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MEMORANDUM

To: Legislative Leadership, Judicial Branch Administrators, Elected Officials, Secretariats, Department Heads, and Chief Fiscal Officers

From: Kevin McHugh, Assistant Comptroller for Payroll and Payments

Date: December 28, 2020

Re: Issuing and Filing IRS Forms 1099 for Tax Year 2020

Comptroller Memo FY#21-14

Executive Summary

This memo confirms the actions that will occur for Federal Income Tax reporting to the Internal Revenue Service (IRS), Social Security Administration (SSA) and for State Income Tax reporting to the Department of Revenue (DOR) for all 1099 reportable payments made from MMARS. This also serves as a reminder to departments that the Office of the Comptroller (CTR) is the Commonwealth's Tax Clearinghouse.

Please make sure the information in this memo is conveyed to relevant staff in your department.

The purpose of this memorandum:

1. To remind departments that the Office of the Comptroller (CTR) is the official Commonwealth Clearinghouse for all matters involving tax identification number 04-6002284 related to Federal Income Tax reporting to the Internal Revenue Service (IRS), Social Security Administration (SSA) and State Income Tax reporting to the Department of Revenue (DOR) and to outside state agencies.

2. To provide technical guidance to departments regarding their responsibilities pertaining to issuing and filing tax reporting information that is not captured at the detail level in the Massachusetts Management Accounting and Reporting System (MMARS).

3. To remind departments that this is the first year for the 1099 NEC (Non-employee compensation), previously box 7 on the 1099 MISC

Tax-form types, 1099G, 1099MISC, 1099INT, 1099S and/or 1099NEC, will be issued for each reportable entity if there is a reportable payment in MMARS. See number 2: "1099 Reportable Payees and Payments", below for applicability of each form.

Processing reminders for departments:

1. **Returned Vendor checks in tax year 2020**

The deadline for depositing returned vendor checks into the department sweep account is **Thursday, December 31, 2020**. All timely deposits should have the appropriate transaction processed by Friday, January 8, 2021 to correctly report vendor payments on the Form 1099 for tax year 2020. After the check is deposited into the sweep account, departments should use the following chart to determine the appropriate scenario based on when the payment was issued and when it was subsequently returned to process the appropriate transaction:

Payment Issued Tax Year	Payment Issued Fiscal Year	Payment Returned Fiscal Year	Appropriations	Transactions	MMARS Document Required
TY2020	FY2020 (JAN-JUN)	FY2020 (JAN-JUN)	All	The department must enter a two-line Expenditure Refund (ER) transaction to reduce the sweep account and put the funds back into the appropriation. After the Expenditure Refund (ER) transaction is in final, an Encumbrance Correction (CEC or GAEC) transaction should be processed.	ER
TY2020	FY2020 (JAN-JUN)	FY2021 (JUL-DEC)	1CS, 1CN, 1RS, 1RN, 1IN	For budgetary appropriations (1CS, 1CN, 1RS, 1RN, 1IN) the department must process the return as miscellaneous revenue (CR) in the current fiscal year and in order to issue the correct tax reporting, departments are required to input the correct vendor customer code and name in the Document Comments section on all CR transactions that reflect prior year refunds from a vendor.	CR
TY2020	FY2020 (JAN-JUN)	FY2021 (JUL-DEC)	Capital, Trust or Federal appropriations	For capital, trust or federal appropriations, the department must enter a two-line Expenditure Refund (ER) transaction to reduce the sweep account and put the funds back into the appropriation.	ER
TY2020	FY2021 (JUL-DEC)	FY2021 (JUL-DEC)	All	The department must enter a two-line Expenditure Refund (ER) transaction to reduce the sweep account and put the funds back into the appropriation. After the Expenditure Refund (ER) transaction is in final, an Encumbrance Correction (CEC or GAEC) transaction should be processed.	ER

If a returned check is not deposited into the sweep account or a transaction is not processed by the deadline, the vendor payment will be included in the Form 1099 for tax year 2020. The department will then be responsible to submit a Form 1099 correction request. Corrected Forms 1099 will need to be issued to the vendor(s). If a corrected form needs to be issued, departments must take the following steps to ensure appropriate tax reporting of these payments:

a. Submit a letter, signed by a department authorized signatory, to Jess Cogswell, Statewide Payment and Tax Reporting Manager, substantiating the correct reportable amount and reason for the correction.

b. Attach a copy of the Form 1099 that will require a correction. CTR will then issue the corrected Form 1099.

NOTE: As soon as a Cash Receipt (CR) transaction is processed for a returned Tax Year 2020 vendor payment, the department should contact Jim Box at James.Box@mass.gov to correct the vendor's taxable income information prior to the printing and issuance of the 1099. Refunds processed through the CR transaction require manual adjustments by CTR to report the correct amount on the 1099 Form. This is required because the CR transaction does not contain the VC number and does not update the vendor's tax reporting information in MMARS.

2. 1099 Reportable Payees and Payments

Consistent with the IRS tax reporting requirement, the following criteria are used by the Office of the Comptroller to determine reportable payees and reportable payments.

Form Name	Minimum Amount	Reportable Payees	Reportable Payments
1099G	$600.00	Individuals (non-employees), Sole Proprietorships, Partnerships, Trusts	Taxable Grants
1099MISC	$600.00 (in boxes 1, 3, 6, 10)	Individuals (non-employees), Sole Proprietorships, Partnerships, Trusts	Rents (office space and equipment rentals), Medical and Health Care Payments, other income (ex. teacher incentives)
1099-S	$0.01	Individuals (non-employees), Sole Proprietorships, Corporations, Partnerships, Trusts	Proceeds from real estate transactions to report the sale or exchange of real estate
1099INT	$10.00	Individuals (non-employees), Sole Proprietorships, Partnerships, Trusts	Interest Payments
1099NEC	$600.00	Individuals (non-employees), Sole Proprietorships, Partnerships, Trusts	Non-employee compensation

The table below provides the cut off dates for the transactions that impact 1099 reportable amounts:

TY	MMARS TRANSACTION CODE	FROM DATE	TO DATE
2020	ER	Saturday, January 4, 2020	Friday, January 8, 2021
2020	CR	Saturday, January 4, 2020	Friday, January 8, 2021
2020	EX	Saturday, January 4, 2020	Friday, January 8, 2021
2020	DC	Saturday, January 4, 2020	Friday, January 8, 2021
2020	EA	Saturday, January 4, 2020	Friday, January 8, 2021
2020	AD	Saturday, December 28, 2019	Tuesday, December 29, 2020
2020	EFT	Saturday, December 28, 2019	Tuesday, December 29, 2020
2020	IT	Saturday, December 28, 2019	Tuesday, December 29, 2020
2020	NT1	Saturday, December 28, 2019	Tuesday, December 29, 2020
2020	WR	Sunday, December 29, 2019	Wednesday, December 30, 2020

Reportable object codes are identified in the Commonwealth's Expenditure Classification Handbook and in the MMARS Object Code table search by page code OBJ, in the "General Options" section in the "1099 Income Code and Income Type" field.

Additional Guidelines:

The balance of this memo pertains to your department only if you do not process all payments through MMARS using vendor-specific VCUST codes on all payment request transactions or if your department does not pay all employees using the HR/CMS or UMS payroll systems.

I. **Payee Tax Identification Number**

All tax documents must include the payee's TIN. The Form W-9,"Commonwealth of Massachusetts - Request for Verification of Taxation Reporting Information," is the mandated form each vendor must complete and submit to the department for registration in MMARS. IRS regulations require backup withholding of 24% at the time a payment is issued for any payments made for which the payer has no TIN on file or has been notified through the B-Notice process that an incorrect TIN is on file.

II. **Tax Form Filing**

The Office of the Comptroller is the designated department for the generation and distribution of all Forms W-2 and 1099 when the Commonwealth of Massachusetts tax identification number (TIN) 04-6002284 is used. A department may receive CTR approval to file their Form 1099 or Form W-2 payments to the IRS and SSA electronically. Therefore whenever a department transmits an original or a corrected W-2 or 1099 transmission file (electronic or paper), using the Commonwealth's tax identification number, they must send a summary report to CTR using the CTR provided template (available from Jim Box at James.Box@mass.gov). These reports are used to reconcile all tax year activity by all departments with the IRS, SSA or DOR. The summary report shall include the total number of records filed by form type, box number and amount. The department should send this report to Jim Box at James.Box@mass.gov. Departments should do this only after the IRS, SSA or DOR acknowledges receipt of their electronic file. The file name assigned by the IRS, SSA or DOR and the transmission date must also be included in the Summary Report.

a. All tax forms or letters referencing the Commonwealth's TIN must be issued in the name of "Commonwealth of Massachusetts". When a department files forms 1099 electronically, it is important to enter the MMARS department code on the Payee "B" record in the Payer's Office Code at field positions 41-44. This will allow our office to follow up with the appropriate department if there are any IRS questions.

b. When a department provides tax forms to recipients using paper (10 forms or less), **CTR must receive notice of local issuance by January 15th and a copy of these paper forms no later than Friday, January 23, 2021**. The data from these paper forms will be incorporated into the appropriate CTR transmission file(s).

c. Those departments using campus or other non-state appropriated funds and making tax reportable payments are required to use their own TIN and not the Commonwealth TIN (04-6002284). Departments should file these tax forms (i.e. 1099, 1042-S, 1098T) directly with the IRS, SSA and DOR, as appropriate, and not through the Commonwealth's Tax Clearinghouse at CTR.

d. When a department makes a reportable payment to a reportable vendor and does not use a MMARS vendor-specific vendor code, (ex. **Payments made on a summary transaction GX9),** the department must issue the appropriate income tax form(s) to the payee, with copies sent to the Comptroller's Tax Clearinghouse for filing with the IRS.

NOTE: Periodically, CTR receives requests for taxpayer information, most often from the IRS. Departments that receive CTR approval to file their forms independently must send CTR a summary report to Jim Box at James.Box@mass.gov. When the request requires more information, CTR will need the appropriate department(s) to supply the detail in a timely manner to avoid penalties for noncompliance. In these instances, CTR will create a secure communication link to protect the Personally Identifiable Information (PII).

Contacts and References

It is important that departments send responsive information in a timely manner and in a protected manner, as responses may contain PII. As many staff are working remotely, mail and drop offs may delay the process. Departments may send encrypted emails to Jess Cogswell at Jessica.cogswell@mass.gov or James.Box@mass.gov as long as they have communicated the password to Jess at (617)973-2323 or Jim Box at (617) 973-2458. Do not include passwords in emails. Alternately, the documents may be faxed to (617)727-2163.

Any questions concerning the contents of this memorandum should be directed to Jess Cogswell, Statewide Payment and Tax Reporting Manager, Office of the Comptroller, (617) 973-2323. General filing information for all form types can be found in IRS Publication 1220. http://www.irs.gov/pub/irs-pdf/p1220.pdf.

Cc: MMARS Liaisons
Payroll Directors
General Counsels
Internal Distribution