

# SECTION 14: SPECIAL PROCESSES – 1099-MISC Tax Reporting Overview

## INTRODUCTION

*Section 14: Special Processes, 1099-MISC Tax Reporting* provides a general overview of the 1099-MISC tax reporting process and procedures for using the AKSAS TR - Tax Reporting function. Online Tax Reporting is used to view and correct 1099-MISC tax reporting data before 1099-MISC tax statements are issued.

The State of Alaska is required by law to issue 1099-MISC tax statements to vendors to whom the State of Alaska has paid at least \$600 for the following:

- Rents,
- Services (including parts and materials),
- Other income payments,
- Medical and health care payments, or
- Gross proceeds to an attorney.

1099-MISC tax reportable payments for each vendor are consolidated by tax type as defined by Internal Revenue Services (IRS) regulations. The total tax amounts for each tax type are reported in the appropriate box on the 1099-MISC tax statements. Refer to *Exhibit 14.A* for a list of tax types.

1099-MISC tax statements are produced on a calendar year basis. IRS regulations require 1099-MISC tax statements be delivered to recipients by January 31 and the IRS receive 1099-MISC tax reporting data by February 28 of each year.

## 1099-MISC TAX REPORTING PROCESS

### Selection of 1099-MISC Reportable Payments

The first step in the 1099-MISC tax reporting process is to select the vendor payments to be included. Using warrant data in the Warrant Status File (WSF) and vendor data in the Vendor Master File (VMF), the Division of Finance creates the Online Forms File (OFF), an index of warrants to be included in 1099-MISC reporting. Warrants are included in the OFF if the following criteria are met:

- Warrant print date is within the current calendar year.
- Warrant class is listed as 1099-MISC reportable (i.e., general warrants, field warrants, handwrites).
- Financial coding includes 1099 reportable account codes.
- Vendor's 1099 REPORTABLE indicator is YES on the Vendor Master File.

Each record in the OFF includes the vendor number, vendor name, 1099 tax types, warrant number, source RD code, warrant print date, date last updated on OFF, and the warrant amount. Records are in Pay Vendor Number (PVN) sequence with statewide 1099 reportable amounts displayed for each vendor.

The 1099 selection process is generally run the first Saturday in December and includes all 1099 data for January through November of the current calendar year. The selection process is run again during the months of December and January until all 1099 data for the calendar year is selected. A schedule of the selection process run dates is issued each year by the Division of Finance.

## Agency Review and Correction

According to the selection process schedule, the Division of Finance releases the OFF file to agencies for online review and correction through the TR - Tax Reporting function available on the AKSAS Main Menu. When the 1099 Tax Reporting facility is opened (generally in December of each year), the TR selection is displayed in the SPECIAL ITEMS/SYSTEMS MAINTENANCE area of the AKSAS Main Menu. This menu option is displayed only to individuals whose AKSAS sign-on RD codes are authorized as a source RD code for transaction code 350-10: 1099 Override Data.

On the 1099 Tax Reporting - Main Menu, the following functions allow agencies to review and correct data contained in the 1099 Online Forms File. Each selection displays 1099 payment data for the agency associated with the AKSAS sign-on RD code.

- **List Selected Vendors/Warrants** - Used to review data on the 1099 Online Forms File and process overrides to correct data displayed. This selection displays a list of 1099 reportable vendors and associated 1099 reportable payments. 1099 payment detail for a specific vendor or a specific warrant can be displayed. You can process an Add/Change Override transaction from the detail screen to change financial coding and vendor information. Refer to the *Review & Correct 1099 Data* procedure in this Section.
- **Add/Change 1099 Override** - Provides direct access to a blank Add/Change Override screen. You can enter a specific warrant number and process an override to change the 1099 payment data associated with the warrant. Refer to the *Add/Change Override* procedure in this Section.
- **Add Warrants to the 1099 File** - Used to add a warrant to the 1099 Online Forms File that did not meet 1099 selection criteria and was not selected during the 1099 selection process. Refer to the *Add Warrant to 1099 File* procedure in this Section.
- **List Warrants with Negative Financial Lines** - Used to display a pending list or a cleared list of 1099 reportable payments that contain financial lines with credit (negative) amounts. All negative financial lines must be verified to ensure any reduction to the 1099 reportable amount is correct. 1099 payment detail for each warrant can be displayed and an Add/Change Override transaction processed to change financial coding and vendor information. Warrants can also be marked as correct, moving them from the pending list to the cleared list. Refer to the *Warrants with Negative Financial Lines* procedure in this Section.
- **List Added Warrants Awaiting Overrides** - Used to display a list of warrants authorized by the Division of Finance to be added to the 1099 Online Forms File. When you add a warrant to the 1099 File it is not included as a 1099 reportable payment until an override is processed and the warrant meets 1099 selection criteria. You can display 1099 payment detail for a specific warrant and process an Add/Change Override transaction from the 1099 payment detail screen to change financial coding and vendor information. Refer to the *Add Warrant to 1099 File* procedure in this Section.
- **List Pending Add Warrant Requests** - Used to display a list of warrants that your agency has added to the 1099 File but that have not been authorized by the Division of Finance. Refer to the *Add Warrant to 1099 File* procedure in this Section.

You can request a hard copy 1099 Warrant Register through Report Request Maintenance (RR) to assist in the review and correction process. The report is generated during December when requested by agencies. The same information available online through the List Selected Vendors/Warrants function is contained in the report.

## Generate 1099-MISC Tax Statements

After 1099 information is reviewed and corrected by agencies, the 1099 Tax Reporting facility is closed. The Division of Finance performs a final review of 1099 data and produces 1099-MISC tax statements. Generally, agencies can correct 1099 payment data up to a week before the mailing deadline for the 1099-MISC tax statements.

## Correcting 1099-MISC Tax Statements

The Division of Finance issues corrected 1099-MISC Tax statements. Changes to 1099-MISC tax statements can only be made based on a review of the payment(s) and supporting document(s) on file at the dispersing agency. If recipients contact an agency with questions or complaints concerning their 1099s, it is the agency's responsibility to research all payments issued. If recipients contact the Division of Finance, the Division of Finance acts as a liaison and requests appropriate agencies to research payments. Once the agency researches and documents the correction, the Division of Finance issues a corrected 1099-MISC tax statement to the recipient.

## TERMINOLOGY

**1099-MISC** - An Internal Revenue Services (IRS) tax statement issued to vendors to whom the State of Alaska has paid at least \$600 in rents, services (including parts and materials), other income payments, medical and health care payments, or gross proceeds to an attorney.

**Add/Change Override** - Changes financial and/or vendor data on the Online Forms File (OFF) associated with a 1099 payment. An override transaction affects 1099 reporting information only. It does not change the actual warrant or information recorded in AKSAS.

**Online Forms File (OFF)** - A file containing data selected to produce 1099-MISC tax statements. Agencies access this file through the TR - Tax Reporting option available on the AKSAS Main Menu to review and correct 1099 data online.

**Pay Vendor Number (PVN)** - A required reference type used in warrant request and open item transactions to identify the payee. The associated reference number must be a valid eight-character (three alpha, five numeric) vendor number on the Vendor Master File (VMF).

**Tax Reporting Subsystem (TR)** - An online tax reporting subsystem of AKSAS used to view and correct 1099-MISC tax reporting data in state issued warrants before 1099-MISC tax statements are issued to vendors of the state each calendar year.

**Vendor Master File (VMF)** - An AKSAS file containing active and inactive vendor records. Individual vendor records are identified by the Pay Vendor Number (PVN) assigned to the vendor. Information in this file is used to issue warrants to the payee and for 1099 tax reporting purposes. A vendor must be identified as 1099 reportable in the VMF to be selected for 1099 reporting.

**Warrant Status File (WSF)** - An AKSAS file containing detailed payment information for warrants issued by the state.

## REPORTS

Both online lists and hard copy reports are available. Online lists of 1099 data are available through AKSAS Tax Reporting (TR). Hard copy reports are available through AKSAS Report Request Maintenance (RR).

### AKSAS Online Reports

## SECTION 14: SPECIAL PROCESSES - 1099-MISC TAX REPORTING, OVERVIEW

The following online lists are available from the 1099 Tax Reporting - Main Menu.

**List Selected Vendors/Warrants** - Displays 1099 reportable vendors and statewide totals of 1099 reportable payments for each vendor. From this list, you can display payments for a specific vendor, detail for a specific payment, and process Add/Change Override transactions.

**List Warrants with Negative Financial Lines** - Displays warrants containing credit (negative) amounts recorded with 1099 reportable account codes. From this list, you can display detail for a specific warrant and process Add/Change Override transactions.

**List Added Warrants Awaiting Overrides** - Displays warrants added to the 1099 Online Forms File by agencies and authorized by the Division of Finance. From this list, you can display detail for a specific warrant and process Add/Change Override transactions.

**List Pending Add Warrant Requests** - Displays agency requests to add warrants to the 1099 Online Forms File that are waiting to be authorized by the Division of Finance. From this list, you can display detail for a specific warrant.

### Hard Copy Reports

**1099 Warrant Register (B79002)** - Lists, by vendor, the following information: vendor name, address, tax identification number; and each 1099 reportable payment made to the vendor including warrant number, warrant print date, document number, microfilm number, source RD code, record type, original and override vendor number, chart of accounts year, account, warrant amount, 1099 tax type, and the total of all warrants listed. This report is generated twice during December – once during the second week of December and on December 29th or 30th.