

The Agencies' Role in Reporting Payments on the *NEW* 1099-NEC (Non-Employee Compensation) Form

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Road Map

- Overview of the 1099 reporting process
- Processing payments for non-employee compensation
- Updates to the 1099-MISC
- Common 1099 reporting issues
- Questions?



Learning Objectives

- Understand the changes in SFS to process payments reportable on the 1099-NEC and 1099-MISC.
- Understand the importance of processing vouchers correctly to facilitate 1099 reporting.
- Understand common 1099 reporting errors and penalties imposed by the IRS.



Goal

Answer ALL 1099 Reporting Questions.



1099 Background



Federal Reporting Unit (FRU)

- Who we are
- What we do



BSE Role in 1099 Reporting

- IRS Regulations require the State to file informational 1099 Forms to our vendors and the IRS, if we make payments of \$600 or more to eligible vendors during the calendar year. The Federal Reporting Unit issues the following types of 1099s:
 - 1099-NEC (*new for tax year 2020*)
 - 1099-MISC
 - 1099-INT (Interest payments)
 - 1099-S (Land purchases)
 - 1099-R (Pension, retirement or annuity plans)



1099 Reporting

- In 2021, the FRU issued the following 1099s:
 - 1099-NEC: 21,253
 - 1099-MISC: 6,170
 - 1099-INT: 640
 - 1099-S: 429
 - 1099-R: 6



Who Provides Information for 1099 Reporting?

- Agencies are responsible for accurately identifying the amount subject to 1099 reporting.
 - Withholding amount is the amount subject to 1099 reporting.
 - Withholding occurs on the line level of the voucher.
 - The agency must identify the correct **1099 type** and **withholding class** to report the payment amount.
- Each record on the vendor file defaults to “Yes” for withholding.



1099 Reporting on the Voucher

- When processing a voucher, the employee entering the voucher must determine whether the payment is 1099 reportable.
 - If the payment is 1099 reportable, the processor must decide if the payment is reportable on the 1099-NEC or the 1099-MISC.
 - If the payment is reportable on the 1099-MISC, the processor must determine the correct withholding class (i.e., 01, 03, 06 or 10).



What types of payments are 1099 Reportable on the 1099-MISC or 1099-NEC?

Withholding Class	Types of Payments
1099-MISC Class 01	Rental/Lease Payments
1099-MISC Class 03	Client Payroll/Work for Pay
	Jury Payment
	Loan Forgiveness
	Prizes and Awards
	Settlement Payments to Claimants
1099-MISC Class 06	Hospital/Medical Payments
1099-MISC Class 10	Settlement Payments to Attorneys
1099-NEC Class 01	Payments to vendors for services

1099 Corrections

- Vouchers **CANNOT** be corrected once they are approved for payment by the agency.
- If an agency incorrectly codes a voucher, they must email **fedrep@osc.ny.gov**.
- The Federal Reporting Unit completes all corrections in its 1099 software program, AccountAbility.



IRS Penalties and Interest

- If New York State does not comply with the IRS regulations, the IRS may assess substantial penalties and interest against the State. The Office of the State Comptroller will transfer these penalties to the Agencies that did not comply with the regulations.



1099-NEC



1099-NEC

- The IRS introduced a new 1099 form, the 1099-NEC, to report *non-employee compensation* beginning in Tax Year 2020.
- Prior to Tax Year 2020, non-employee compensation was reported on the 1099-MISC (box 07).



What is Non-Employee Compensation?

- Payments to a vendor, such as an individual, partnership, estate or in some cases, a corporation, who is not an employee, for fees, commissions, and compensation for services performed.
 - *Note: Generally, reimbursements, including travel reimbursements are **NOT** 1099 reportable.*
- A 1099-NEC is issued to any vendor who receives \$600 or more in non-employee compensation during a calendar year.



The 1099-NEC

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116	2021	Nonemployee Compensation	
		Form 1099-NEC			
PAYER'S TIN	RECIPIENT'S TIN	1 Nonemployee compensation		Copy B For Recipient This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.	
		\$			
RECIPIENT'S name		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>			
Street address (including apt. no.)		3			
City or town, state or province, country, and ZIP or foreign postal code		4 Federal income tax withheld			
Account number (see instructions)		5 State tax withheld	6 State/Payer's state no.		7 State income
		\$			\$

Form **1099-NEC**

(keep for your records)

www.irs.gov/Form1099NEC

Department of the Treasury - Internal Revenue Service

IRS



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1099 Types

- There are now two 1099 types:
 - 1099M: for payments reported on the 1099-MISC.
 - 1099N: for payments reported on the 1099-NEC.



Changes to 1099 Reporting on the Voucher

- Beginning October 24, 2021, all online agencies must ensure the voucher lines accurately reflect the correct **1099 type** (i.e., 1099M or 1099N) and **withholding class** (i.e., 01, 03, 06, 10) on each line of the voucher.
- The 1099 class corresponds to the box number on the 1099 form.



Withholding Class

Withholding Code	1099 Type	Withholding Class
M01	1099M	01
M03	1099M	03
M06	1099M	06
M10	1099M	10
N01	1099N	01

Note: Non-employee compensation will be reported in box 1 of the 1099-NEC.



Withholding on the Voucher

- The voucher processor must select the “Withholding” link to review and/or update the withholding information on the voucher.



The screenshot displays a web application interface for voucher processing. At the top, there are navigation tabs: Summary, Related Documents, **Invoice Information** (circled in red), Payments, Voucher Attributes, and Error Summary. The main content area is divided into several sections:

- Business Unit:** SNY01
- Voucher ID:** EAW2214
- Voucher Style:** Regular Voucher
- Invoice Date:** 03/11/2021
- Invoice Received:** 03/18/2021
- Supplier:** BIOFIRE DIAGNOSTICS LLC
- Supplier ID:** 1100119936
- ShortName:** BIOFIRE DI-001
- Location:** MAINCHECK
- Address:** 1
- Routing ID:**
- Invoice No:** 1280107438
- Accounting Date:** 04/06/2021
- Pay Terms:** 30 Net 30
- Basis Date Type:** User Date
- Obligation Date:** 03/12/2021
- Tax Exempt**
- Invoice Type:**

On the right side, there is an **Invoice Total** table:

Line Total	Amount
7,546.50	
Currency	USD
Miscellaneous	
Freight	
Sales Tax	
Use Tax	0.00
Total	7,546.50
Difference	0.00

Below the table is a vertical list of links: Sales/Use Tax Summary, Non Merchandise Summary, Session Defaults, Comments(1), Attachments(0), **Withholding** (circled in red), Template List, Advanced Supplier Search, Approval History, Supplier Hierarchy, Supplier 360, and icons for printing and saving.



Withholding on the Voucher (cont.)

< My Homepage Withholding Information

Withholding Information

[Back to Invoice](#)

Business Unit	OMH01	Invoice Number	FUTURE STATE	VAT Entity	
Voucher ID	NEXT	Supplier	100009551 TEMP FORCE LLC email test 6	Invoice Date	08/13/2021

Withholding Option

Postpone Withholding

Invoice Line Withhold Information 1 of 1 | View All

Line	1	Description	
Withholding Code	N01	Non-Employee Compensation	<input checked="" type="checkbox"/> Withholding Applicable

Withholding Details 1 of 1 | View All

*Entity	*Type	*Jurisdiction	*Class	Withholding Basis Amt Override	Contract Reference	Rule Override	Apply Withholding	Applicable		
1 IRS	1099N	FED	01				Withhold at Payment	<input checked="" type="checkbox"/>	+	-



Withholding on the Voucher (cont.)

[< My Homepage](#) Withholding Information

Withholding Information

[Back to Invoice](#)

Business Unit **OMH01** Invoice Number **FUTURE STATE** VAT Entity
Voucher ID **NEXT** Supplier **1000009551 TEMP FORCE LLC email test 6** Invoice Date **08/13/2021**

Withholding Option

Postpone Withholding

Invoice Line Withhold Information 1 of 1 | View All

Line **1** Description **Non-Employee Compensation** Withholding Applicable
Withholding Code **07**

Withholding Details 1-1 of 1 | View All

	*Entity	*Type	*Jurisdiction	*Class	Withholding Basis Amt Override	Contract Reference	Rule Override	Apply Withholding	Applicable		
1	IRS	1099N	FED	01				Withhold at Payment	<input checked="" type="checkbox"/>	+	-



Change to 1099 Reporting for Bulkload Agencies

- Bulkload agencies do not need to make any changes to their systems to report 1099-NEC *at this time*.
- Bulkload agencies will continue to code their vouchers using code 07 (which represents 1099M class 7) to report non-employee compensation on the 1099-NEC.



1099-MISC



1099-MISC Changes

- Removed Non-Employee Compensation (*formerly* box 7).
- Moved box for Gross Proceeds to Attorneys from box 14 to box 10.



1099-MISC Withholding Class- NEW

Withholding Class	Types of Payments
1	Rental/Lease Payments
3	Client Payroll/Work for Pay
	Jury Payment
	Loan Forgiveness
	Prizes and Awards
	Settlement Payments to Claimants
6	Hospital/Medical Payments
10	Settlement Payments to Attorneys



The 1099-MISC

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	<div style="font-size: 2em; font-weight: bold;">2021</div> Form 1099-MISC	Miscellaneous Information
		\$ _____			
		2 Royalties			
		\$ _____			
		3 Other income	4 Federal income tax withheld		
		\$ _____	\$ _____		
PAYER'S TIN	RECIPIENT'S TIN	5 Fishing boat proceeds	6 Medical and health care payments		Copy 1 For State Tax Department
		\$ _____	\$ _____		
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 totaling \$5,000 or more of consumer products to 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		
		\$ _____	\$ _____		
Account number (see instructions)		11 Fish purchased for resale	12 Section 409A deferrals		
		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



Vendor Registration Changes



Vendor Add Process Changes

- The employee responsible for adding vendors must determine the vendor classification during the registration process.
- The classification will determine the default 1099 type (1099M or 1099N) and the withholding class (01 or 03).
 - Recipient's default is **type 1099M class 03**; all other classifications default **type 1099N class 01**.

Vendor Add Process Changes (Cont.)

< My Homepage

Vendor Add Request

New Vendor Request

SetID: SHARE Vendor Staging ID: NEXT

Vendor Information

*Vendor Name1: TESTSM1
Vendor Name2:

Address ID: 1 Description: Remit To
Country: USA

*Address Line 1: 1220 WESTERN AVE
Address Line 2:
Address Line 3:

*City: GUILDERLAND County: ALBANY
*State: NY New York *Postal Code: 12084

1099 Reportable:

*Classification: Procurer Will this Suppliers receive Purchase Orders Yes

*TIN: 444558888

***Withholding Type: 1099N *Withholding Class: 01 Non-Employee Compensation**

*Contact Name: JOHN DOE
*Contact Email Id: TEST@SFS.NY.GOV
Contact Phone:

Vendor Name should denote 'Vendor Legal Name' as shown on W-9.
Name fields are max 40 characters in length.
Name2 field should be used only when Name1 exceeds 40 characters in length.

Note: Contact Email (required) and Phone should be for the Contact Name. This information is critical to facilitate future vendor communication.



Vendor Classifications

Classification	Description of Classification	Default 1099 Reporting?
Procurement Supplier	Entity/individual that provides goods and/or services which were procured by the State. (e.g., suppliers that receive purchase orders, suppliers that have contracts, utility suppliers)	Type: 1099N Class: 01
Non-Procurement Srvc Provider	Non-commercial, non-governmental entity/individual which provides services where purchase orders and contracts are not required. (e.g., client workers, respite providers)	Type: 1099N Class: 01
Recipient	Individual receiving money from the State through either an entitlement/benefit program or a settlement/award. (e.g., Blind Annuity Veterans, Gold Star Parent, Master Teacher, receivers of loan forgiveness monies, receivers of settlements or awards)	Type: 1099M Class: 03



Vendor Classifications (cont.)

Classification	Description of Classification	Default 1099 Reporting
Non-NYS Govt Entity	Governmental entity not located in New York State. (e.g., Federal agency, non-NYS municipality)	Type: 1099N Class: 01
NYS Muni-School Dist or BOCES	Government run school districts and BOCES located in New York State. (e.g., Public school districts, BOCES regions)	Type: 1099N Class: 01
NYS Muni-Non Sch Dist or BOCES	New York State municipality entities, excluding school districts and BOCES. (e.g., New York towns, counties, cities, fire districts, water districts)	Type: 1099N Class: 01
NYS Agency or Authority	New York State agencies and authorities	Type: 1099N Class: 01
Single Pay or Special Use	Specially assigned vendor IDs created by OSC for a specific purpose. (e.g., Refund, Debt Service, Cash Advance, Payroll, Land Claims)	NType: 1099N Class: 01

1099-INT & 1099-S



1099-INT

- When processing interest payments, agencies must use the account code for BSE to produce a Form 1099-INT. Agencies must leave the withholding type and class blank for all interest payments.



1099-INT (cont.)

- Interest account codes that will generate a 1099-INT:

SFS Account Code	Title	Description
58401	Prompt Payment Interest	Interest on late payments for unjustified delays in paying vendors, and providers of service pursuant to Article 11-A of the State Finance Law.
58402	Interest on Leases, Loans and Land Claims	Interest payments related to lease purchases including Certificates of Participation, UI interest assessment payments, and land claims (eminent domain).
58403	Prompt Contracting Interest	Interest payments to not-for-profit entities when contract payments are late due to untimely delays in contract processing and in which no advance or loan was provided.
60200	Settlement Interest	Interest paid for delays as declared in claims, awards, judgments and settlement agreements.
60311	Interest - Grants on Others	Interest on late payments for unjustified delays in paying vendors, and providers of service pursuant to Article 11-A of the State Finance Law.
60740	Interest on Late Payments	Interest on late payments for unjustified delays in paying vendors, construction contractors, and providers of service pursuant to Article 11-A of the State Finance Law.

1099-S

- The 1099-S is used to report the sale or exchange of real estate.
- The 1099-S is generated based on the handling code on the voucher:
 - Handling Code 'L': Purchase of Land
 - Handling Code 'T': Real Estate Tax reimbursement



Payments Made Outside of SFS

- Agencies that make reportable payments outside of SFS (i.e., using a sole custody account), or make reportable payments within SFS using a single payment Vendor ID, and wish to use OSC to file informational returns must provide the tax reporting information to BSE's Federal Reporting Unit.
- Please refer to Accounts Payable Bulletin #32 on the OSC website.



Common 1099 Errors

- Incorrect withholding code reported on the voucher.
- Withholding turned *off* when the payment is reportable.
- Withholding reported when payment is **not** reportable.
- Incorrect vendor address.



Common Causes of Penalties

- Agency does not code the payment correctly so the 1099 is not created in a timely manner.
- The vendor's name and taxpayer identification number (TIN) do not match IRS records.
- Coding errors are identified and corrected after the filing deadlines.



Summary

- The IRS introduced the 1099-NEC to report non-employee compensation beginning in Tax Year 2020.
- Agencies must identify the 1099 **Type** (1099M or 1099N) and the **withholding class** on each line of the voucher to ensure payments are reported on the correct 1099 form.
- 1099 reporting errors result in 1099 corrections and could result in IRS penalties which may be assessed to the agency.



Resources

- **OSC Guide to Financial Operations (GFO)**
 - Chapter XII, Section 5.K - Federally Reportable Payments
 - Chapter X, Section 3.A – Agency Vendor Registration
 - Chapter X, Section 4.A.1.a - Vendor Classifications
- **Accounts Payable Advisory**
 - #32: 1099 Reporting for Single Payments and Non-SFS Payments
 - #71: Processing Payments Subject to Federal Reporting
- **SFS Coach**
 - SFS Reference Guide
- **SFS Secure**



Who to Contact

SFS Helpdesk:

- (518) 457-7737 or (877) 737-4185
- HelpDesk@sfs.ny.gov

1099 Reporting:

- fedrep@osc.ny.gov

Vendor Management:

- vmu@osc.ny.gov



Questions

