1099/1042 TRAINING
Division of Accounts

Trainers:
Christy Payne, Post-Audit Accounting Manager
Katelyn Huckaby, Supplier Maintenance Accounting Manager
What’s New for 2020?
	(besides wearing masks everywhere... 😊)

- **Don Shelton is retiring TODAY, October 29th 😊**
  - You will be working with Christy Payne, Katelyn Huckaby, and Mikhel Lindsley this year
  - Send 1099/1042 questions to F_A.Accounts@tn.gov and include in the subject “1099Q”

- **1099-NEC**
  - Nonemployee Compensation *(payment for services, excluding medical)* were formerly reported in Box 7 of the 1099-MISC; will now be reported in Box 1 of the 1099-NEC *(Edison CAT Locations are not changing)*

- **COVID Relief Payments**
  - We will work with specific agencies to ensure accurate reporting
Looking Ahead

• **1099 Corrections**
  - Around 13,000 last couple years... let’s work to reduce these in the coming years! 😊

• **Keep in mind when entering vouchers:**
  1. Choose the appropriate Location (*1099 reportability and bank account*)
     - Query: TN_AP33C_VENDOR_SEARCH
  2. Choose the appropriate Address (*Should match remittance address on invoice*)
  3. Do not assume the Default Location or Address is correct

• **Process Improvements**
  - Turnaround times reduced
  - Internal Supplier Registration
  - Supplier Update Form

• **Post-Audit Section**
Why We Report

• The **IRS requires** certain payments made to suppliers be reported on an IRS Information Return (*Form 1099 series, etc.*). *Reportable does not mean taxable.*

• Presentation Topics:
  ▫ **Form 1099-MISC** (*Miscellaneous Income – rent, medical services, legal services*)
  ▫ **Form 1099-NEC** (*Nonemployee Compensation – services, excluding medical*)
  ▫ **Form 1099-G** (*Certain Government Payments – grants*)
  ▫ **Form 1042-S** (*Foreign Suppliers*)

• We will work with agencies to ensure reporting of offline payments (*payments not made through Edison*) and other types of Information Returns that must be issued
### Who We Report

**Is the Supplier Reportable?**

<table>
<thead>
<tr>
<th>Edison W-9 Business Type</th>
<th>Business Type Description</th>
<th>1099-MISC, 1099-NEC, &amp; 1099-G Reportable Supplier?</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Individual (not a business)</td>
<td>Yes</td>
</tr>
<tr>
<td>02</td>
<td>Joint Account (two or more individuals)</td>
<td>Yes</td>
</tr>
<tr>
<td>03</td>
<td>Custodian account of a minor</td>
<td>Yes</td>
</tr>
<tr>
<td>04</td>
<td>Trust Account (Revocable Savings Trust/So-Called Trust)</td>
<td>Yes</td>
</tr>
<tr>
<td>05</td>
<td>Sole Proprietorship (SSN)</td>
<td>Yes</td>
</tr>
<tr>
<td>06</td>
<td>Sole Proprietorship (FEIN)</td>
<td>Yes</td>
</tr>
<tr>
<td>07</td>
<td>A Valid Trust, Estate or Pension Trust</td>
<td>Yes</td>
</tr>
<tr>
<td>08</td>
<td>Corporation or LLC (Limited Liability Company) electing corporate status on IRS Form 8832 or 2553</td>
<td>No, <em>except</em> for medical services, attorney’s fees, or payments to attorneys</td>
</tr>
<tr>
<td>09</td>
<td>Association, club, religious, charitable, educational or other non-profit organization</td>
<td>Yes</td>
</tr>
<tr>
<td>10</td>
<td>Partnership or Multi-Member LLC (Limited Liability Company)</td>
<td>Yes</td>
</tr>
<tr>
<td>13</td>
<td>Tax-Exempt Organizations or Governments</td>
<td>No, <em>except</em> for attorney’s fees or payments to attorneys</td>
</tr>
<tr>
<td>15</td>
<td>Unknown (W-9 not on file)</td>
<td>Yes, regardless if supplier has Inc. or Corp. in the name</td>
</tr>
</tbody>
</table>
# What We Report

## Examples of Reportable Payments

<table>
<thead>
<tr>
<th>Reportable Payments</th>
<th>IRS Form Type</th>
<th>CAT in Edison</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rents:</strong> Real Property (such as land, buildings, warehouses, directly billed hotel rooms or other facilities), Equipment (office equipment, machinery, etc.)</td>
<td>1099-MISC</td>
<td>1</td>
</tr>
<tr>
<td><strong>Other income (not compensation for services):</strong> Awards, Honorariums (see Non-Employee Compensation for speaker fees), Incentives, certain Independent Living payments, Prizes, Punitive Damages</td>
<td>1099-MISC</td>
<td>3</td>
</tr>
<tr>
<td><strong>Medical and health care payments:</strong> Medical and Dental Services, Ambulance Services, Autopsy Services, Hospitalization, Lab Work, Medical Assistance Benefits (such as payments made by TennCare), Psychological Services, Veterinary Services</td>
<td>1099-MISC</td>
<td>6</td>
</tr>
<tr>
<td><strong>Gross proceeds paid to an attorney:</strong> Generally from settlement payments*</td>
<td>1099-MISC</td>
<td>14</td>
</tr>
<tr>
<td><strong>Nonemployee compensation (professional services/contractors):</strong> Advertising, Appraisal, Construction, Consulting, Court Reporting, Expert Witness Testimony, Attorney’s Fees, Process Servers, Funeral, Waste, Recycle, Home and Community Based Services, Laundry, Janitorial, Maintenance and Repairs, Security, Temporary Staffing (including Medical Personnel), Training, Speaker Fees, Stipends for services provided, Travel</td>
<td>1099-NEC</td>
<td>7</td>
</tr>
<tr>
<td><strong>Taxable Grants (Grants are reportable unless otherwise stated in the legislation of the grant)</strong></td>
<td>1099-G</td>
<td>G</td>
</tr>
</tbody>
</table>

*A request for a listing of settlement payments paid by your agency will be sent...*
What We Don’t Report

Examples of Non-Reportable Payments

- Materials, products, and supplies
- Medical records (unless they are included on the invoice with a medical service)
- Membership dues
- Prescription drugs
- Subscription (magazines, professional journals, etc.)
- Travel claims
- Utilities (including electricity, gas, propane, phone service (cell or landline) and internet service)
- Foster care, guardianship, adoption assistance, etc.

These payments should be coded in Edison with a Location type of MAIN or a city name (for example: NASHVI-001).
We Need Your Help!

- Agencies schedule and review four payment queries in Edison to ensure accurate 1099/1042 reporting

<table>
<thead>
<tr>
<th>Query Name</th>
<th>Query Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>TN_1099_TO_REPORT</td>
<td>Reportable payments made to reportable suppliers</td>
</tr>
<tr>
<td>TN_1099_SLGP_VCHR_PAYMNTS</td>
<td>List of single payment vouchers</td>
</tr>
<tr>
<td>TN_1099_RPRT_VDR_NORPRT_PAY</td>
<td>Non-reportable payments made to reportable suppliers</td>
</tr>
<tr>
<td>TN_1099_RPRT_VDR_NORPRT_PAY2</td>
<td>Non-reportable payments made to reportable suppliers</td>
</tr>
</tbody>
</table>

- Agency reports **must be** returned by the deadline
Schedule and Review

1. **Schedule queries in Edison.** Instructions can be found on Pages 7-14 of the 1099 and 1042 Reporting Guide.
   - If no query results, double check to ensure the correct dates were entered.

2. **Import queries into Excel.** Excel 2010 and 365 import instructions can be found on Pages 15-22 of the 1099 and 1042 Reporting Guide.

3. **Format and review spreadsheet.** Instructions can be found on Pages 23-26 of the 1099 and 1042 Reporting Guide.
Common Importing Issues

• Data must be imported into Excel in “Text” format, except for the Amount columns. Amount columns must be “General”.
  ▫ Instructions found on Page 21 of the 1099 and 1042 Reporting Guide
Common Formatting Issues

- Once in Excel, amount columns must be formatted in “Accounting” with no symbols and 2 decimal places.
  - Instructions found on Page 22 of the 1099 and 1042 Reporting Guide
Common Review Issues

• Do not split vouchers
  ▫ If part of the voucher is reportable, then the entire voucher is reportable unless the reportable portion is incidental.
    – Example: A truck was repaired by a sole proprietor. Labor cost $1,400, parts cost $600. A 1099 is issued for $2,000 to the Supplier.
    – Example: Copy paper was purchased for $800; delivery charge was $50. A 1099 is not issued to the supplier because copy paper is a product, and the delivery charge is incidental to the product.

• Columns may be hidden, but not deleted

• Only add columns to the right side of the spreadsheet

• If the spreadsheet is not formatted correctly, it will be returned for correction
All payments on this query will be reported on the appropriate 1099 form unless you tell us to exclude or correct.

Add two columns to the right side of the spreadsheet titled “Exclude or Correct” and “Reason”.

<table>
<thead>
<tr>
<th>Bus Unit</th>
<th>Form</th>
<th>Category/Box</th>
<th>Location</th>
<th>Vdr IRS Name</th>
<th>W-9 Bus Typ</th>
<th>VoucherID</th>
<th>Voucher Amount</th>
<th>Exclude or Correct</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>XXXXX</td>
<td>1099</td>
<td>06</td>
<td>CAT6-001</td>
<td>John Doe</td>
<td>06-Sole Proprietor - With Emp</td>
<td>00012345</td>
<td>1,000.50</td>
<td>7</td>
<td>Consulting services</td>
</tr>
<tr>
<td>XXXXX</td>
<td>1099</td>
<td>07</td>
<td>CAT7-001</td>
<td>ABC Company LLC</td>
<td>08-Corporation</td>
<td>00012346</td>
<td>525.00</td>
<td>E</td>
<td>Not medical or attorney’s fees</td>
</tr>
<tr>
<td>XXXXX</td>
<td>1099</td>
<td>07</td>
<td>CAT7-001</td>
<td>Jane Miller</td>
<td>06-Sole Proprietor - With Emp</td>
<td>00012347</td>
<td>2,000.00</td>
<td>1</td>
<td>Rent</td>
</tr>
<tr>
<td>XXXXX</td>
<td>1099</td>
<td>07</td>
<td>CAT7-001</td>
<td>XYZ Supplies</td>
<td>10-Partnership</td>
<td>00012348</td>
<td>3,000.00</td>
<td>E</td>
<td>Supplies</td>
</tr>
<tr>
<td>XXXXX</td>
<td>1099</td>
<td>03</td>
<td>CAT3-001</td>
<td>Jeremy Smith</td>
<td>01-Individual</td>
<td>00012349</td>
<td>125.00</td>
<td>G6</td>
<td>1099-G</td>
</tr>
</tbody>
</table>
**TN_1099_SLGP_VCHR_PAYMENTS**

- **No** payments on this query **will** be reported on a 1099 **unless** you tell us to report.

- Add **five** columns to the **right** side of the spreadsheet titled **“Supplier ID”, “TIN”, “Format”, “Type”,** and **“CAT”.** If the payment is reportable, complete these columns as follows:
  - **Supplier ID:** Enter the Edison Supplier ID (leave blank if not applicable).
  - **TIN:** **REQUIRED!** Enter the Tax ID Number as an SSN or FEIN with the appropriate dashes.
  - **Format:** Enter “S” for SSN or “F” for FEIN.
  - **Type:** Enter “1099” for 1099-MISC or 1099-NEC or “1099G” for 1099-G.
  - **CAT:** Enter the correct category number for the payment.

```
<table>
<thead>
<tr>
<th>Unit</th>
<th>Voucher ID</th>
<th>Invoice#</th>
<th>Vendor Name</th>
<th>Amount</th>
<th>Descr</th>
<th>Supplier ID</th>
<th>TIN</th>
<th>Format</th>
<th>Type</th>
<th>CAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>XXXXX</td>
<td>00012345</td>
<td>963</td>
<td>Scott Jones</td>
<td>1,000.00</td>
<td>Rent</td>
<td>0000123456</td>
<td>123-45-6789</td>
<td>S</td>
<td>1099</td>
<td>1</td>
</tr>
<tr>
<td>XXXXX</td>
<td>00012346</td>
<td>2518</td>
<td>Jane Doe</td>
<td>350.00</td>
<td>Training</td>
<td>0000012369</td>
<td>98-7654321</td>
<td>F</td>
<td>1099</td>
<td>7</td>
</tr>
</tbody>
</table>
```
These queries must be combined and submitted as one report. Save the report as your business unit and “PAY_PAY2”.

No payments on this query will be reported on a 1099 unless you tell us to report.

Add two columns to the right side of the spreadsheet(s) titled “Type” and “CAT”.

If payments with CAT Locations are found in the query results, you must include the payments on your submitted report.
1042 Reporting – Foreign Suppliers

- The IRS requires certain payments to foreign suppliers be reported on a **Form 1042-S**

- A **foreign supplier** is a non-resident alien individual or foreign company

- Due to the complexity of 1042 reporting, **all payments** to foreign suppliers must be included on the 1042 report to F_A.Accounts@tn.gov
Reporting 1042 Payments

- Payments to foreign suppliers may be found on any of the 1099 queries
  - If found, copy and paste the 1042 rows to a new Excel worksheet with the same column headings
  - If payments to foreign suppliers are found on the `TN_SLGP_VCHR_PAYMNTS` query, contact F_A.Accounts@tn.gov immediately

- Add three columns to the right side of the spreadsheet titled:
  - “Description of Payment”
  - “Where Work was Performed” (only required for payment for services)
  - “Number of Days Present in the U.S.” (only required for payment for services)
Preparing Submission of Reports

• After reviewing and entering your corrections:
  ▫ Unhide all columns and unfreeze all panes
  ▫ Filter the data to include only the data that requires correcting then copy and paste the data that needs to be corrected into a new Excel workbook (separate workbooks for each report)

• Naming your reports:
  ▫ Save your new workbook as your business unit, name of the query, and the period for which the query was ran, for example:
    – 30101_TN_1099_TO_REPORT_JAN_OCT
    – 30101_TN_1099_SLGP_VCHR_PAYMNTS_JAN_OCT
    – 30101_TN_PAY_PAY2_JAN_OCT
    – 30101_1042_REPORT_JAN_OCT

• Don’t wait! Send the workbooks as they are completed rather than waiting until all four queries have been reviewed
Submission Requirements

• Email 1099 and 1042 reports to F_A.Accounts@tn.gov

• The **subject line** of the email must contain your business unit and the name of the report, for example:
  - 30101_TN_1099_TO_REPORT
  - 30101_TN_1099_SLGP_VCHR_PAYMNTS
  - 30101_TN_PAY_PAY2
  - 30101_1042_REPORT

• If *multiple* reports are submitted in **one** email, the subject line must contain your business unit and “1099_REPORTS” and “1042_REPORT”, for example:
  - 30101_1099_REPORTS
  - 30101_1099_REPORTS_1042_REPORT

• If you do not have any 1099 corrections to report, you must send an email stating so. You do not have to attach a blank report.
Important Dates to Remember

• Majority of 1099/1042 process spans November through March

• January through October Reports
  ▫ **Anticipated Start Date: November 4, 2020**
    – Email from F_A.Accounts@tn.gov sent notifying agencies to begin running queries
  ▫ **Anticipated Due Date: November 16, 2020**
    – Reports must be submitted to F_A.Accounts@tn.gov in accordance with 1099 and 1042 Reporting Guide
    – Agency Certification Form (signed by fiscal officer) must be attached to Hyperion Task

• November through December Reports
  ▫ **Anticipated State Date: January 4, 2021**
    – Email from F_A.Accounts@tn.gov sent notifying agencies to begin running queries
  ▫ **Anticipated Due Date: January 11, 2021**
    – Reports must be submitted to F_A.Accounts@tn.gov in accordance with 1099 and 1042 Reporting Guide
    – Agency Certification Form (signed by fiscal officer) must be attached to Hyperion Task
Agency Certifications

• Certify:

✓ All 1099 queries and 1042 payments have been reviewed and formatted in accordance with the 1099 and 1042 Reporting Guide and all corrections have been submitted to Supplier Maintenance

✓ All settlements, including those paid through payroll, and offline payments, those paid outside of Edison, have been submitted to Supplier Maintenance in accordance with the 1099 and 1042 Reporting Guide
Contact Information

- Communication is critical.

- Email 1099 and 1042 reports and questions to: F_A.Accounts@tn.gov
  - If emailing a question, the Subject must include “1099Q”

- Phone contact information for us:
  - Christy Payne – 615-532-5268
  - Katelyn Huckaby – 615-770-1104
  - Mikhel Lindsley – 615-253-3996
Questions?
THANK YOU