



Management Directive

Commonwealth of Pennsylvania

Governor's Office

Management Directive 315.26 Amended – Backup Withholding on Missing and/or Incorrect Taxpayer Identification Numbers

Date: November 18, 2021

By Direction of: 
Greg Thall, Secretary of the Budget

Contact Agency: Office of the Budget
Office of Comptroller Operations (OCO)
Bureau of Payable Services
Telephone 717.787.6496

The Commonwealth (payor) must comply with Internal Revenue Service (IRS) regulations by withholding a specified percentage of certain reportable payments made to suppliers and vendors, including one-time vendors (payees) for whom a filed information return had a missing or incorrect Taxpayer Identification Number (TIN). This amendment updates the procedures for reporting and reconciling Backup Withholding and deletes the enclosures by directing agencies to comply with the most current version of IRS Publication 1281.

1. PURPOSE.

To ensure that all Commonwealth agencies comply with IRS regulations requiring Backup Withholding.

2. SCOPE.

This directive applies to all departments, offices, boards, commissions, and councils (hereinafter referred to as "agencies") under the Governor's jurisdiction. Agencies not under the Governor's jurisdiction are encouraged to adopt similar policies.

3. OBJECTIVE.

To establish policy, responsibilities, and procedures for the collection and remittance of Backup Withholding by the Commonwealth in accordance with *IRS Publication 1281, Backup Withholding For Missing and Incorrect Name/TIN(s)*.

4. DEFINITIONS.

- a. **Backup Withholding.** When it applies, Backup Withholding requires a payor to withhold tax from payments to payees not otherwise subject to withholding

as a result of the payee not providing a validated and confirmed TIN on a filed information return. Payments that may be subject to Backup Withholding include interest, dividends, rents, royalties, commissions, non-employee compensation, and other payments including broker proceeds and barter exchange transactions, reportable gross proceeds paid to attorneys, and certain payments made by fishing boat operators. Payments that are excluded from Backup Withholding are real estate transactions, foreclosures, and abandonments, cancelled debts, distributions from Archer Medical Savings Accounts (MSAs), long-term care benefits, distributions from any retirement account, distributions from an employee stock ownership plan (ESOP), fish purchases for cash, unemployment compensation, state or local income tax refunds, and qualified tuition program earnings.

- b. Taxpayer Identification Number (TIN).** A nine-digit number assigned by the federal government, which is used for tax filing and reporting purposes. Also referred to as the Employer Identification Number (EIN) or Federal Identification Number (FID) for various business entities or a Social Security Number (SSN) for individuals.

5. POLICY.

- a.** Agencies must comply with *IRS Publication 1281, Backup Withholding For Missing and Incorrect Name/TIN(s)*.
- b.** Office of the Budget, Office of Comptroller Operations, Bureau of Payable Services (BPS) will process payments in accordance with IRS regulations as it pertains to Backup Withholding.

6. RESPONSIBILITIES.

- a. Agencies shall:**
 - (1)** Use valid and correct master data, including establishing and maintaining correct TINs and General Ledger (GL) Account information, for proper recording of procurements, funds commitments, and contract documents in accordance with *Management Directive 310.39, Establishment, Collection, and Management of Master Data for Customers, Vendors, and Business Partners*.
 - (2)** Ensure the use of a valid TIN for reportable payments in which a 1099-eligible one-time Vendor record is used, in accordance with *Management Directive 310.28, Use of One-Time Vendor Records in SAP*, and/or when processed by a third-party billing organization.
 - (3)** Notify payees and third-party billing organizations of missing and/or incorrect TINs and procure correct Forms W-9 in accordance with *IRS Publication 1281* and provide this information to OCO.
- b. BPS shall:**
 - (1)** Establish and maintain correct TINs in the master database.
 - (2)** Assist agencies in notifying and procuring corrected Forms W-9 for missing and/or incorrect TINs.

- (3) Comply with IRS regulations when withholding and remitting required Backup Withholding.

7. PROCEDURES.

a. Agencies.

- (1) Contact payee or third-party providers to request W-9 with correct TIN and name combination.
- (2) Forward information to OCO.

b. BPS.

- (1) Receive from the IRS a listing of Form 1099 accounts with missing and/or incorrect TINs.
- (2) Follow current IRS procedures in accordance with *Publication 1281* for contact with the payee to rectify missing or mismatched name and TIN combinations.
- (3) Process and update master database based on response from payee.
- (4) Process Backup Withholdings in accordance with the BPS *Guide to Backup Withholding*.

This directive replaces, its entirety, Management Directive 315.26 Amended, dated January 24, 1994, and Revision No. 1, dated March 25, 1994.