Frequently Asked Questions for 1099’s.

1. **Question:** Checks to banks are listed as "07" payments when they are checks for accounts or certificates of deposit. Shouldn't these be considered "00" and corrected on the master file?

   **Answer:** You are correct, the vendor master code is incorrect and must be corrected. Banks do not receive 1099’s due to their corporate status. Please contact the Office of State Procurement to have the vendor master tax code changed. Please keep in mind that 1099s are now being extracted based on payment tax code and your agency will need to verify that all payments have the correct tax code.

2. **Question:** Do all one-time vendor payments need to be corrected or simply those vendors receiving 1099’s?

   **Answer:** If the vendor and the payment are taxable under the IRS rules, the one-time vendor payment should be corrected. When considering payments for 1099 reportable purposes, agencies should not consider the $600 threshold since that will not be calculated until all payments for that vendor from all agencies are consolidated.

3. **Question:** What do I need to look for on the A/P Vendor Report in order to make corrections?

   **Answer:** Examples of individual situations are covered in the Service Bureau Agency and User Agency Review of AASIS Vendor Report Instructions.

4. **Question:** We do not have any board members; however, some payments were made to vendor numbers in the “10000s”, etc. Payments made to the vendor numbers in the “10000s”, etc range are not reportable on a 1099, because they were simply reimbursable travel expenses. Are any corrections needed?

   **Answer:** Reimbursements are not normally reportable. Please verify that the payment tax code is “00” if the payment was for a reimbursement. Payments for items other than reimbursements should be reviewed to determine if they are 1099 reportable.

5. **Question:** To whom in the Office of Accounting should I e-mail 1099 corrections?

   **Answer:** User Agencies ACCT1099USERAGENCY@DFA.STATE.AR.US

   Service Bureau Agencies ACCT1099SERVICEBUREAUAGENCY@DFA.STATE.AR.US
6. **Question:** There has been some discussion about not using vendor numbers for one-time payments. Our agency has money set aside for refunds to licensees for continuing education. These refunds will be paid out at a maximum of $50, which would mean we could issue 1000 checks to these one-time vendors. Requiring a W-9 to process these one-time payments would create a lot of extra time and work, not only for us but also for the Office of State Procurement, which has to set up these vendor accounts.

**Answer:** If these are 1099 reportable, it is now possible for the one-time vendor payments to be recorded as 1099 reportable. The 1099 reportable one-time vendor payments must use a reportable code to be included in the 1099 extract. You will also need to get a W-9 on each payment in order to verify that you have the correct tax ID number and name on file.

If these payments are actually not 1099 reportable but are actually reimbursements, a W-9 is not needed. You would not need to set up a vendor master record and you would not record the one time vendor payment as reportable.

7. **Question:** I have corporate entities that have a vendor tax code of “07 – Non Employee Compensation”. Do I have to change all of the payments to “00” to prevent a 1099 being issued?

**Answer:** Corporate entities in general are not 1099 reportable. The only exceptions to corporate entities getting 1099’s is when “06 – Medical Services” or Attorney Services are provided. Normally, the entity will be a physician’s clinic or a group of attorneys. Payments to a corporation for other than Medical Services or Attorney Services should have the payment tax coded as “00”. If the vendor master tax code is incorrect, please contact OSP to have the master tax code changed. OSP will need a new W-9 reflecting that the vendor is a corporation.

8. **Question:** I have been asked to provide information about benefit vendors to the accounts payable department. Where might I find answers to their questions?

**Answer:** The only 1099 reportable B vendor payments are those made to attorneys. The purpose of “Box 14 - Gross Attorney Fees” on the 1099 is to recognize monies paid to attorneys when the amount that the attorney personally receives is unknown. If the court order specifies how much the attorney personally receives and the amount that the beneficiary receives, then the court ordered amount of the attorney's fee would be in “Box 7 – Non-Employee Compensation” and the total amount paid would be in “Box 14 - Gross Attorney Fees”. Attorneys functioning as Trustees are not reportable.
9. **Question:** Will we receive anything from AASIS prior to 1099's being sent out that would aid us in making sure our payee(s) should be receiving a 1099?

**Answer:** It is the agency’s responsibility to review and correct any payments in AASIS prior to the 1099 extract being completed. This can be done via transaction ZFI_1099. An e-learning tool for transaction ZFI_1099 can be found at:  

10. **Question:** I have only one payee who was paid over $600 in 2007 and those payments were for dues in the amount of $945. Am I correct in assuming that dues are not 1099 reportable?

**Answer:** Dues are not 1099 reportable. But, please understand that the IRS $600 reporting threshold does not apply to each individual agency. The $600 threshold is now based upon all payments to a vendor by all state agencies. You must review all payments and even those that were not above the threshold, if they are 1099 reportable, should reflect the appropriate payment tax code.

11. **Question:** From the instructions, I understand that, even though most of our vendors listed under the AP Vendors Report have amounts in the W. Tax Base column, because they are corporations, they will not receive a 1099. Is this correct?

**Answer:** The key is whether the payment was coded as 1099 reportable with the appropriate tax code. If payment tax code is anything other than “00”, they will get a 1099. Your agency will need to review payments and verify that the correct payment tax code was used in the processing of the vendor payment. There are two circumstances that require a 1099 be issued to a corporation. Please refer to Question/Answer 7 above.

12. **Question:** I thought that a corporation that provided legal services was reportable to the IRS.

**Answer:** This is an exception to the general rule concerning not reporting 1099’s for corporations per the IRS regulations. Payments made to a corporation for legal fees are 1099 reportable.

13. **Question:** Should I contact Office of Accounting about a vendor question?

**Answer:** Office of State Procurement maintains the master vendor records and should be contacted concerning vendor maintenance. If your question involves vendor master data, please contact OSP.
The Office of Accounting is responsible for issuing 1099’s and processing B-Notices. If your questions involves a vendor in relation to 1099’s please contact john.lewis@dfa.arkansas.gov.

14. **Question:** We bought land and we went through ABA and the title company and paid the individual. We need to know if this is a 1099 reportable payment?

   **Answer:** No. If you utilized a title company to complete the transaction, the title company was acting as your agent and is responsible for issuing the 1099S to the individual.

15. **Question:** AR Forestry Commission has paid a Volunteer Fire Department grant as a one-time vendor. Are grants excluded from the 1099 process?

   **Answer:** The answer depends on the individual grant. The grant should contain information concerning the taxability of the grant payments. In general grants providing subsidized energy financing or grants for projects designed to conserve or produce energy are reportable. 1099 reportable grants are reported on form 1099-G. If your agency has 1099 reportable grants, please contact john.lewis@dfa.arkansas.gov

16. **Question:** We are just looking for confirmation on this: All one-time vendors used by this agency were for non-taxable transactions and the tax status, where needed, was changed to “00”, therefore no spreadsheet is needed?

   **Answer:** For user agencies one-time vendor spreadsheets are no longer needed. One-time vendors that are coded as 1099 reportable will be included in the extract of 1099 reportable payments. If the payment tax code was changed to “00” then the one time vendor payments will be excluded.

   For service bureau agencies, the one-time vendor spreadsheet will still be used but if there are not 1099 payments, then a spreadsheet is not required.

17. **Question:** Who do the agencies and/or vendors need to contact with questions concerning 1099’s?

   Accounts Payable Vendors should call 1-800-714-9065. This is our answering service. They have a script that will include all the information needed to resolve any problem before we call the vendor back. We will normally be able to call them back within 5 working days.

   If Board and Commission Members, Employees, Elected State and Local Officials, Judges and Legislators have questions, please email John.Lewis@dfa.arkansas.gov and give the name, tax identification number, phone number and a general description of the problem.