

**STATE OF MISSISSIPPI
DEPARTMENT OF FINANCE AND ADMINISTRATION**

TOPIC	FORM 1099 REPORTING	SUB-SECTION 28.00.00
SECTION		ISSUANCE DATE JUNE 30, 1999
SUB-SECTION	INDEX	REVISION NUMBER 99-004

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TOPIC	FORM 1099 REPORTING	SUB-SECTION 28.10.10
SECTION	INTRODUCTION	ISSUANCE DATE FEBRUARY 28, 2001
SUB-SECTION	OVERVIEW	REVISION NUMBER 01-003

OVERVIEW

GENERAL

To assist the IRS in ascertaining whether taxpayers have reported their true income, federal law requires persons or organizations making certain payments to others in the course of trade or business to report payments made for services performed on IRS Form 1099. Each agency of the State of Mississippi is required to file the necessary Forms 1099 relative to its expenditures for each calendar year.

TYPES OF FORM 1099

There are numerous types of Form 1099, but the primary one that will be used by a majority of state agencies is Form 1099-MISC. Some agencies will need to issue Form 1099-G to report unemployment compensation, state and local income tax refunds, agricultural subsidy payments, and taxable grants. Some agencies will need to issue Form 1099-R to report distributions to beneficiaries from retirement or profit sharing plans. (Forms 1099-G and 1099-R and other 1099 forms are not discussed in this manual since they apply only to specific agencies, but each agency that may have payments to be reported on these forms should keep current of any changes affecting agency reporting.)

DETAILED INSTRUCTIONS

See the IRS web site at www.irs.gov/formspubs/index.html for detailed instructions and reporting requirements.

TOPIC	FORM 1099 REPORTING	SUB-SECTION 28.20.10
SECTION	INPUT	ISSUANCE DATE APRIL 6, 2007
SUB-SECTION	FORM W-9 AND THE TIN	REVISION NUMBER 07-003

Form W-9 and the TIN

OBTAINING A VENDOR'S TIN

Every agency who is required to file 1099 information returns must obtain the vendor's correct TIN in the time and the manner necessary to correctly report the income paid to that vendor. A W-9 is a form that requests the vendor's correct name and TIN and identifies the entity type of the vendor. See www.irs.gov/pub/irs-pdf/fw9.pdf.

A W-9 is needed for each vendor to ensure that the vendor record in the VEND table is set up correctly and to avoid IRS penalties for reporting incorrect name/TIN combinations.

An initial solicitation of the vendor's correct TIN should be made by the agency at the time the vendor is set up in the vendor file. A cover letter informing the vendor that they must provide their correct name/TIN combination and that they are subject to a \$50 penalty imposed by the IRS under section 6723 if they fail to furnish the correct name/TIN combination should be sent along with a Form W-9 and an optional return envelope to the vendor.

VERIFICATION

When a W-9 is received from a vendor, review the W-9 for accuracy as follows:

- (1) Verify that the name given on the first line is that of an individual if the vendor is a sole proprietorship.
- (2) Verify that the name corresponds with the entity type of the vendor. For example, if the entity type indicated is a corporation, the name should not contain the word "partnership."
- (3) Verify that the TIN given has exactly 9 digits.
- (4) If the TIN given is in the vendor file with a different name, call or correspond with the vendor to verify that they have given the correct name/TIN combination.
- (5) If there is any reason to believe that the vendor has given an incorrect name or TIN, the agency should make every effort to obtain a correct W-9 **before** the vendor is set up in the vendor file.

If a vendor refuses to provide their correct TIN, the agency must follow the IRS instructions for backup withholding as noted in the following sub-section.

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TOPIC	FORM 1099 REPORTING	SUB-SECTION 28.20.20
SECTION	INPUT	ISSUANCE DATE APRIL 6, 2007
SUB-SECTION	BACKUP WITHHOLDING	REVISION NUMBER 07-003

BACKUP WITHHOLDING

DEFINITION

Backup withholding is the process of withholding 28% of all reportable payments made to a vendor who either has not furnished their TIN in a timely manner or for whom an incorrect TIN was reported on the 1099.

The IRS will send the agency a CP2100A notice which contains a listing of the information returns filed by the agency that included missing, incorrect, and/or not currently issued TINs. The agency should compare the listing to their records of what was filed and what is in the vendor file in SAAS to determine what action must be taken. See Publication 1679, A Guide To Backup Withholding, available from the IRS, which contains detailed information about missing and incorrect names & TINs and the appropriate action to be taken.

DETAILED INSTRUCTIONS

See the IRS web site at www.irs.gov/formspubs/index.html for detailed instructions concerning backup withholding.

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TOPIC	FORM 1099 REPORTING	SUB-SECTION 28.30.10
SECTION	OUTPUT	ISSUANCE DATE APRIL 15, 2010
SUB-SECTION	FORM 1099-MISC	REVISION NUMBER 10-010

FORM 1099-MISC

GENERAL

The IRS requires a Form 1099-MISC to be issued to vendors and reported to the IRS if the following two criteria exist: (1) the payee is a reportable entity type; (2) the payment is a reportable payment type. Both criteria must exist to meet the reporting requirement.

The 1099 field on the SAAS VEND table should have a "Y" or "N" based upon whether the vendor is a reportable entity type ("Y") or not ("N"). State employees should not receive a Form 1099-MISC even though they are "individuals" (a reportable entity) because all of their tax information will be reported on Form W-2. This also applies to contract workers who are treated as employees rather than independent contractors. Therefore, all state employees and contract workers should have an "N" in the 1099 field on the VEND table so that a form 1099-MISC will not be printed for them.

Section 25 of the MAAPP manual indicates which object codes are flagged as 1099 reportable payments and in which box on the 1099 they are reported.

SAAS will generate a 1099-MISC for payments to 1099 vendors made using 1099 object codes. The 1099-MISC will be generated for payments which total \$600 by vendor.

CORRECTED FORMS 1099 - MISC

If a return has been incorrectly prepared and submitted to the IRS, the agency must file a complete corrected return as soon as possible. Failure to file correct information returns may result in a penalty. Form 1096 and Copy A of the corrected forms should be submitted to the appropriate IRS service center as soon as possible. Statements to the vendor identified as corrected must also be provided as soon as possible.

DETAILED INSTRUCTIONS

Each year the IRS updates the instructions and forms so this manual does not include the instructions. See the IRS web site at www.irs.gov/formspubs/index.html for the detailed instructions.

TOPIC	FORM 1099 REPORTING	SUB-SECTION 28.40.10
SECTION	CONTROL PROCEDURES	ISSUANCE DATE FEBRUARY 28, 2001
SUB-SECTION	THE TRANSMITTER	REVISION NUMBER 01-003

THE TRANSMITTER

GENERAL

A transmitter may sign Form 1096 or Form 4804 (the transmittal for filing magnetically/electronically) on behalf of any filer (payer) if (1) the transmitter has the authority to sign the form under an agency agreement (oral, written, or implied) that is valid under state law, and (2) the transmitter signs the form and adds the caption "For: (Name of payer)."

Signing of the form by an authorized transmitter 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 or 4804 and accompanying returns.

DFA IS A TRANSMITTER

DFA has been designated as a transmitter for state agencies for Form 1099-MISC. The IRS has certified that SAAS is in compliance with IRS requirements for systems that track the data to prepare the Forms 1099-MISC.

All agencies have the option of having DFA produce their Forms 1099-MISC. DFA will electronically file the Forms 1099-MISC along with a Form 4804, Transmittal for Returns Filed Electronically, with the IRS. Only Form 1099-MISC will be produced by DFA. Agencies which are required to issue other types of Form 1099 or Corrected Forms 1099-MISC will be responsible for producing and reporting those. The use of DFA as the transmitter does not relieve the agency of the liabilities for filing correct, complete, and timely returns.

DFA AND AGENCY COOPERATION

If an agency chooses to use DFA to prepare their returns, they also agree to do the following:

- (1) Review all error reports and provide correct information within the stated amount of time;
- (2) Review all preliminary 1099 expenditure reports to verify amounts and be sure all vendors are correctly included;
- (3) Prepare and file any necessary corrected Forms 1099-MISC and any other Form 1099 types needed to be filed.

The error report is identified with report ID E1099 (Exhibit 28.40.20-A), and the preliminary expenditure report is identified as B1099 (Exhibit 28.40.30-B). See sub-sections 28.40.20 and 28.40.30 for the discussion of these reports. BFR will distribute these reports after the end of each of the first three quarters, as well as after the end of November and the end of December. Not all agencies will receive both of these reports each time. If an agency has no errors to correct, as described for report E1099, they will not receive that report. If they have not made any qualifying payments to a reportable vendor, they will not receive a B1099 report.

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TOPIC	FORM 1099 REPORTING	SUB-SECTION 28.40.20
SECTION	CONTROL PROCEDURES	ISSUANCE DATE JANUARY 25, 2001
SUB-SECTION	REPORT E1099	REVISION NUMBER 01-002

REPORT E1099

THE REPORT

Following is a list of error messages occurring on report E1099 and the action necessary to make corrections.

"Vendor Fed ID number equals spaces" - the vendor is in the SAAS vendor table without a TIN (employer identification number or SSN). The agency must obtain the vendor's TIN in order for a 1099 to be prepared by DFA. See sub-section 28.20.10 for information on obtaining a TIN from a vendor. When received, the TIN should be submitted to BFC in accordance with their instructions.

"Vendor Addr/City/State/Zip Code blank on vendor table" - at least one of these items (address, city, state or zip code) is not included in the vendor table. DFA must have a complete address on each vendor in order to prepare a 1099. A vendor file maintenance form should be filled out with the correct information and returned to BFC for updating the vendor file.

"Vendor not found in vendor table" - the transaction shown may be a JV entry that adjusted a 1099 object code but did not have the vendor number on it. The agency should determine whether or not this JV affects the amount to be reported on a 1099 vendor. If it does, another JV should be made to correct the vendor's account. If the original JV was only to change a reporting category, activity code or org code, or if the vendor is not a 1099 vendor, no correction is necessary.

"Agency Fed ID number equals spaces" - the payment was made out of a fund that does not have the agency's TIN on the FUND table. Note on the E1099 report from which fund the PV was paid and the TIN to be used for that fund and return this information to BFR.

"1099-Vendor-Ind equals spaces" - the vendor's 1099 flag on the VEND table is blank. The agency should submit a vendor file maintenance form to BFC with either a 'Y' or an 'N' in the 1099 field. See sub-section 17.20.05 for information about the vendor file maintenance form and the 1099 field.

Report ID E1099
Date 12/08/99

STATE OF MISSISSIPPI
ERROR REPORT FOR 1099S

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Dept	Dept Fed ID Number	Vendor Code	Vend Fed ID Number	Object Code	Errors
888	64-6000000	V0000123455		61644	VENDOR NOT FOUND IN VENDOR TABLE
	VOUCHER NUMBER: 88800000000034		VENDOR NAME:		
888	64-6000000	V0000123456		61540	VENDOR FED ID NUMBER EQUALS SPACES
	VOUCHER NUMBER: 88812345		VENDOR NAME: CAMERON AUTO		
888	64-000000	V0001234567		61540	VENDOR ADDR BLANK ON VENDOR TABLE
	VOUCHER NUMBER: 88812345		VENDOR NAME: HUBBARD'S BODY SHOP		

TOPIC	FORM 1099 REPORTING	SUB-SECTION 28.40.30
SECTION	CONTROL PROCEDURES	ISSUANCE DATE MARCH 31, 2000
SUB-SECTION	REPORT B1099	REVISION NUMBER 2K-003

REPORT B1099

THE REPORT

Report B1099 shows the payments made by an agency under object codes flagged for 1099 reporting to vendors flagged as 1099 vendors (and who have no missing information as indicated on the E1099 report) for a specific time period. This report should be checked as follows:

- (1) Verify that the amounts are correct. The report totals by object code, vendor code, vendor TIN, department TIN, and department. If something was paid out of the wrong object code, a JV should be done to make the correction, being sure to include the vendor number on the JV. Send the JV to BFR. Any transaction, such as a JV, a CR or a PV that hits the object code and the vendor code will affect the amount reported. If there is a question as to whether an object code should be a reportable payment or not, please contact BFR for help in determining what is correct.
- (2) Verify that the vendors on the report are correctly flagged as 1099 vendors. The vendors on the list should be flagged "Y" as a 1099 vendor if they are one of the following types: individual, sole proprietorship, partnership, estate, trust, corporation providing medical services, or other groups of individuals such as clubs, joint ventures, limited liability companies, and associations. They should be flagged "N" if they are: a corporation not providing medical services, government entities (all levels: federal, state, county, local, special districts, etc. and all government operated entities), or tax exempt organizations under IRS code sec. 501(a). **Note:** BFC will accept a request for a change in 1099 reportable status for a vendor which is obviously flagged incorrectly without requiring a Form W-9; however, this decision will be made by BFC. An obviously incorrect flag would include a vendor with "Inc." in their name or a vendor such as IBM or a county Board of Supervisors. These vendors may be changed by submitting a vendor file maintenance form (see sub-section 17.20.05) to BFC. If there is a question about a vendor flag, contact vendor file maintenance at BFC to find out what they have on file for that vendor, or contact the vendor for a W-9.
- (3) Determine if there is a vendor that should be on the list but is not (and is not on the agency's E1099 report). The same qualifications for being flagged as a 1099 vendor and the rules for making a change apply here that are listed in (2) above (i.e., it must be obvious or the agency must get a W-9). Board members who are listed in the vendor file with an "S" vendor code rather than a "V" code should be flagged "Y" for 1099s. A vendor file maintenance form may be used to change a board member's 1099 flag by indicating on the form that they are a board member and putting a "Y" on the 1099 flag line.

The B1099 report does not need to be returned to BFR if no changes are needed.

REPORT ID B1099
DATE 04/06/07

STATE OF MISSISSIPPI
1099-MISC EXPENDITURES

Dept: 888

Dept Fed ID Num: 64-6000000

Vendor Federal ID Number	Vendor Code	Name	Object Code	Amount	Obj Flag
640000001	V0001111111	MCNEESE MECHANICAL VENDOR CODE	61520		07
			SUB TOTAL	\$4,573.45	
		VENDOR FED ID	SUB TOTAL	\$4,573.45	
640000002	V0001111112	LEWIS FURNITURE REPAIR VENDOR CODE	61550		07
			SUB TOTAL	\$90.00	
		VENDOR FED ID	SUB TOTAL	\$90.00	
640000003	V0001111113	MR RADIO VENDOR CODE	61540		07
			SUB TOTAL	\$430.00	
		VENDOR FED ID	SUB TOTAL	\$430.00	
		DEPT FED ID	SUB TOTAL	\$5,093.45	
640000004	V0001111114	FRIDEN NEOPOST VENDOR CODE	61440		01
			SUB TOTAL	\$732.00	
		VENDOR FED ID	SUB TOTAL	\$732.00	
640000005	V0001111115	LAPINE TRUCKS & TRAILERS VENDOR CODE	61540		07
			SUB TOTAL	\$2,687.78	
		VENDOR FED ID	SUB TOTAL	\$2,687.78	
		DEPT FED ID	SUB TOTAL	\$3,419.78	
		DEPARTMENT TOTAL		\$8,513.23	