



State of North Carolina

Office of the State Controller

DAVID T. MCCOY
STATE CONTROLLER

May 6, 2011

MEMORANDUM

TO: NCAS Chief Fiscal Officers

FROM: David T. McCoy 

RE: NCAS Vendor Records

On January 1, 2012, the federally mandated 3% withholding requirement will become effective. To comply with the new federal requirements, the State must adopt standard default information in the North Carolina Accounting System (NCAS) vendor records. As some may recall, when NCAS was initially implemented, the Office of State Controller (OSC) established both trade and non-trade paying entities. A trade entity is shared among all NCAS agencies and a trade vendor is defined as “one from whom an agency buys goods and/or services.” Trade vendors are centrally maintained by the OSC, including business type designation, address verification, 1099 eligibility, etc. (trade transactions are payments for goods and services). On the other hand, each “non-trade paying entity” is specific to a particular agency. Unless a vendor meets the trade entity definition, a vendor shall be treated as a non-trade vendor and shall be maintained in an agency’s non-trade paying entity. The maintenance of non-trade vendors is the responsibility of each agency (non-trade transactions include payments for grants, scholarships, inter-government transactions, employee reimbursements, etc.).

Over the course of time, some agencies deviated from the original OSC directive with regard to the treatment of trade and non-trade vendors, and consequently there are non-trade vendors listed in NCAS trade paying entities and a number of trade vendors are being maintained in agencies’ non-trade paying entities. We must work together to update and cleanse the files to reflect appropriate and accurate records consistent with the standard initially established by this office and to prepare for the implementation of the 3% withholding rule.

To enhance NCAS to comply with the forthcoming law changes, **OSC staff will establish the necessary default codes for all vendors in the NCAS trade vendor file, and agencies must stop making payments to providers of goods and services in their non-trade paying entities and establish those vendors in the trade paying entity** (note that the new withholding requirements apply only to trade (goods and services) transactions). The establishment of these codes will result in non-

trade paying entities including only those vendors that are excluded from the new federal withholding requirements.

Because of these changes, the agencies will discover that conducting transactions in these entities will be easier to process and your agency accounts payable personnel will be relieved from having to apply standard 1099 reporting and withholding codes to their non-trade vendors. If your accounts payable personnel need assistance in determining which non-trade vendors were providers of goods and services, OSC can run a report to help with that determination. To request such a report, please call the OSC Support Services Center at (919) 707-0795.

I appreciate your cooperation and support as we all work together to ensure that the implementation of this federal mandate takes place as smoothly as possible. On October 5, 2010, a Memorandum regarding the “3% rule” and the IRS’ requirements related to payments made to vendors was provided to you; please refer to this Memorandum for additional guidance. In addition, should you have any questions concerning any aspect of the above, please call Jim Macaulay at (919) 707-0605.

Thank you.

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