



# Management Directive

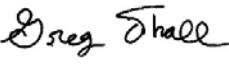
## Commonwealth of Pennsylvania

### Governor's Office

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## Management Directive 315.31 – Preparation, Distribution, Processing and Filing of Internal Revenue Service Forms 1099

Date: November 24, 2021

By Direction of:   
Greg Thall, Secretary of the Budget

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

**The Commonwealth must comply with Internal Revenue Service (IRS) regulations by providing IRS Forms 1099 to Form Recipients for applicable services and payments. Additionally, IRS Publication 1179, *General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, and Certain Other Information Returns* require the Commonwealth to transmit Forms 1099 to the IRS. This directive establishes the policy, responsibilities and procedures for the preparation, distribution, processing and filing of Forms 1099.**

### 1. PURPOSE.

To establish policy, responsibilities and procedures for the preparation, distribution, processing, and filing of IRS Forms 1099 in accordance with IRS requirements, including, but not limited to, Publication 1179, *General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, and Certain Other Information Returns*.

### 2. SCOPE.

This directive applies to all departments, offices, boards, commissions, and councils under the Governor's jurisdiction using SAP and to the Pennsylvania Liquor Control Board (PLCB) using its financial system (hereinafter referred to as "agencies").

### 3. OBJECTIVE.

To ensure timeliness and consistency in the preparation, distribution, processing and filing of IRS Forms 1099.

#### 4. DEFINITIONS.

- a. **Forms 1099.** IRS forms, including substitute Forms 1099 conforming to IRS provisions, used by individuals or entities required to file an information return to report various types of income other than wages, salaries, and tips. Depending on the nature of the income, Forms 1099 include, but are not limited to, the 1099-INT, Interest Income; 1099-MISC, Miscellaneous Income; 1099-NEC, Non-Employee Compensation; 1099-G, Certain Government Payments, and 1099-S, Proceeds from Real Estate Transactions.
- b. **Form Recipient.** The person or entity to whom a Forms 1099 is required by law to be furnished. In the Commonwealth, the Form Recipient is also known as a "supplier," "vendor," or "one-time vendor."
- c. **General Ledger (GL) Account.** An SAP accounting code used to record revenue and expenses, classify debit and credit values for accounting transactions in the SAP Financial Accounting (FI) module, and form the basis for creating balance sheets and income statements.
- d. **Tax 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 an Employer Identification Number (EIN) or Federal Identification Number (FID) for various business entities or a Social Security Number (SSN) for individuals.

#### 5. POLICY.

- a. For IRS Forms 1099 reportable payments paid during the calendar year, the Commonwealth is required to furnish a statement to Form Recipients and file the appropriate Forms 1099 with the IRS.
- b. Vendor data using the Form Recipient name and TIN matching IRS records must be created and maintained in the master database in accordance with *Management Directive 310.39, Establishment, Collection, and Management of Master Data for Customers, Vendors, and Business Partners*.
- c. The Commonwealth shall respond to IRS correspondence and audit findings.
- d. Valid and correct names and TINs of Form Recipients shall be used for procurement, funds commitment, and invoice documents and GL Accounts to properly account for Forms 1099 reporting.
- e. Fines and penalties resulting from missing, incorrect, or misrepresented Forms 1099 information submitted to the IRS shall be imposed on the submitting agency.
- f. Office of the Budget Legal Counsel shall provide guidance in interpreting IRS requirements and applicable publications.

#### 6. RESPONSIBILITIES.

- a. **Agencies** shall:
  - (1) Use valid and correct master data and GL Account information for proper recording of procurement, funds commitment, and contract documents.

- (2) Assist BPS in obtaining a valid and correct Form Recipient name and TIN as well as missing, incorrect, or misrepresented information from Form Recipients, prior to the filing of information with the IRS, if possible.
  - (3) Pay fines and penalties imposed by the IRS resulting from the filing of missing, incorrect, or misrepresented information from Form Recipients. Refer to *Management Directive 315.26 Amended, Backup Withholding on Missing and/or Incorrect Taxpayer Identification Numbers* and IRS Publication 1281, *Backup Withholding for Missing and Incorrect Name/TIN(s)* for additional information about fines and penalties.
- b. **Office of Administration (OA), Integrated Enterprise System Office (IES)** shall:
- (1) Develop and maintain SAP programs to comply with IRS Forms 1099 reporting requirements.
  - (2) Prepare and transmit electronic files containing Forms 1099 reportable data per IRS publications, including, but not limited to, Publication 1220 (*Specifications for Electronic Filing of Forms*).
  - (3) Prepare and transmit electronic files to the Department of General Services (DGS) for printing and distribution of Forms 1099.
  - (4) Review IRS publications, including, but not limited to, Publication 1220 each year for changes the IRS has made to electronic and printing requirements and make approved system changes.
- c. **Office of the Budget, Office of Comptroller Operations, Bureau of Accounting and Financial Management (BAFM)** shall establish and maintain GL Accounts, reflecting the appropriate Forms 1099 and reporting box, as applicable and identify and approve any system changes required.
- d. **BPS** shall:
- (1) Coordinate the reporting of payments made during the year in accordance with Forms 1099 instructions.
  - (2) Coordinate and perform administrative oversight of the IRS Forms 1099 reporting for the applicable systems in their purview.
  - (3) Maintain the master database ensuring data is established using the Form Recipient Name and TIN matching IRS records.
  - (4) Correspond with the IRS.
- e. **DGS, Bureau of Publications** shall create, print, and mail Forms 1099 to Form Recipients in accordance with IRS deadlines.

## 7. PROCEDURES.

### a. Agencies.

- (1) Enter valid information into the applicable accounting system for procurement, contract, and funds commitment documents.

- (2) Enter invoices into the applicable accounting system using valid information.
- (3) When contacted by the Office of the Budget, assist in obtaining valid and correct names and TINs of Form Recipients.
- (4) Pay fines and penalties imposed by the IRS resulting from the filing of missing, incorrect, or misrepresented information from Form Recipients.
- (5) Additional procedures specific to the PLCB, which utilizes its own non-SAP financial system:
  - (a) Develop and maintain programs for the calculation and reporting of Forms 1099 reportable information specific to the PLCB's financial system and transmit files to the IRS on or before required deadlines.
  - (b) Develop and maintain programs for the printing of Forms 1099 specific to the PLCB's financial system and transmit file for printing to DGS on or before required deadlines.
  - (c) Annually review applicable IRS Publications for necessary system changes and update the system to comply with IRS regulations.

**b. OA, IES.**

- (1) Develop and maintain SAP programs for the calculation and reporting of IRS Forms 1099 reportable information.
- (2) Develop and maintain programs for the printing of Forms 1099. Transmit print file to DGS on or before required deadlines.
- (3) Develop and maintain program for the transmission of Forms 1099 reportable data to the IRS. Transmit files to IRS on or before required deadlines.
- (4) Annually review IRS publications, including, but not limited to, Publication 1220 for changes to the electronic file creation and submission to the IRS. Develop and implement necessary system changes to comply with IRS regulations.

**c. BAFM.** Establish and maintain Forms 1099 information on GL Accounts in the SAP FI module.

**d. BPS.**

- (1) Coordinate the reporting of Forms 1099 information, including establishing timelines and deadlines.
- (2) Request IES to make system changes.
- (3) Review monthly SAP Forms 1099 reports and make necessary adjustments for correct reporting.
- (4) Validate Forms 1099 name and TIN against IRS records when establishing and maintaining the master database.

(5) Respond to IRS correspondence, including, but not limited to, IRS B Notices, audit requests, and fines and penalty notifications.

(6) Assist the PLCB in their specific Forms 1099 activities.

e. **DGS, Bureau of Publications.**

(1) Create and print Forms 1099 from IES-provided files to conform to IRS requirements, as necessary.

(2) Mail Forms 1099 to Form Recipients in collaboration with BPS and according to IRS requirements and deadlines.

**This directive replaces, in its entirety, Management Directive 315.22 Amended, dated January 3, 1995.**