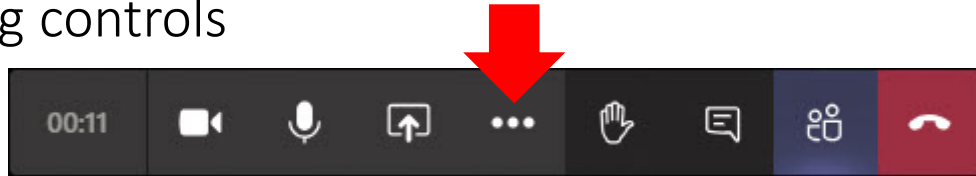


WELCOME! THE PRESENTATION WILL BEGIN SHORTLY...

1. Test your audio to ensure that it is working correctly
 - To change your speaker, microphone, or camera settings, select More actions (...) > Show device settings in your meeting controls



- Then, select the speaker, microphone, and camera options you want
 - The instructors are standing by to provide assistance if needed
2. Use **Show conversation** to open the **Meeting chat** panel
 - You can use **Meeting chat** to ask questions or respond
 3. Please press the microphone button (mute your PC) when not speaking





OCTOBER 2020

1099 REPORTING VIRTUAL TRAINING

Dan Bode

Teena Minning

Chris Soots

OFM

OFFICE OF FINANCIAL MANAGEMENT

You will be participating in an event where
video and audio recording may occur.

AGENDA

Welcome Information

Roll Call and Introductions

What is 1099 Reporting Training?

Learning Objectives

Other Topics of Interest?

What's New?

Lessons and Demonstrations

1099 Reporting Considerations

Help and Resources



WE ARE HAPPY YOU'RE HERE!

This class is being recorded

Breaks

Same content as the in-person class

Recorded demonstration of the 1099 reporting process
available soon

In case we get disconnected...

Training material available at ofm.wa.gov

Evaluations



INTRODUCTIONS



Name?

Agency?

Location?

OFM

OFFICE OF FINANCIAL MANAGEMENT

WHAT IS 1099 REPORTING TRAINING?

Addressing topics that result in frequent calls to the Help Desk

Covering topics that are common when first working with the 1099 reporting process

Explaining the need for the 1099-NEC and 1099-MISC forms

Addressing your questions

Who has taken the 1099-Miscellaneous Form Data Analysis course?



LEARNING OBJECTIVES

Understand OFM and the agencies' roles for 1099s

Understand the due dates and activities for 2020 forms

Understand which expenditures go in which boxes

Understand the 1099 terminology

Understand the TIN matching process

Understand the need for proper data analysis

Understand the tools available for 1099 reporting:

- ER Web Intelligence – data download application
- Account Ability – 1099 reporting

How to import data to the 1099-NEC and 1099-MISC forms

Important topics include a paired demonstration in a QA environment

OTHER TOPICS OF INTEREST?



WHAT'S NEW FOR 2020?

Effective reporting year 2020, monies paid to vendors for Non-Employee Compensation are required to be reported on the 1099-NEC form

All other monies paid to vendors are required to be reported on the 1099-MISC form

Key 1099 Processing Calendar changes:

- All 1099-NEC and 1099-MISC forms will be mailed in January
- All 1099-NEC forms will be electronically sent to the IRS by January 26, 2021
- All 1099-MISC forms will be electronically sent to the IRS by March 24, 2021

You will need to conduct the 1099 Reporting process twice for each form!

WHAT IS THE 1099-NEC?

File Form 1099-NEC for each person to whom you have paid the following during the year:

- At least \$600 in:
 1. Services performed by someone who is not your employee (including parts and materials);
 2. Cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish; or
 3. Payments to an attorney.

You must also file Form 1099-NEC for each person from whom you have withheld any federal income tax under the backup withholding rules regardless of the amount of the payment.



WHAT IS THE 1099-MISC?

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

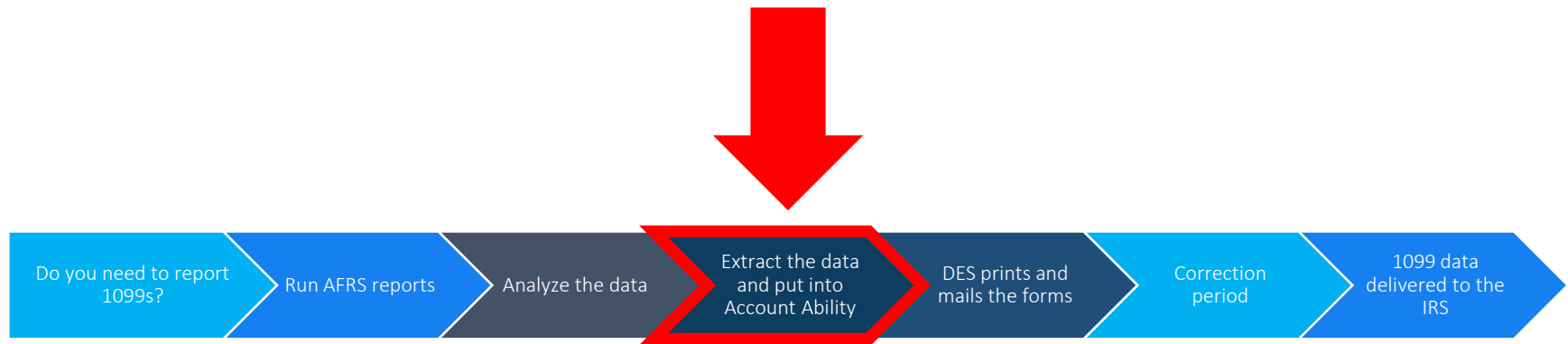
- At least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest.
- At least \$600 in:
 - Rents.
 - Prizes and awards.
 - Other income payments.
 - Medical and health care payments.
 - Crop insurance proceeds.
 - Cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish.
 - Generally, the cash paid from a notional principal contract to an individual, partnership, or estate.
 - Gross proceeds paid to attorneys.
 - Any fishing boat proceeds.

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.



THE 1099 REPORTING PROCESS

This training focuses on this part of the process:



OFM AND AGENCY ROLES

OFM Responsibilities

Maintenance of processes to support the agencies in the preparation of the 1099 forms

Initial printing and mailing of the 1099 forms to recipients by DES

TIN matching of recipient's information on the 1099 forms with the IRS database

Timely transmission of the 1099 information to the IRS

Agencies' Responsibilities

Accurate and timely preparation of the 1099 forms

Accuracy of the 1099 data imported into Account Ability

Printing and mailing of corrected 1099 forms to recipients

Accuracy of 1099 data transmitted to IRS



DUE DATES & ACTIVITIES

| | |
|--|--|
| <ul style="list-style-type: none"> Review and correct monthly 1099 records Agencies can begin loading their 1099 data into Account Ability | Throughout the calendar year, beginning April 1 |
| <ul style="list-style-type: none"> Review 1099 Agency Profiles for accuracy before 1099's are printed <ul style="list-style-type: none"> The 1099 forms will only display the phone number Names and extensions will not be shown Notify OFM of any discrepancy: HereToHelp@ofm.wa.gov | When access to new year Account Ability is available |
| Current Reporting Year 1099 forms are available in Account Ability | December 2020 |
| The tax year reporting cycle ends | December 31, 2020 |
| Due Date for Agencies to have all 1099 imports into Account Ability | January 8, 2021 |
| <ul style="list-style-type: none"> OFM uploads 1099 forms to Secure File Transfer (SFT) location DES prints & mails the IRS 1099 forms Agencies will not be able to work in Account Ability until January 14, 2021 | January 9 - 11, 2021 |

DUE DATES & ACTIVITIES

| | |
|---|--------------------------|
| OFM performs 1099-NEC TIN matching and notifies Agencies with TIN mismatches | January 11 - 13, 2021 |
| Agencies will have this time to make corrections to 1099-NEC forms before submission to the IRS | January 14 - 25, 2021 |
| Agencies finalize all updates into Account Ability in preparation for filing of the 1099-NEC forms | January 25, 2021 |
| <ul style="list-style-type: none">• OFM will prepare the IRS 1099-NEC forms for submission to the IRS | January 26, 2021 |
| <ul style="list-style-type: none">• Agencies will not be able to work in Account Ability• Due date for issuing 1099 forms to recipients• Due date for filing 1099-NEC to the IRS | January 31, 2021 |
| Agencies have this time to make adjustments in Account Ability in preparation for filing the 1099-MISC forms | February 2 – 19, 2021 |
| Agencies finalize all updates into Account Ability in preparation for filing of the 1099-MISC forms | February 19, 2021 |

DUE DATES & ACTIVITIES

| | |
|---|----------------------|
| <ul style="list-style-type: none">• OFM performs 1099-MISC TIN matching and notifies Agencies with TIN mismatches• Agencies will not be able to work in Account Ability | Feb. 22 - 26, 2021 |
| Agencies will have this time to make corrections to 1099-MISC forms before submission to the IRS | Mar. 1 – 23, 2021 |
| Agencies finalize all updates into Account Ability in preparation for filing of the 1099-MISC forms | Mar. 23, 2021 |
| <ul style="list-style-type: none">• OFM will prepare the IRS 1099-MISC forms for submission to the IRS• Agencies will not be able to work in Account Ability | Mar. 24, 2021 |
| Due date for filing 1099-MISC to the IRS | Mar. 31, 2021 |

See this document for a downloadable list of dates:

- https://www.ofm.wa.gov/sites/default/files/public/itsystems/1099/1099NEC%26MISC_ProcessingScheduleForReportingYear2020.pdf

WHEN SHOULD I BEGIN?

Early reporting date = Less time to prepare

This means:

- Fewer upload problems
- Fewer TIN mismatches
- Fewer vendor calls once 1099 forms go out
- Fewer 1099 corrections required

START NOW!



**BREAK – RETURN
AT 2:00 PM**



WHERE SHOULD I BEGIN?

OFM's 1099 Reporting page

- <https://www.ofm.wa.gov/it-systems/accounting-systems/1099-nec-1099-misc-reporting>

One-stop shop for 1099 information, including:

- Login links to ER WebI and Account Ability
- Frequently Asked Questions (FAQs)
- Links to user documentation and training material



ACCURATE/TIMELY REPORTING

What are the penalties for missing filing dates?

- Not more than 30 days late - \$50/return - maximum of \$556,500
- 31 days late to August 1st - \$110/return - maximum of \$1,669,500
- After 8/1 or not at all - \$270/return - maximum of \$3,339,000
- Intentional disregard - \$550/return with no limitation
- Penalties are the same for inaccurate reporting!!!



UNDERSTANDING TIN MATCHING PROCESS

TIN matching and electronic submittal of the 1099 forms is due to the IRS by:

- January 31 for the 1099-NEC
- March 31 for the 1099-MISC

OFM performs TIN matching on behalf of all agencies

When there are TIN mismatches, OFM will communicate with the agencies involved

Agencies have until 1/25/2021 (for NEC) and 2/19/2021 (for MISC) to finalize all updates into Account Ability in preparation for IRS electronic filing



THE 'NEW' IRS 1099-NEC FORM

VOID CORRECTED

| | | | | | |
|---|-----------------|--|----------------------------------|--|---------------------------------|
| PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. | | OMB No. 1545-0116 | | 2020 | Nonemployee Compensation |
| | | Form 1099-NEC | | | |
| | | 1 Nonemployee compensation | | Copy 1 For State Tax Department | |
| | | \$ | | | |
| PAYER'S TIN | RECIPIENT'S TIN | 2 | | | |
| RECIPIENT'S name | | 3 | | | |
| Street address (including apt. no.) | | 4 Federal income tax withheld | | | |
| City or town, state or province, country, and ZIP or foreign postal code | | \$ | | | |
| | | FATCA filing requirement <input type="checkbox"/> | | | |
| Account number (see instructions) | | 5 State tax withheld | 6 State/Payer's state no. | 7 State income | |
| | | \$ | | \$ | |
| | | \$ | | \$ | |

Form **1099-NEC**

www.irs.gov/Form1099NEC

Department of the Treasury - Internal Revenue Service

1099-NEC BOX 1 - NONEMPLOYEE COMPENSATION

Examples include:

- Contract work payments
- Services rendered as non-employee
- Payments typically subject to self-employment taxes
- Attorney fees (Gross proceeds go on the 1099-MISC)

1 Nonemployee compensation

\$

THE 2020 IRS 1099-MISC FORM

VOID CORRECTED

| | | | | | | | |
|---|---|--|--|--|---------------------------------|-----------------|--|
| PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. | | 1 Rents | | OMB No. 1545-0115 2020 Form 1099-MISC | Miscellaneous Income | | |
| | | \$ | | | | | |
| | | 2 Royalties | | | | | |
| | | \$ | | 4 Federal income tax withheld | | | |
| 3 Other income | | \$ | | \$ | | | |
| PAYER'S TIN | RECIPIENT'S TIN | 5 Fishing boat proceeds | | 6 Medical and health care payments | | | |
| | | \$ | | \$ | | | |
| RECIPIENT'S name Street address (including apt. no.) City or town, state or province, country, and ZIP or foreign postal code | | 7 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/> | | 8 Substitute payments in lieu of dividends or interest | | | |
| | | \$ | | \$ | | | |
| | | 9 Crop insurance proceeds | | 10 Gross proceeds paid to an attorney | | | |
| | | \$ | | \$ | | | |
| | | 11 | | 12 Section 409A deferrals | | | |
| | | | | \$ | | | |
| Account number (see instructions) | FATCA filing requirement <input type="checkbox"/> | 13 Excess golden parachute payments | | 14 Nonqualified deferred compensation | | | |
| | | \$ | | \$ | | | |
| | | 15 State tax withheld | | 16 State/Payer's state no. | | 17 State income | |
| | | \$ | | | | \$ | |
| | | \$ | | | | \$ | |

Form **1099-MISC**

www.irs.gov/Form1099MISC

Department of the Treasury - Internal Revenue Service

**Copy 1
For State Tax
Department**

1099-MISC BOX 1 - RENTS

Examples include:

- Rental payments to owners
- Office space
- Meeting rooms
- Machines/equipment
- Land/pasture
- Payments for public housing assistance

1 Rents

\$



1099-MISC BOX 3 - OTHER INCOME

Examples include:

- Prize winnings (excludes gambling)
- Award money without services performed
- Punitive damage payments
- Deceased employee wages
- Income not included in other boxes

3 Other income

\$

1099-MISC BOX 6 - MEDICAL PAYMENTS

Examples include:

- Health care/medical payments
- Recipient is a health care provider
- Flexible spending plans are exempt

6 Medical and health care payments

\$



1099-MISC BOX 10 – GROSS PROCEEDS TO ATTORNEYS

Examples include:

- Payments made to attorneys which contain settlement proceeds
- Attorney might not be the sole payee

10 Gross proceeds paid to an attorney

\$



REPORTABLE AND NON- REPORTABLE VENDORS AND OBJECTS

REPORTABLE AND NON-REPORTABLE VENDORS

Each vendor in AFRS is classified by a Vendor Type

If the right vendor was chosen, the Vendor Type will indicate if payments to that vendor are reportable

Vendor Type definitions are available here:

- <https://www.ofm.wa.gov/sites/default/files/public/itsystems/afrs/DefinitionsForVendorTypesInAFRS-April2020.pdf>

Let's review reportable and non-reportable Vendor and Object Types...

NON-REPORTABLE VENDORS

Start by removing non-reportable vendors by Vendor Types*

- 0 – Refunds
- 2 – Federal Agencies
- 3 – State Agencies
- 4 – Local Governments
- N – Clients (Legal Resident)
- Y – Clients (Non resident alien)
- Z – Clients (Resident Alien)

* Codes are from AFRS AD.1.3 screen, table options IRS Box (D76), Vendor Type (D77) and IRS Type (D78).

POTENTIALLY NON-REPORTABLE VENDORS

Analyze potentially non-reportable vendors by Vendor Types*

- 1 – Employee
- 5 – Volunteer
- 6 – Board/Council/Commission members
- C – Corporation

* Codes are from AFRS AD.1.3 screen, table options IRS Box (D76), Vendor Type (D77) and IRS Type (D78).

NON-REPORTABLE PAYMENTS

Remove non-reportable Payments (Objects):

- A – Employee Salaries/Wages*
- B – Employee Benefits
- M – Interfund Operating Transfers
- P – Debt Service
- S – Inter-agency Reimbursements
- T – Intra-agency Reimbursements

* Except for a deceased employee's salary/wages paid to estate, trust, or beneficiary

REPORTABLE VENDORS

These corporate entities break the rule:

- A – Corporation Legal

Reports for medical payments are reportable for the following:

- M – Medical Corporation

* Codes are from AFRS AD.1.3 screen, table options IRS Box (D76), Vendor Type (D77) and IRS Type (D78).

OBJECT C – PROFESSIONAL SERVICE CONTRACTS

Payments made under Object C are reportable

- Exceptions: Corporate legal & healthcare related payments made to vendor types

OBJECT E – GOODS AND OTHER SERVICES

Reportable Examples

ED – Rentals/Leases (Land & Buildings)

EF – Printing/Reproduction

EH – Rentals/Leases (Furn. & Equipment)

ES – Vehicles Maint. & Operating Costs*

Non-Reportable Examples

EA – Supplies and Materials

EB –
Communications/Telecom Services

EC - Utilities

EJ - Subscriptions

*May contain both reportable and non-reportable payments

OBJECT G - TRAVEL

Travel is potentially reportable if:

- Reimbursed expenses are unsubstantiated
- Payments are not made under accountable plan*

*See IRS Pub 15-b

(<https://www.irs.gov/publications/p15b/ar02.html>) for more details

OBJECT J – CAPITAL OUTLAYS

Potentially Reportable Examples

JG – Highway Construction

JJ – Grounds Development

JK – Architectural and Engineering Services

JL – Capital Planning

Non-Reportable Examples

JC – Furnishings and Equipment

JE – Land

JF – Buildings

JN – Relocation costs

OBJECT N – GRANTS, BENEFITS, & CLIENT SERVICES

Non-Reportable Examples

NA – Direct Payments to Clients

NF – Worker’s Comp Payments

NH – Public Employee Benefit, Basic Health, and Community Health Services Payments

NL – Lottery Prize Payments

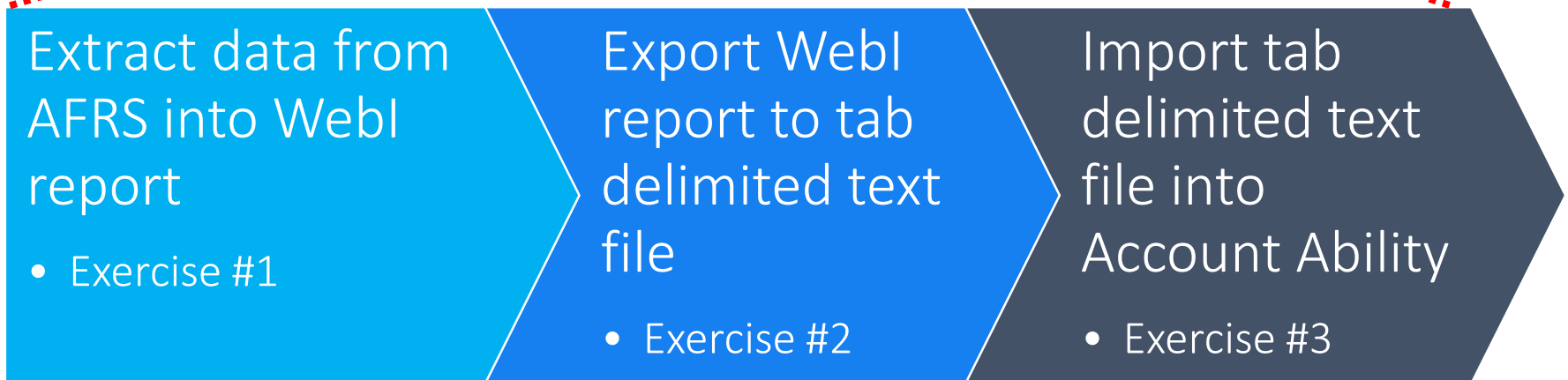
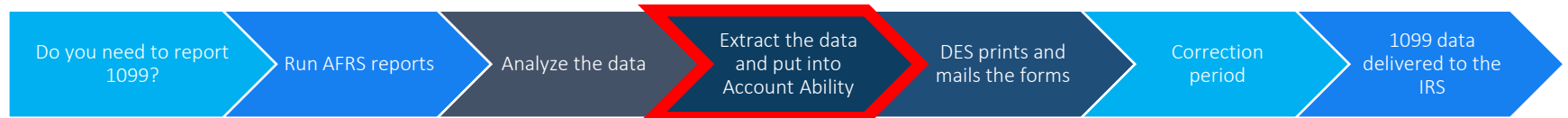
Potentially Reportable Examples

NZ – Other Grants and Benefits

Reportable Examples

NB – Payments to Providers for Direct Client Services

THE 1099 REPORTING PROCESS



You will need to do this process twice for both the 1099-MISC and the 1099-NEC forms!

STEP-BY-STEP INSTRUCTIONS

Web Intelligence (WebI) Extract - 1099 Reporting:

- <https://www.ofm.wa.gov/sites/default/files/public/itsystems/1099/051099DownloadApplicationERWebI.pdf>

Account Ability - 1099 Reporting:

- <https://www.ofm.wa.gov/sites/default/files/public/itsystems/1099/061099MiscReportingAccountAbility.pdf>

Both documents include helpful crosswalks for the data conversion process

DEMONSTRATION #1

EXTRACTING YOUR 1099 DATA

Watch the instructors demonstrate this
exercise

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**BREAK – RETURN
AT 3:10 PM**



DEMONSTRATION #2

CREATING A TAB- DELIMITED 1099 SOURCE FILE

Watch the instructors demonstrate this
exercise

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OFFICE OF FINANCIAL MANAGEMENT



DEMONSTRATION #3

USING ACCOUNT ABILITY TO REPORT

Watch the instructors demonstrate this
exercise

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OFFICE OF FINANCIAL MANAGEMENT



1099 REPORTING CONSIDERATIONS



CONSTRUCTIVE RECEIPT FOR EFT AND WARRANTS

Constructive Receipt is an IRS term used to determine when a taxpayer has received gross income

- Payment by warrant is 1 business day from release date
- Constructive receipt for EFT is 2 business days from release date
- December payments to add to Calendar Reporting Year 2020
 - Day 1 (Monday, December 30, 2019) – Batch is released
 - Day 3 (Thursday, January 2, 2020) – EFT deposit date (belongs in 2020)
- December payments to remove from Calendar Reporting Year 2020
 - Day 1 (Wednesday, December 30, 2020) – Batch is released
 - Day 3 (Monday, January 4, 2021) – EFT deposit date (belongs to 2021)

OTHER CONSIDERATIONS

When analyzing data:

- EFT reversals, refunds, and coding corrections are not captured in 1099 data
- Use of SWV# for all corrections, refunds, and reversals can minimize the impact
- GL 7110 is associated with receivables and is not captured in the 1099 Extract template
- IRS Box Type can be changed using Financial Toolbox (intentionally or unintentionally)
- Use of exception codes can significantly increase analysis necessary

OTHER CONSIDERATIONS (CONT.)

When working in Account Ability:

- SWV addresses are current as of WebI data pull – some may change
- We have 99 licenses for Account Ability – log out when not using
- 1099 corrections after 1/31/21 – contact OFM
- Account Ability treats all amount sign as absolute amount
- Payments to a lock box – contact your vendor(s) to let them know about 1099s

Q&A



STAYING INFORMED

To get copies of the latest system documentation:

- <https://www.ofm.wa.gov/it-systems/accounting-systems/1099-nec-1099-misc-reporting>

State Administrative and Accounting Manual:

- <http://www.ofm.wa.gov/policy/default.asp>

Sign up for GovDelivery:

- <https://public.govdelivery.com/accounts/WAGOV/subscriber/new>



WHO TO CONTACT WITH QUESTIONS?

OFM:

- OFM Help Desk
 - Phone: 360.407.9100
 - Email: HereToHelp@ofm.wa.gov

Accounting Policies and Procedures:

- OFM Accounting Consultant
- Follow the link to find your OFM Accounting Consultant:
<http://www.ofm.wa.gov/accounting/swa/swacontactsbyagency.asp>



RESOURCES

Internal Revenue Service:

- General Instructions for Certain Information Returns
 - <https://www.irs.gov/pub/irs-pdf/i1099gi.pdf>
- Instructions for Forms 1099-MISC and 1099-NEC (2020)
 - <https://www.irs.gov/pub/irs-pdf/i1099msc.pdf>
- Taxable and Non-Taxable Income
 - <https://www.irs.gov/pub/irs-pdf/p525.pdf>
- Taxable Fringe Benefits
 - <https://www.irs.gov/publications/p15b/ar02.html>

RECOMMENDED TRAINING

In-person state year-end classes cancelled due to COVID-19
OFM Statewide Accounting has created eLearning classes
These classes are available on our OFM website under the
Accounting tab, Training:

- <https://ofm.wa.gov/accounting/training-accounting-and-budget-staff>



RECOMMENDED TRAINING

OLT available soon for the 1099 reporting process

New eLearning coming soon for the OFM - 1099-Miscellaneous Form Data Analysis course

New OFM Web Intelligence (WebI): Financial Reporting eLearning

- Course Code: OFM_WEBIFR2020

OFM Enterprise Reporting - Flexible Reports 2015 eLearning

- Course Code: ER_Flexible_Reports_ORG



PLEASE COMPLETE OUR SURVEY!

OFM Enterprise Applications Training:
Chris.Soots@ofm.wa.gov

Any questions?

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