

## **AOSD User Flash #312: 1099 Updates for Suppliers – 1099M and 1099N Withholding Types**

### **Background**

Beginning in the 2020 tax year, the IRS requires that entities report nonemployee compensation on the reinstated Form 1099-NEC, Nonemployee Compensation (NEC). The form applies for payments totaling \$600 or more to nonemployee payees, such as independent contractors. Previously these payments were reported in Box 7 of the 1099-MISC form.

Examples of NEC include payments to independent contractors and attorney fees to individuals. Payments that do not fall under NEC, such as rents, prizes, and awards unrelated to services performed, and medical and healthcare payments, will still be reported on Form 1099-MISC.

For full guidance on 1099-MISC, 1099-NEC, and their applicable reporting requirements, please refer to the IRS website at <https://www.irs.gov/instructions/i1099misc>.

### **Supplier Changes in Peoplesoft**

In Peoplesoft, 1099 withholding details are setup and defined at the Supplier Location by the Supplier Management Team (SMT). Depending on the nature of the payment, users have the ability to adjust the applicable Withholding Type (i.e. 1099 Form) when processing their vouchers. Originally, all 1099-MISC payments were covered under the "1099" withholding type.

In response to the IRS change, **Peoplesoft has added two new Withholding Types: "1099M" and "1099N"**. The 1099M type applies to payments that should still be reported on the revised 1099-MISC, while the 1099N type is for nonemployee compensation that should be reported on the new 1099-NEC.

The SMT has updated all active suppliers' withholding type to correspond with the IRS changes. The original "1099" withholding type will no longer be added to profiles. Further, SMT will retroactively change any "1099" withholding types to either "1099M" or "1099N". Once this is complete, the "1099" withholding type will effectively be phased out.

### **Department Actions**

In general, there is no action required from departments to implement this change. Departments may have noticed that vouchers are already defaulting to one of the two new withholding types. This is intended. Departments may still change the withholding type if the payment is reported incorrectly, using the active withholding types: 1099M/1099G/1099N/1099I. The "1099" withholding type should not be used moving forward.

For more information on processing 1099 withholding on vouchers, please refer to the [Accounts Payable: Entering 1099 Withholding Vouchers Job Aid](#). If you have any questions or require further clarification, please contact your fund accountant.