

1099 FAQ for Tax Year 2022

Agency Review:

All agencies are required to review the payment documents generated by paid invoices before the calendar year payments are extracted for 1099 purposes. This is usually around the 20th of January following the tax year.

The Office of Accounting suggests you review your payment documents at least once a quarter. January thru March, April thru June, July thru September and October thru December. This will avoid a time crunch getting your documents ready for 1099 processing in the January following the taxable year. For tax year 2022 documents must be reviewed and any changes made by January 20th, 2023.

If you see a payment that should not be reported on form 1099 then change the withholding tax base (1099 amount) to zero and the payment tax code to 00.

Do not include mileage and travel as reportable amounts. The State has a qualified travel plan under the Internal Revenue Service rendering reimbursements for travel as non-reportable. Change the payment document(s) to subtract any mileage or travel.

If you see a rent payment that was recorded as 07 then change the payment tax code to 01.

Note: One Time Vendors (starting with A, W, etc.) will NOT be included in the normal 1099 processing. All vendors paid from a taxable grant will be identified by the paying fund and extracted using a different process for making 1099-G, reportable grant payments.

If you see a payment that should be included or have a cash in bank account making 1099 reportable payments, then submit those payments to DFA Office of Accounting on the User Agency One Time Vendor spreadsheet available at:
<https://www.dfa.arkansas.gov/accounting-office/1099-guidelines-and-instructions/>

Invoice Entry and Payment tax codes in AASIS:

W.tax base is the 1099 amount and W.Tax Code is the 1099 reporting box.

Box 07 stays the same but splits off into a new form 1099-NEC. Continue to use 07 for non-employee payments for services.

Agencies should stop using payment tax code 14 for attorney gross proceeds and start using 10 immediately. Use Box 07 for regular attorney payments.

Effective April 1, 2020 The Office of Accounting will be changing invalid code 14 to box 10. Any other invalid codes such as 04, 05, 09, 11 etc. will be changed to the appropriate code. Do not use the following tax codes: 02, 04, 05, 08, 09, 11, 12, 13, 14, 15, 16 or 17.

00 / Non Reportable - This category includes Non-Profits, Corporations (other than those providing Medical Services), Governmental and Quasi-Governmental Entities (State and Local Governments, School Districts, Colleges and Universities, Fire Departments).

01 / Box 1, Rent – Buildings, Office space, land, etc.

03 / Box 3, Other Income – Normally used for prizes, awards, national teacher bonuses and payments to deceased employees.

06 / Box 6, Medical and Health Care Payments – This is reportable for all vendors including Corporations (doctors and hospitals providing a medical services).

07 / Box 7, Non-employee Compensation – This is a broad category for almost all other Services. Cleaning, lawn care, painting, court reporting, translating, transportation and so forth. Changed in 2020 to Box 1 of 1099-NEC. Keep using code 07. AASIS/Accounting will split the data into two files, one for 1099-Misc (01,03,06,10) and another for 1099-NEC (07).

10 / Box 10, Gross Attorney's Fees – This applies only to Court Settlements where the attorney receives all of the payment (theirs and the client). All other payments for legal services should be coded using 07. Changed in 2020 from Box 14 to Box 10 of 1099-MISC.

Amounts reportable on 1099's are for Services. Goods are only reported when they are part of the invoice for services (repair and maintenance). If the vendor sells only goods to the State, it should be coded as 00 – Non Reportable. Example: Pharmacies are sometimes coded as medical service providers 06. They should be considered as non-reportable for 1099 purposes. The State is buying the drugs, not the pharmacist's ability to put them in bottles.

The payment tax code should be changed on the invoice when the default tax code is not appropriate for the payment being made:

Agencies will use reportable tax code category "07" as the default when personnel are not sure of the tax code category or a Social Security Number is used as the tax identification number.

Vendor is a Corporation, tax code "00" that is providing Medical Services—change the payment tax code to "06".

Vendor is a regular accounts payable vendor using their Social Security Number as the tax-id with a default master tax code of 07. If paying rent, then change the payment tax code to 01.

Vendor has a master tax code of 07 and you are paying mileage and/or travel which is not reportable. Change the payment tax code to 00 and the 1099 amount to zero.

Vendor has a master tax code of 07 and you are paying from a grant that is not reportable as 07. Change the invoice tax code to 00. This includes Blind Services and Foster Care. Contact Office of State Procurement about moving these vendors to a non-reportable group.