



UNIVERSITY  
*of* ALASKA  

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*Many Traditions One Alaska*

Date: April 15, 2002

To: Distribution list

From: Dawn Wall, Accountant  
Statewide Office of Cost Analysis

**FORM 1099-MISC INFORMATION SHEET**  
**General Information for Calendar Year 2002**

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**Who should get a Form 1099-MISC?**

The university is required to report payments made to anyone other than a corporation (except medical & legal corporations), a governmental unit, or an international organization. Payments to companies, sole proprietorships, estates, trusts, partnerships and individuals are reportable to the IRS via a Form 1099-MISC. In addition, the fair market value of prizes and awards must be reported.

The university is required to issue a Form 1099-MISC if a vendor's reportable aggregate payments total \$600 or more (\$10 or more for royalty payments) for the calendar year. The 1099-MISC generation process, after calendar year end, reviews the transactions flagged as Form 1099-MISC reportable (hereafter referred to simply as reportable) to determine if a vendor's cumulative transactions reach the threshold before a Form 1099-MISC is generated.

The following list identifies types of payments for which the IRS has specifically indicated that a 1099-MISC is required. In brackets, [ ], is the applicable Banner Income Type code. The section titled 'Form 1099-MISC and the Banner System' has more information on Income Type codes.

- Rents not paid to a real estate agent [RE].
- Royalty payments exceeding \$10 [RY].
- Fair value of prizes and awards [PR].
- Punitive damages, and damages other than for physical injury or sickness [PR], unless paid to an attorney or law firm [AT].
- Payments to vendors with backup withholdings. (depends on the service provided)
- Fishing boat proceeds relating to the sale of a catch [FB].
- Payments to physicians or other suppliers or providers of health care services (including corporations) in connection with medical assistance programs, or health, accident, and sickness insurance programs [MD].
- Fees paid for professional services such as engineers, accountants, architects and attorneys [NC]. Law firms that are incorporated are not exempt.
- Payments for repairs whether or not the invoice indicates labor and parts separately [NC]. (If parts are separately invoiced, they do not require reporting.)
- Fees to subcontractors, sub-recipients, sub-grantees and sub-awardees [NC].
- Fees paid to non-employees for travel for which the non-employee did not account to the university as per Board of Regents (BOR) regulations [NC].
- Payments to entertainers [NC].
- Payments to an attorney or law firm in connection with legal services where the attorney's fee cannot be determined then report the total amount (gross proceeds) paid to the attorney [AT].

## 1099-MISC Information Sheet for Calendar Year 2002, continued

### What payments are excluded from Form 1099-MISC reporting?

The following are excluded from Form 1099-MISC reporting: (1) Utilities such as electricity, gas, and water, and payments for telephone, telegraph and similar services, (2) rent paid to real estate agents, and (3) messenger services, merchandise, reimbursements, freight and storage, and (4) travel reimbursement which has been accounted for in compliance with BOR regulations.

Remember excluded from Form 1099-MISC reporting does not necessarily mean they are non-taxable.

### Has anything changed for 2002?

The backup withholding rate has been reduced to 30% for calendar year 2002.

One of the more significant changes in recent years was that effective 1998, Form 1099-MISC are required for all legal service providers, even if they are incorporated. Therefore, these vendors need to be set up correctly in the **Banner Vendor Maintenance Form (FTMVEND)** to include the Taxpayer Identification Number (TIN) and the appropriate income types for these vendors.

### How is the Taxpayer Identification Number (TIN) obtained?

The preferred method is to use IRS form W-9 (attached), or a substitute. As a last resort, informal methods such as phone calls may also be used to obtain the TIN. When the TIN is obtained via an informal method, email or certified letter should be sent to the vendor in confirmation.

For partnerships, groups, and corporations, the TIN must be the employer identification number (XX-XXXXXXX). For an individual or sole proprietor, the TIN must be the social security number (XXX-XX-XXXX). "Doing business as" (DBAs) names for sole proprietors need to be input on Banner in a certain format.

### What should the university do if the TIN is not obtained?

If no TIN is supplied then the university is required to withhold 30% of the payment. If the vendor continues to fail to supply the information then the 30% is remitted to IRS. Once the backup withholding is remitted to the IRS, the vendor will not get that amount back from the university.

If the university pays the vendor in full without getting the TIN, then the university is liable for fines and possibly the 30% withholding.

## Form 1099-MISC and the Banner System

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### How are Form 1099-MISC generated?

A vendor should be set up reportable, if appropriate, when they are first input to the system. At that time, the nature of services the vendor will provide is known. The vendor is interested in doing business with the university and should be willing to provide the necessary information. If the information is not provided, withholding should begin.

The **Banner Vendor Maintenance Form (FTMVEND)**, has a field for the TIN. Go to the navigational **Options** pane and choose **Additional Information**. If the **Tax ID** field on this form contains a number, the system assumes the vendor is reportable and any transactions for the vendor are accumulated into a reportable "bucket". If a transaction is overridden during invoicing to not report OR if the TIN is removed prior to invoicing, the transaction will not be included in the reportable "bucket". The **Additional Information** block of **FTMVEND** also has a field which is used to identify the kind of payment that will be issued to the vendor, **Income Type**. This field should be populated with the appropriate income type code (listed below) when the vendor TIN is entered into **Tax ID** field. The **Income Type** code determines which box the vendor payments are reported in on the Form 1099-MISC.

## 1099-MISC Information Sheet for Calendar Year 2002, continued

A vendor that provides us primarily with supplies and rarely with services should not be set up as reportable. However, when this practice is followed it is important that the Accounts Payable staff flag invoices for payment that are reportable when they enter them into the system.

There is no system determination based on account codes to determine which payments are reportable. It is up to Purchasing and Accounts Payable staff to determine the reportability and take the appropriate steps.

After calendar year end, to generate Form 1099-MISC, Banner looks at the reportable "bucket" of transactions for each vendor and if the amount meets or exceeds the reporting threshold, a Form 1099-MISC will be generated.

During the calendar year, you may discover that a vendor should be reportable but the TIN and income type was not previously on **FTMVEND**, so any previous transactions were not coded as reportable. In this case, notify Raye Ann Robinson, Assistant Controller of Statewide Finance, at rayeann.robinson@alaska.edu. She will do a manual correction to add those transactions to the reportable "bucket". It is not correct to merely input the TIN in FTMVEND prior to the calendar year end. (If a vendor is found to be exempt from reporting but had prior payments incorrectly coded as reportable transactions, a correction will also need to be made.)

### What amount appears on the Form 1099-MISC?

The amount on the Form 1099-MISC is determined by the total amounts in the reportable "bucket" of transactions for the vendor. The amount will appear in the appropriate box on the form depending on the type of transaction and its income type on Banner:

#### Banner Income Type Codes with the Form 1099-MISC Box Descriptions

Code	Form 1099-MISC Box Description	Code	Form 1099-MISC Box Description
AT	Gross proceeds paid to an attorney	CP	Crop insurance proceeds
CT	Advance college tuition	FB	Fishing boat proceeds
GP	Excess golden parachute payments	MD	Medical and health care payments
NC	Non-employee compensation	PR	Prizes & awards, other income
RE	Rents	RY	Royalties
SP	Substitute payments in lieu of dividends or interest		

### Does it matter which account code is used?

No. If the vendor's TIN is in the **Tax ID** field of the **Additional Information** block of **FTMVEND**, the transaction will be reportable. It is up to Accounts Payable staff to override transactions that are not reportable. For example, invoices for parts are not reportable for a service vendor set up as a 1099 vendor.

### How do Accounts Payable staff override a transaction at the time of invoicing?

When Accounts Payable staff input an invoice on Banner **Invoice/Credit Memo** form (**FAAINVE**), they enter the vendor identification number. The **Tax ID** field will automatically copy over to the **1099 Tax ID** field on the **FAAINVE** form from **FTMVEND** for vendors set up as reportable. The **1099 Vendor** box will also have a "✓".

At this time, the Accounts Payable staff has the ability to correct information in the **Income Type** and the **Tax ID** fields. They also have the ability to flag an invoice as reportable if the vendor is not set up as reportable. In order to do this, the staff member should add the TIN to the **1099 Tax ID** field, turn on the **1099 Vendor** box and enter the appropriate code in the **Income Type** field. The

## 1099-MISC Information Sheet for Calendar Year 2002, continued

transaction will then be added to the reportable "bucket". If the invoice is incorrectly flagged as reportable because the vendor "normally" provides services that are reportable, the Accounts Payable staff should turn off the **1099 Vendor** box. The transaction will not be included in the reportable "bucket".

### Frequently Asked Questions

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#### **Is the University responsible for issuing a Form 1099-MISC to the winner of a raffle if the prize or award was donated?**

Yes. If the university conducts the raffle, it is responsible for the Form 1099-MISC reporting. A donated prize becomes the property of the university at the time of the donation, even when the ticket states "donated by XYZ Company". It is the value of the prize or award that is subject to Form 1099-MISC reporting; therefore you must determine the value of non-cash prizes.

Alaska Airlines travel vouchers awarded as prizes will be valued in 2002 at \$284.00, regardless of actual destination.

The information for donated or non-cash prizes and awards is not maintained on the accounts payable system and must be added manually prior to printing the Form 1099-MISC. In December 2002, we'll request a list of non-cash and donated prizes and awards from each campus.

#### **Are regular, nonprofit, or professional corporations (PCs) exempt from 1099-MISC reporting?**

No. Regular, Nonprofit and Professional corporations are treated the same. These corporations are included for the reporting of legal services and medical payments and excluded for all other Form 1099-MISC reporting.

#### **Are all payments for medical services reported?**

Yes. This includes payments to corporations. All payments for medical services are to be reported on a Form 1099-MISC, even those payments not included under a "health program".

However, payments for medical services are excluded from reporting if made to:

- a hospital or extended care facility that is tax-exempt.
- a hospital or extended care facility owned and operated by the United States (or its possessions), a state, the District of Columbia, or any of their political subdivisions, agencies, or instrumentalities.

#### **Are premium payments to medical insurance providers, such as for international student coverage, reportable on Form 1099-MISC?**

No. Premium payments to insurance providers are not to be reported. The insurance company is responsible for any reporting to the health care providers, and the university reports only when it is acting in its self-insured capacity in writing checks to the health care providers.

#### **Is a Form 1099-MISC required for honorarium payments?**

Yes. All payments made to individuals providing a service to the university including honorariums are to be reported on a Form 1099-MISC.

Exception: Non-resident aliens will require a Form 1042-S and unless an IRS Form 8233 is on file (new form required annually), backup withholding will occur. Contact your respective Human Resources Office or Statewide Office of Human Resources at 474-7313 for additional information.

#### **Is a Form 1099-MISC required for employee reimbursements? Employee prizes or awards?**

In general, payments made to employees to reimburse them for expenses are not reportable. For example, a payment made to an employee from petty cash to reimburse them for purchases of

## 1099-MISC Information Sheet for Calendar Year 2002, continued

supplies is not reportable. Employee prizes and awards are reportable on the employee's W-2 not a 1099-MISC. Contact the appropriate campus payroll office regarding the correct procedure.

### **Is a Form 1099-MISC required for scholarships?**

A 1099-MISC is not required for scholarships and fellowships that are granted to US citizens, permanent residents or resident aliens for tax purposes. This does not mean that scholarships and fellowships are non-taxable; it just means there is no reporting requirement for scholarships and fellowships. Scholarship payments for non-qualified expenses to non-resident aliens that are temporarily residing in the US should be reported on a Form 1042-S. Contact your respective Human Resources Office or Statewide Office of Human Resources at 474-7313 for clarification on nonresident alien's payments and the appropriate paperwork to be completed.

### **Is a Form 1099-MISC required for a fellowship when the recipient is required to perform a service?**

Scholarships or fellowships awarded that require teaching, research or other services should be on the Payroll system and taxes should be withheld appropriately. It is incorrect to pay these individuals from the Accounts Payable system, so a 1099-MISC would not be issued. If the recipient performs no services for the University, neither a Form 1099-MISC nor a W-2 will be issued.

Exception: If the payment is to a non-resident alien, then a Form 1042-S may be required. Contact your respective Human Resources Office or Statewide Office of Human Resources at 474-7313 for clarification.

### **Are license and copyright fees the same as royalties and therefore subject to 1099 reporting for fees totaling \$10 or more?**

Copyright fees are included in the definition of royalties and are subject to reporting. For license fees, see the definition of royalties below and determine if the purpose of the fee (substance over form) makes it a royalty.

Royalties include payments for the right to exploit natural resources, such as oil, gas, timber, sand, gravel, and other intangible property such as copyrights, trade names, trademarks, franchises, books and other literary compositions, musical compositions, artistic works, secret processes and formulas, and patents.

Royalties paid to non-resident aliens should not be reported on a Form 1099-MISC, but should be reported on a Form 1042-S and is subject to backup withholding per IRS Pub 515.

### **Should I backup withhold on a payee who is a non-resident alien?**

Yes, a non-resident alien is subject to backup withholding unless you have an IRS Form W-8BEN or documentation indicating that they are not subject to federal taxes, Certificate of Foreign Status, on file. A Form W-8BEN is valid for three years. Contact your respective Human Resources Office or Statewide Office of Human Resources at 474-7313 for questions or clarification on non-resident alien payments and the appropriate paperwork to be completed.

### **I have a volunteer who is traveling to Alaska to perform services for the University, are the travel expenses paid for by the University subject to 1099 reporting?**

All expenses that are not accounted for to the University as per BOR regulations, such as travel expenses for spouse and children, and expenses over and above the normal per diem rate will be subject to 1099-MISC reporting. The University department coordinating the volunteer's activities should complete a travel expense report for the volunteer and obtain the appropriate signatures.

Nonresident aliens that incur expenses that are not accountable to the University are subject to Form 1042-S reporting.

## 1099-MISC Information Sheet for Calendar Year 2002, continued

### Where can I find more information?

Contact your Regional Campus Accounts Payable office. The Regional campuses may obtain information from Dawn Wall, Statewide Office of Cost Analysis at 474-5595 or send an e-mail to dawn.wall@alaska.edu. Technical information is available in IRS publication 1281 (Backup Withholding on Missing and Incorrect Name/TINs), IRS 2002 General Instructions for Forms 1099-MISC, 1098, 5498, and W-2G, and Internal Revenue Code section 6041.

Attachments: Banner FTMVEND screen (Options - Additional Information)  
Banner FAAINVE screen (Options – Header Additional Information)  
2002 IRS Instructions for Form 1099-MISC  
W-9 and instructions

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# 1099-MISC Information Sheet for Calendar Year 2002, continued

## Banner Screen: FTMVEND

The screenshot shows the 'Vendor Maintenance Form FTMVEND 5.2.0.1 (TRNX)'. On the left, the 'Options' menu is visible with 'Additional Information' circled in red. The main form area contains the following fields:

- Vendor: 5006825
- Corporation: Susies Cookies
- Last Name: [Empty]
- First Name: [Empty] Middle Name: [Empty]
- Dates: Start: 29-OCT-1996 Term: [Empty] Last Activity: 12-APR-2002
- Contact: Sue Smith
- Phone: 907 4745639 Ext: [Empty]
- Collects Taxes: Collects No Taxes
- Addresses section with PO Default (Type Code: PO, Sequence #: 1) and A/P Default (Type Code: [Empty], Sequence #: [Empty])
- Owner ID: [Empty]
- Check Vendor: [Empty]
- Discount Code: [Empty]
- Text Exists: N

Under the left column, "Options", click on "Additional Information" to input the 1099-MISC vendor information.

The screenshot shows the 'Vendor Header Additional Information FTMVEND 5.2.0.1 (TRNX)'. The 'Tax ID' field is circled in red and contains the value '456456456'. Other fields include:

- Withholding Percent: [Empty]
- Federal: [Empty]
- State: [Empty]
- Income Type: NC (circled in red) Nonemployee Compensation
- Base Currency: [Empty]
- Name Type: [Empty]
- Domestic Carrier:  In State Vendor:  Out of State Vendor:  (None):  (None):
- Invoices per check: (M)any invoices per check

A double mouse click in the Income Type field will bring up a listing of the valid codes

# 1099-MISC Information Sheet for Calendar Year 2002, continued

## Banner Screen: FAAINVE for a Vendor setup as Reportable

**Options**

**Invoice Header**

Document: 10970360 Multiple:  General Encumbrance

Encumbrance: 163607

Vendor: 5006825 Susies Cookies

**Header Additional Information**

**View Vendor Address**

**View Document Status**

**View Document Indicators**

**Commodity Information**

**Accounting Information**

**Balancing/Completion**

**View Vendor History**

**Invoice/Credit Memo Header FAAINVE 5.2.0.2UA (TRNX)**

Invoice Date: 20-MAR-2001 Transaction: 20-MAR-2001 Doc Acctg:

Check Vendor:

Address Code: PO Seq #: 1 Collects Tax: N COLLECTS NO TAXES

Address: 456 Sugar Ln City: Sugarland

State/Prov: AK ZIP/PC: 99874

Nation:

Discount Code:  Payment Due: 20-MAR-2001

Bank: SC FNBA Checking for Statewide Credit Memo:

Vendor Inv. #:  Direct Deposit Status: N Direct Deposit Override:

1099 Tax ID: 456456456 1099 Vendor:  Text Exists:

Note, the **Tax ID** field reflects the information from **FTMVEND**. The **1099 Vendor** box is also checked for this vendor. If the payment will not be reportable remove the "✓" from the **1099 Vendor** box.

**Additional Information FAAINVE 5.2.0.2UA (TRNX)**

Tax Group:

Currency:

Disbursing Agent:

Income Type: NC Nonemployee Compensation

Additional Check Vendor Information

Carrier Route:  Delivery Point:  Correction Digit:

Close

The **Income Type** field reflects the information from **FTMVEND**. Change the code if the payment in process is a different type than the vendors default.



# 1099-MISC Information Sheet for Calendar Year 2002, continued

## Banner Screen: FAAINVE for a Vendor NOT setup as Reportable

Options

Invoice Header

Document: 10970303 Multiple:  Direct Pay

Vendor: 00022 ABC Trucking Co.

Header Additional Information

View Vendor Address

View Document Status

View Document Indicators

Commodity Information

Accounting Information

Balancing/Completion

View Vendor History

Invoice/Credit Memo Header FAAINVE 5.2.0.2UA (TRNX)

Invoice Date: 13-JUN-2000 Transaction: 13-JUN-2000 Doc Acctg:

Check Vendor:

Address Code: BI Seq #: 1 Collects Tax: N COLLECTS NO TAXES

Address: 1500 Main St City: Central

State/Prov: PA ZIP/PC: 19300

Nation:

Discount Code:  Payment Due: 13-JUN-2000

Bank:  Credit Memo:

Vendor Inv. #:  Direct Deposit Status: N Direct Deposit Override:

1099 Tax ID:  1099 Vendor:  Text Exists:

A vendor to receive a reportable payment, that was not setup as reportable in **FTMVEND**:

1. Enter the vendor's TIN in the **Tax ID** field.
2. Turned on the **1099 Vendor** box. ("✓").

Additional Information FAAINVE 5.2.0.2UA (TRNX)

Tax Group:

Currency:

Dishursing Agent:

Income Type:

Additional Check Vendor Information

Carrier Route:  Delivery Point:  Correction Digit:

Close

3. Enter the appropriate code in **Income Type** field that reflects the kind of service provided.