



State of North Carolina Office of the State Controller

Michael F. Easley, Governor

Robert L. Powell, State Controller

December 7, 2004

MEMORANDUM

TO: NCAS Chief Financial Officers
NCAS Accounts Payable Personnel

FROM: Robert L. Powell, State Controller
Office of the State Controller

SUBJECT: Annual 1099 Processing

As in previous years, the final 1099 processing begins in early December. Attached please find a schedule and procedures for processing 1099 documentation. The process for reporting remains the same as last year.

Please review the attached schedule to ensure that your agency is in compliance. Due to the centralization of the 1099 reporting process, it is critical that all reports and the NCAS 1099 data are reviewed for accuracy by the requested deadlines so that the central data file for OSC transmission to the IRS can be created.

Please call the OSC NCAS Client Support at (919) 875-HELP if you have any questions, concerns, or require assistance with NCAS 1099 activities.

Thank you for your attention to this very important matter.

Enclosure: 1099 Processing Procedures for Calendar Year 2004

MEMORANDUM NO. FSD05-0003

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3512 Bush Street
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1099 Processing Procedures for Calendar Year 2004

Below are the time schedule and activities for this year's 1099 processing activities. All information should have been recorded throughout the 2004 year by flagging invoices with the 1099 codes and reviewing the monthly 1099 reports. The end-of-year tasks should primarily consist of a final review of reports for errors and accuracy of data. To aid in this review process, the Office of the State Controller (OSC) will begin producing the 1099 reports on a weekly basis starting December 17, 2004.

As indicated in the 1099-processing schedule, the OSC will begin printing 1099s on January 13, 2005. To ensure accurate and prompt delivery, all forms will be printed and held at the OSC until an agency representative picks them up during the week of January 18, 2005. All agency 1099s, regardless of the number, will be printed by the OSC and must be picked up at the OSC by the agency. **The 1099s will be printed on laser paper to ensure each copy will be legible for the recipient and the agency. Each agency will be responsible for placing their 1099s in the envelopes provided by OSC and mailing them.**

In March, the OSC will be the only transmitter for filing with the IRS, sending one file with all the NCAS agencies' data using an OSC Transmitter Control Code (TCC). Each agency will be reported under its own Federal ID number and is responsible for its data, but will no longer be responsible for mailing in magnetic tapes of paper forms. The OSC will be filing with the IRS electronically in order to provide additional time for 1099 reporting. **There should be no direct reporting of NCAS data by the agency to the IRS.** As in the past, all 1099 information that is not on the NCAS will be the responsibility of the agency.

The following time schedule has been established to process 2004 calendar year 1099 information.

1099 PROCESSING SCHEDULE FOR CALENDAR YEAR 2004	
April 1-December 17, 2004	Review and correct monthly 1099 reports
December 1-31, 2004	Review 1099-1 Agency Contact List in XPTR for accuracy before 1099's are printed on January 13, 2005 (only the phone number will be printed on the 1099, names and extensions will not be shown).
December 15-December 30, 2004	"Zero-dollar checks" will run for all paying entities.
December 17, 2004	OSC begins running 1099 reports weekly.
December 30, 2004	The 2004 tax year reporting cycle ends.
January 11, 2005	This is the last day to make changes to 1099 data on NCAS.
January 13, 2005	OSC will print 1099 forms.
January 12- March 22, 2005	Agency can produce manual 1099 corrections and update NCAS for IRS electronic filing.
January 18-31, 2005	OSC will contact agencies to pick up 1099 forms from OSC.
January 18-31, 2005	Agencies will review 1099 forms.
January 31, 2005	This is the due date for issuing 1099 forms to recipients.
March 23, 2005	OSC will produce the 1099 electronic file for filing with the IRS.
March 24 and forward, 2005	Agency will produce manual 1099 corrections and manually report these to IRS.
March 31, 2005	This is the due date for OSC filing electronically to IRS.

Agencies that have incurred personal services income to a non-resident of North Carolina are required to complete the form NC-1099PS which can be obtained from the Department of Revenue or by contacting Randy Thomas at the OSC, (919) 981-5488.

For detailed procedures on the 1099 process refer to the following link:

http://www.osc.state.nc.us/sigdocs/sig_docs/documentation/policies_procedures/step_by_steps/1099_With_holding.html