

AOSD FLASH #280: 1099 WITHHOLDING

The Controller’s Office files IRS 1099 forms in three categories: 1099-G, 1099-INT, and 1099-MISC. The Controller’s Office must file Form 1099-MISC (Miscellaneous Income) for each person, non-employee and individual contractor or sole proprietor, to whom we have paid during the tax year:

- At least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest
- At least \$600 in rents, services (including parts and materials), prizes and awards, other income payments, medical and health care payments
- Gross proceeds to an attorney

Payments to a corporation are generally not 1099-reportable, with the exception of medical and legal services.

1099 withholding should be reviewed at **every** level – Purchase Order Initiators, Purchase Order Approvers, Voucher Initiators, and Voucher Approvers. It is the responsibility of the department to ensure all 1099 requirements have been met.

Additional information regarding 1099 withholding can be found in the Citywide Accounting Policies & Procedures under [Section 4.6 | IRS 1099 Miscellaneous \(MISC\) Reporting Rules](#). If further clarification is needed, please contact the Controller’s Cash Disbursement Unit at con.disbursement@sfgov.org.

Supplier Profiles

Suppliers are marked on their Supplier Profile as to whether they are subject to 1099 withholding. If the indicator is checked, the user will be able to adjust 1099 withholding when processing purchase orders and vouchers to this supplier.

Supplier Profile – 1099 Withholding Indicator

The screenshot shows a supplier profile form for SKYTECH SOLAR. The 'Withholding' checkbox is checked and highlighted with a blue box. Other fields include Supplier ID (0000010129), Supplier Short Name (SKYTECHSOL), Classification (Outside Party), Persistence (Regular), Supplier Status (Approved), and SAM Status (Exempt). The form also includes a 'Check for Duplicate' button and a 'Supplier Audit' section with a 'Supplier Audit' checkbox checked and a 'Template ID' dropdown set to 'STANDARD'. At the bottom, there are buttons for 'Expand All' and 'Collapse All', and links for 'Approval History', 'Attachments (0)', 'Profile Questions', and 'Categorization'.

The 1099 withholding details are defined at the **Supplier Location** level. Different locations may have different 1099 withholding details.

Supplier Location – 1099 Withholding Information

Withholding Options						
Withholding Information						
Main Information		Overrides	Remit			
*Withholding Entity	*Withholding Type	*Withholding Jurisdiction	Default Jurisdiction	*Default Withholding Class	*Withhold Status	Description
IRS	1099G	FED	<input checked="" type="checkbox"/>	06	RPT	Reporting Only

Note that each location’s underlying withholding information is only accessible by the Supplier Management Team (SMT). While departments choose supplier location on their purchase orders and vouchers, they will be unable to edit each location’s withholding details.

If a supplier is incorrectly marked or unmarked as 1099, or if the department needs to see detailed withholding information for supplier locations, please contact the Supplier Management Team directly at Supplier.Management@sfgov.org.

Account Codes

Departments should always use the correct account code for purchase orders and voucher payments. Certain account codes have been classified as 1099 reportable. When constructing the 1099 report, the Controller’s Office will remove all payment lines using non-1099 account codes, regardless of whether payment was made to a 1099 supplier. For a full crosswalk of 1099 reportable account codes, please contact the Disbursement Unit directly at con.disbursement@sfgov.org.

Purchase Orders

Purchase Orders should be set up to properly capture 1099 reportable items. 1099 reportable and non-reportable items should be separated. The withholding field can be found under *Item Information* (see below).

Maintain Purchase Order

Purchase Order

Business Unit SFGOV
PO ID NEXT

Copy From [dropdown]

▼ Header ?

*PO Date 01/31/2018 [calendar icon] Supplier Search
*Supplier SKYTECHSOL-001 [magnifying glass icon] Supplier Details
*Supplier ID 0000010129 [magnifying glass icon] SKYTECH SOLAR
*Buyer [text field]

PO Reference [text field]

Expand All Collapse All

▼ Item Information

Supplier's Catalog [text field] Stockless Item
Supplier Item ID [text field] Device Tracking
Manufacturer ID [text field] [magnifying glass icon]
Description [text field]
Manufacturer's Item ID [text field] [magnifying glass icon]
GTIN [text field]
Replenish Code [text field]

Withholding
Withholding Code [text field] [magnifying glass icon]

▼ Attributes

Lines ?

Details Ship To/From Date Statuses Item Information Attributes RFQ Cont

Line	Item	Description	PO C
1	[magnifying glass icon]	[text field]	[text field]

View Printable Version
View Approvals

Close Short All Lines

When a supplier is marked as 1099 withholding in their supplier profile, the withholding box will **automatically** be checked when the PO is created. If the box is not checked, then the chosen supplier is not marked as a 1099 supplier.

Purchase Order – 1099 Table

Is "Withholding" automatically checked when creating the PO?	Is the purchase line item 1099 reportable?	Action
Yes	Yes	OK to Proceed
Yes	No	Uncheck "Withholding"
No	Yes	Contact SMT*
No	No	OK to Proceed

*Important: Users can manually check the Withholding box. However, even if the withholding box is manually checked, the user will run into an error at the voucher stage. If the item is indeed 1099 reportable, please contact the Supplier Management Team **before** processing the purchase order to update the supplier profile.

Vouchers

When a voucher is created from a purchase order, the lines will also automatically inherit the 1099 information from the underlying purchase order. The withholding details are drawn from the supplier location chosen for the PO and voucher.

If the withholding lines or amounts are incorrect (e.g. PO was setup incorrectly), the user may still adjust the voucher, given that the supplier is marked for 1099 withholding on its supplier profile. Note that withholding information is defined at the supplier location level. If certain 1099 options are not available (e.g. 1099 class codes), try changing the supplier location under the "payment" tab (see below). If the correct 1099 option is still not available, contact the Supplier Management Team to update the supplier's profile.

Voucher – Payment Tab

The following are examples of common scenarios for vouchers that are 1099 reportable.

Voucher Example 1: All invoice lines are 1099 Reportable

Verify that the **Withholding Applicable** ① and **Applicable** ② fields are checked and the correct **Class** ③ is selected on all invoice lines

- No amounts need to be entered as they will be system generated from the invoice line amount

Invoice Line Withhold Information									
Line	Description	Item							
1			Withholding Code: [] ① Withholding Applicable						
Withholding Details									
*Entity	*Type	*Jurisdiction	*Class ③	Withholding Basis Amt Override	Contract Reference	Rule Override	Apply Withholding	Applicable	
1	IRS	1099	FED	07			Withhold at Payment	②	+
2			Withholding Code: [] ① Withholding Applicable						
Withholding Details									
*Entity	*Type	*Jurisdiction	*Class ③	Withholding Basis Amt Override	Contract Reference	Rule Override	Apply Withholding	Applicable	
1	IRS	1099	FED	07			Withhold at Payment	②	+

Voucher Example 2: Contains multiple invoice lines, both reportable and non-reportable

For the reportable invoice line, verify that the **Withholding Applicable** and **Applicable** fields are checked and the correct **Class** is selected on all invoice lines.

For the non-reportable invoice line, verify that the **Withholding Applicable** and **Applicable** fields are **not** checked.

Voucher Example 3: Contains invoice line amounts different than the reportable amount

For the reportable invoice line, verify that the **Withholding Applicable** and **Applicable** fields are checked and the correct **Class** is selected on the invoice line.

Enter *only* the 1099 reportable amount in the **Withholding Basis Amt Override** (4) field.

Invoice Line Withhold Information Find | View 1 First

Line 1 Description Item 1

Withholding Code Withholding Applicable

Withholding Details					Personalize	Find View All	First	1 of 1	Last
	*Entity	*Type	*Jurisdiction	*Class	Withholding Basis Amt Override (4)	Contract Reference	Rule Override	Apply Withholding	Applicable
1	IRS <input type="button" value="Q"/>	1099 <input type="button" value="Q"/>	FED <input type="button" value="Q"/>	07 <input type="button" value="Q"/>	2500	<input type="text"/>	<input type="button" value="Q"/>	Withhold at Payment	<input checked="" type="checkbox"/>