



State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY

M. J. AMIKE® FOSTER, JR.
GOVERNOR

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

November 29, 2001

MEMORANDUM OSRAP 02-15

TO: Fiscal Officers
ISIS Agencies

FROM: F. Howard Karlton, CPA.
Director

SUBJECT: Non-1099 Reportable Vendors Paid With 1099 Reportable Objects and
1099 Reportable Vendors Paid With Non-1099 Reportable Objects

Attached are two InfoMaker reports for your agency type. The first report lists non-1099 vendor codes paid using 1099 reportable objects. The second report lists 1099 reportable vendors paid with non-1099 reportable objects. The expended amounts shown on the report represent the amount paid to each vendor by the agencies tied to your agency type as of October 26, 2001. This amount cannot be used to indicate whether a 1099 would generate from your agency upon changing the 1099 indicator since the 1099 process will not be run until December's monthly close. If you do not receive one of the reports, your agency did not have any payments that met the criteria of the reports.

In January, 1099's will be issued for 1099 vendors paid at least \$600, or any amount if the vendor is subject to backup withholding, using 1099 reportable objects. This information will be filed with the Internal Revenue Service (IRS) electronically. 1099 reportable vendors have a 1099 indicator set to "Y" on the AGPS VENC screen and the AFS VEN2 table. Each 1099 vendor must have a master vendor indicated on the vendor file. Payments to each vendor code under a FEIN/SSN are combined into one 1099 to the master vendor by agency type. The agency type is defined on the AGTP table in AFS and is listed on the AGCY table in AFS. Multiple agencies may be combined by use of one agency type. 1099 reportable objects are denoted by a return type in the 1099 Type column of the OBJ2 table in AFS. Object codes with Type A will generate Form 1099-Misc and Type G will generate Form 1099-G if all other criteria are met. On January 5, 2002 the 1099 table and turnaround reports will be available to agencies for 1099 reportable vendors paid with 1099 reportable objects. The agencies will have until January 18, 2002 to correct the information on these reports using the 1099 and

99TX tables in AFS before the 1099's are issued. Information and complete instructions regarding the 1099 process will be sent to agencies later.

To ensure the 1099 information reported to the IRS is as complete as possible, please verify that the 1099 status of the vendors listed on the Non-1099 Reportable Vendors Paid With 1099 Reportable Objects report is correct. Using the 1099 Reportable Vendors Paid With Non-1099 Reportable Objects report verify that payments were made using the correct object code.

If a vendor listed should be 1099 reportable, submit a Payee Vendor Update form to change the vendor's 1099 indicator to "Y". Refer to the vendor change procedures issued to your agency if more information is needed. Changes to these indicators alone do not have to be submitted to the Office of State Purchasing or the Office of Contractual Review. Be sure to change the primary indicator to "N", and the master vendor indicator to "Y" for the primary location of the FEIN/SSN. If a vendor was paid using a non-1099 reportable object in error, process a J6 to correct the coding error. If the payment resulted from an open encumbrance transaction, correct the coding on the encumbrance using a SUB change type for AGPS and CFMS or modify the AFS transaction to ensure that future payments are coded correctly.

General guidelines for vendor 1099-MISC status:

1. Usually corporations **are not** 1099 reportable vendors unless they provide medical, health care, legal services (any payment method) or fish purchases for cash. All payments for medical, health care or legal services must be reported unless medical or health care payment is made to a tax-exempt or government owned and operated hospital or extended care facility.
2. Any vendor who is subject to backup withholding **is** 1099 reportable vendor.
3. Nonprofit organizations **are** 1099 reportable vendors, unless they are a 501(c)(3) nonprofit organization that provides medical or health care services.
4. Individuals or a combination of individuals paid for all types of rents, (land, builds, equipment, etc). However, real estate agents paid rents **are not** 1099 reportable vendors.
5. Sole proprietorships **are** 1099 reportable vendors.

6. Any individual or combination of individuals providing services **is** 1099 reportable.
7. Partnerships **are** 1099 reportable vendors.
8. Estates or beneficiaries receiving a deceased employee's compensations **are** 1099 reportable vendors.
9. Independent contractors **are** 1099 reportable vendors.
10. Federal, state, local government entities, and any of their political subdivisions, agencies or instrumentalities **are not** 1099 reportable.
11. Employees **are not** 1099 reportable vendors; the agency will instead issue a W-2 for compensation for services and certain travel allowances.
12. Students who receive scholarships or fellowship grants **are not** 1099 reportable vendors.
13. Informants who receive an award, fee or reward for information **are not** 1099 reportable vendors.
14. Foster care providers who receive difficulty-of-care payments for 10 or fewer children under the age of 19 and five or fewer individuals 19 or older **are not** 1099 reportable vendors.
15. Recipients of social service payments **are not** 1099 reportable.
16. Non-employee entertainers **are** 1099 reportable.
17. Non-employee recipients of fees and/or travel reimbursements for which the individuals **DO NOT** account to the payer **are** 1099 reportable vendors.

General guidelines for vendor 1099-G status:

1. Any vendor who receives taxable grant payments, unemployment compensation, state and local tax refunds, agricultural payments and earnings from a qualified state tuition program (QSTP).

NOTE: An object has been established to report taxable grants and related backup withholding. If additional objects are needed for other types of payments, contact OSRAP.

You should obtain a copy of the IRS 2001 Instructions for Forms 1099-G and 1099-MISC if additional information or clarification is needed. Please distribute copies of this memorandum to the personnel at your agency who are responsible for processing these transactions.

Should you have questions concerning this memorandum, please contact the Vendor Section at (225) 342-6356. Remember all OSRAP memorandums and forms may be accessed through our home page at <http://www.state.la.us/OSRAP/INDEX.HTM>.

Attachments

FHK: rtj

C: Ms. Judy Davidson