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INTRODUCTION

The State Controller's Office coordinates the printing of forms 1099-MISC and 1099-G and the initial electronic reporting to the Internal Revenue Service. However, state agencies are responsible for the data used to create the forms and the electronic files.

WiSMART tracks 1099-MISC and 1099-G payment information as transactions are generated throughout the year. Note: Agencies are responsible for tracking and reporting payments that are not reported on Form 1099-MISC and Form 1099-G (i.e., Form 1099-INT - interest income). The WiSMART 1099 reporting system is based upon two data elements: 1) the 1099-Ind field in the VEN2 table, and 2) the object code used to record a disbursement. In general, if the 1099-Ind field is set to "Y" in the VEN2 table, and the object code in a disbursement transaction is listed as reportable in the OBJT table, the transaction will be 1099 reportable and will be included in all 1099 processing.

1099-MISC AND 1099-G PROCESSING

General Overview

A Form 1099-MISC must be filed for each person to whom has been paid (a) at least $10 in royalties or broker payments in lieu of dividends or tax–exempt interest; (b) at least $600 in rents, services, prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, cash payments for fish you purchase from anyone engaged in the trade or business of catching fish, or generally, the cash paid from a notional principal contract to an individual, partnership, or estate; (c) any fishing boat proceeds; or (d) gross proceeds paid to an attorney. A Form 1099-MISC must also be filed for each person whom you have withheld any Federal income tax under the back-up withholding rules regardless of the amount of the payment. A Form 1099-G must be filed for the following types of payments:

- Unemployment Compensation
- State or Local Income Tax Refunds, Credits or Offsets
- Federal Income Tax Withheld
- Taxable Grants
- Agriculture Payments

In general, payments to corporations are excluded from the 1099 reporting. However, the following payments made to corporations must be reported on Form 1099-MISC:
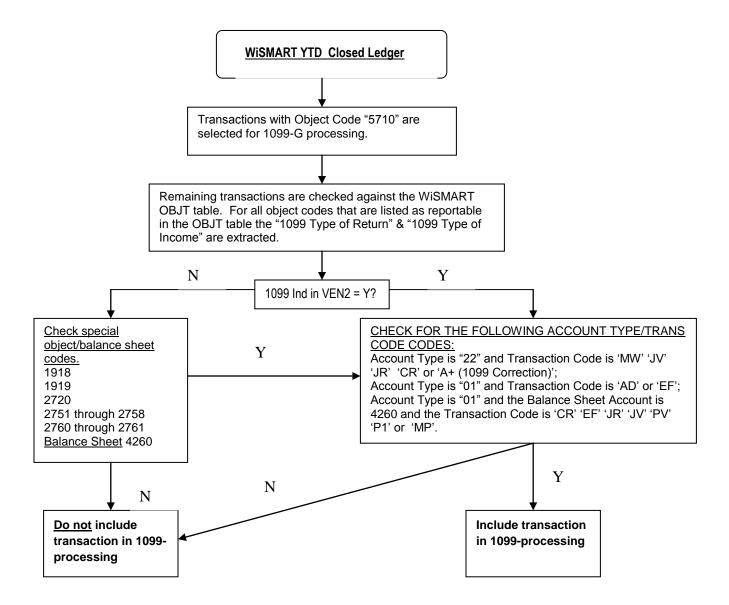
- Medical and health care payments
- Attorney's fees
- Gross proceeds paid to an attorney

When an agency adds a vendor to WiSMART it must determine whether the vendor is 1099 reportable. This determination is based solely upon the information reported by the entity on the State of Wisconsin Substitute W-9 Form. If the entity is incorporated, a service corporation, a corporation-type partnership, or a government, the 1099-Ind field in the VEN2 table should be "N". For all other entity types, the 1099-Ind field should be "Y". The State Controller's Office maintains a field in the WiSMART OBJT

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table that determines if individual expenditures are reportable on a 1099-Misc or 1099-G. Only those expenditures that are coded to a reportable object code in the OBJT table and to a vendor code with a "Y" in the 1099-Ind field in VEN2 will be selected for 1099-Misc or 1099-G reporting.

The following flowchart depicts the 1099 transaction selection process:

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1099 Reports

The AD38063 and AD38063G Reports are available in EOS and show all reportable 1099 transactions. The reports are run daily in January, and at the end of March, June, September, October, November, and December. Agencies must review this report to determine if there are any payments incorrectly coded to reportable object codes.

Corrections of reportable payment amounts between vendors and object codes should be made on a JV or JR transaction. The Vendor Number must be included on the transactions in order for the 1099 adjustment to process correctly.

How the Transaction File Creates the Print file & Electronic File

The transaction file of reportable transactions is used to create the 1099 print file and electronic file. Reportable transactions are added together by vendor TIN number within each agency. Vendors receiving less than $600.00 in reportable transactions are dropped from further processing unless the object code equals 3135 and the dollar amount is equal to or greater than $10.00.
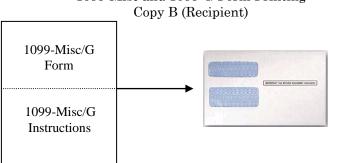
The reportable amounts are mapped to the boxes on the 1099-MISC and 1099-G forms according to the 1099-Type field in the OBJT table.

Electronic File

The State Controller's Office is responsible for electronically filing all of the centrally-printed forms with the IRS and the Wisconsin Department of Revenue (DOR). However, state agencies must file all additional and corrected forms directly with the IRS and DOR.

1099-Misc Form Printing

The State Controller's Office prints 1099-MISC Copy B (recipient) and Copy C (payer) on blank 8 ½" x 11" paper. The form will appear at the top of the page and the 1099-Misc instructions will appear at the bottom (see Figure 3 – 1099-Misc Printing). Copy B (recipient) will be folded in half at the DOA Print Center and inserted into double-window envelopes and mailed. Copy C (payer) will be returned, unfolded, to the agency for their records. Agencies will pick up the printed forms at the State Controller's Office.

<div align="center">

1099-Misc and 1099-G Form Printing
Copy B (Recipient)

</div>

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The State Controller's Office will maintain a supply of continuous-feed 1099 forms and 1096 forms for agencies to use in preparing additional or corrected forms discovered after the DOA printing is completed. **Agencies must file the additional or corrected forms directly with the IRS and DOR.**

1099 CORRECTION PROCESSING IN WISMART

The 1099 Correction Table (1099) has been added to WiSMART to allow Agency users to enter data that will either change a vendor's 1099 total or bypass a vendor that appears on the AD38063 or AD38063G EOS report when the 1099 forms are printed. Vendors on the VEN2 table can also be added to the 1099 EOS report using the 1099 table. This table will be available for Agency use from early January until mid-January, when the 1099 forms are printed. Using this table should eliminate most of the need for agencies to manually create corrected 1099 forms because the corrections will be keyed before the 1099 forms are printed.

The 1099 Correction Table has a key of Agency, Tax ID Number, and Line Number. The line number field allows agencies to enter each adjustment amount on a line by itself, instead of combining all adjustments into one amount. The line numbers can range from 01 to 99. Each record contains a bypass indicator, object, correction amount, increase/decrease indicator, and a thirty-byte reason field to explain the correction. The screen also displays the Vendor name, which is read from the VEN2 Table.

The 1099 table entry to bypass a vendor appears on the AD38063 or AD38063G report as an 'A' adjustment along with the message, "THIS VENDOR WILL BE BYPASSED FOR 1099 PROCESSING".

The 1099 table entry to adjust the amount of a vendor's 1099 form appears on the AD38063 or AD38063G report as an 'A+' adjustment. All adjustments for a vendor are totaled and shown at the bottom of the vendor's record, before the "1099 Total" amount.

Procedures

1. To bypass a vendor, enter a record for the vendor with the agency, tax id number, line number, bypass indicator = 'Y', and reason fields completed.

2. To change the amount on a vendor's 1099 form, enter the agency, tax id number, line number, object, amount, increase/decrease indicator, and reason fields. This process can also be used to add a vendor to the AD38063 or AD38063G report. (The vendor must appear in the VEN2 Table.)

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1099 Table Field Descriptions

AGENCY	Required. This is your three digit agency number.
TAX ID NUMBER	Required. This is the 10-byte vendor code from the VEN2 Table. (The address extension is not included.)
VENDOR NAME	Protected. Inferred from the VEN2 Table.
LN NO	Required. A unique number is used for each line on the 1099 table. The valid values are 01 through 99.
BYPASS IND	Valid values are 'Y' (Yes) or Blank. 'Y' indicates the vendor will be bypassed when Form 1099s are created. Blank indicates the vendor will not be bypassed for 1099 processing.
OBJT	Required if the Bypass Ind is Blank. Must be valid on the OBJ2 Table.
CORRECTION AMOUNT	Required if the Bypass Ind is Blank. Do not code a sign (+ or -). The decimal point is optional, but two digits for cents must be keyed. No entry allowed if Bypass Ind is 'Y'.
I/D	Required if the Bypass Ind is Blank. The valid values for the Increase/Decrease indicator are 'I' for increase and 'D' for decrease.
REASON FOR CORRECTION	Required. Thirty-byte field used to explain the correction.

FILING CORRECTED 1099 FORMS

If a reportable amount was reported to the IRS and later discovered that there was an error, it must be corrected as soon as possible. When making a correction, be sure to complete all appropriate information on the 1099 Form . Then file Copy A of the 1099 Form and 1096 Form with the IRS. Do not cut and separate forms that are two or three to a page. Submit the entire page even if only one of the forms is completed. Do not staple the forms to Form 1096. You must use a separate Form 1096 for each type of return you are correcting.

Each Form 1099 contains a "CORRECTED" box at the top of the form. Enter an "X" in the "CORRECTED" box on Copy A only when you are correcting a form you previously submitted to the IRS. Enter an "X" in the "CORRECTED" box on the copies you give to the recipient only when you are correcting a form previously furnished to the recipient.   Refer to the Step-by-Step Chart for Filing Corrected Returns on Paper Forms (http://www.irs.gov/pub/irs-pdf/i1099_02.pdf) in the IRS General Instructions for Forms 1099, 1098, 5498, and W-2G on GEN-12 for more information on corrections.