



## 17.2 1099 Reporting

### Policy Statement

The University reports payments for most non-employee compensation, rents, royalties, and certain other vendor payments to the Internal Revenue Service using Form 1099. The Accounts Payable office is responsible for issuing all Forms 1099. Exceptions to issuing Form 1099 exist for certain types of vendors and for certain types of payments.

Exceptions include the following:

- **Payments to Corporations** - Payments to corporate vendors generally do not need to be reported on Form 1099 unless the payment is for legal services or for certain medical services (see below). A payment to "ABC Corporation" or "DEF Company, Incorporated" would generally qualify for the corporate exception. A payment to "XYZ Company" would not qualify because it is not clear if "XYZ Company" is a corporation. The Form W-9 is required to process payments to businesses and may be helpful to assist in the determination of whether an entity is a corporation. Payments to partnerships and other non-corporate entities generally must be reported on Form 1099.

**Special Rule for Legal Services** - Payments made to an attorney providing legal services (whether or not the services are performed for the University) must be reported on Form 1099. *This requirement also applies to payments made to an attorney practicing as a corporation.*

**Special Rule for Medical Services** - Payments made by the University to corporations engaged in providing medical and health care services or engaged in billing in respect to providing such services, generally must be reported on Form 1099.

- **Expense Reimbursements under an Accountable Plan** - Expense reimbursements to employees should generally not be reported on Form 1099. To qualify for this exception, employees must submit documentation such as receipts that substantiate the amount, time, place, and business purpose of the expense.

Payments made by the University to independent contractors for reimbursement of business expenses are generally not reported on Form 1099 as long as the reimbursements are made in accordance with an accountable plan. In certain cases involving expense reimbursements to foreign persons, the IRS requires such payments need to be reported on Form 1042S. This determination will be made by the Accounts Payable office.

- **Payments for Merchandise** - Payments made by the University to vendors for merchandise, telegrams, telephone, freight and storage and similar charges are not reported on Form 1099. The Internal Revenue Service has not published a sufficient definition of "merchandise", so this term is construed narrowly because of the risk of severe penalties for failure to file Form 1099. Payments for a combination of merchandise and services are reportable. For example, if the University hires an unincorporated contractor to repair a roof at a cost of \$1,000 consisting of \$700 for materials and \$300 for labor, the entire \$1,000 is reported on Form 1099. The authority for this position is Revenue Ruling 81-232.
- **Payments to Nonresident Aliens** - Payments made by the University to foreign vendors for independent personal services or for royalties is reported on Form 1042S and not on Form 1099.
- **Payments of Wages** - Wages paid by the University are reported on Form W-2 and not on Form 1099. Contracts for services must be scrutinized to determine if the University has the requisite control over the work performed to create an employee relationship. Questions about employee vs. independent contractor classification should be referred to Accounts Payable. Payments for employment services should generally be made through the payroll system to ensure proper payroll tax reporting and withholding.

This is not an all-inclusive list of exceptions to Form 1099 reporting.

All Forms 1099 must include payee tax identification numbers (TINs). A TIN is a social security number issued by the Social Security Administration, an Employer Identification Number issued by the IRS, or an Individual Tax Identification Number issued by the IRS. Individual Tax Identification Numbers are generally restricted to certain foreign vendors who are not eligible for social security numbers. Tax identification numbers are obtained by having

the vendor complete the University's Vendor Profile form. Accounts Payable completes a TIN match with the Internal Revenue Service before processing a payment to ensure accurate information has been provided before it is recorded in the University's vendor database. 1099's are mailed out on or before January 31st.

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#### Reason for policy

This policy outlines the University's policy on 1099 reporting.

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#### Procedures

Accounts Payable maintains 1099 data and will have Form 1099's printed prior to January 31st. The forms are folded and sealed and mailed to recipients on or before January 31st each calendar year.

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#### Forms/Instructions

[Sample 1099MISC form](#)

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#### Additional contacts

[Andre Simmons](#), Accounts Payable

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#### Responsibilities

**Responsible University Senior Administrator:** Vice President for Finance & Administration

**Responsible University Administrator:** Associate Vice President for Finance Division

**Policy Owner:** [Accounts Payable](#)

**Policy Contact:** [Andre Simmons](#)

**Phone Number:** (706) 542-2786

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#### Record Retention

Wage and Tax Statements

Number: 0472-04-047

This series provides a summary record of data reported on the annual Wage and Tax Statements for the institutional employees.

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#### Policy Appendices

[Internal Revenue Service instructions for Form 1099-MISC](#)

[< Unrelated Business Income Tax \(UBIT\) | 1098-T Reporting >](#)

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#### Policy Dates

Effective Date:

Date Last Updated: 12/02/2016

Date of Last Review:

Date of Approval:

Previous Version of Policy: