-03-11 03/15/2011	1	1	532732	7301	150.24	.00
NO	02PA	03/21/2011	239747778	WARMACKAJACKSON	TR-03-11 03/04/2011	1	1	532731	7301	126.00	.00
NO	02PA	03/21/2011	239747778	WARMACKAJACKSON	TR-03-11 03/04/2011	1	2	532732	7301	150.24	.00
NO	02PA	03/21/2011	300156282 01	RUFFINTONZA	TR-03-11 03/15/2011	1	1	532732	7301	75.12	.00
NO	02PA	03/21/2011	383803874	MCINTYREGREGORY	TR-03-11 03/15/2011	1	1	532732	7301	150.24	.00
NO	02PA	03/21/2011	406026204	CLARKEPHILIPJ	TR-03-11 03/15/2011	1	1	532732	7301	150.24	.00
NO	02PA	03/21/2011	561708292 03	GERRANSWILLIAM	TR-03-11 03/09/2011	1	1	532731	7301	73.50	.00
NO	02PA	03/21/2011	561708292 03	GERRANSWILLIAM	TR-03-11 03/09/2011	1	2	532732	7301	150.24	.00
NO	02PA	03/21/2011	562241275 01	REECEMICHAEL	TR-03-11 03/15/2011	1	1	532732	7301	150.24	.00