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MEMORANDUM

To: Department Heads and Chief Fiscal Officers
From: Jess Cogswell, Statewide Payments and Tax Reporting Officer
Date: December 20, 2023
Re: Issuing and Filing IRS Forms 1099 for Tax Year 2023

Comptroller Memo FY2024-11

EXECUTIVE SUMMARY

This memo provides guidance to departments about their responsibilities in issuing and filing tax reporting information and outlines actions that are taken by the Office of the Comptroller (CTR) for Federal Income Tax reporting to the Internal Revenue Service (IRS), Social Security Administration (SSA) and for State Income Tax reporting to the Department of Revenue (DOR) for all 1099 reportable payments made from MMARS.

This information should be shared with relevant staff in your department.

The purpose of this memorandum is:

1. To provide guidance to departments about their responsibilities in issuing and filing tax reporting information that is not contained within MMARS.
2. To notify departments that tax-form types 1099G, 1099MISC, 1099INT, 1099S and/or 1099NEC will be issued for each reportable entity if there is a reportable payment in MMARS. See “1099 Reportable Payees and Payments” below for applicability of each form.
3. To remind departments that CTR is the designated department for the generation and distribution of all Forms W-2 and 1099 when the Commonwealth of Massachusetts tax identification number (TIN) 04-6002284 is used.

Technical Guidance - Processing Reminders for Departments

Returned vendor checks in tax year 2023

The deadline for depositing returned vendor checks into the department sweep account is **Friday, December 29, 2023**. All deposits must be processed by Friday, January 5, 2024 to correctly report vendor payments on the Form 1099 for tax year 2023. After the check is deposited into the sweep account, use the following chart to determine the appropriate scenario based on when the payment was issued and when it was returned to process the appropriate transaction:

Payment Issued Tax Year	Payment Issued Fiscal Year	Payment Returned Fiscal Year	Appropriations	Transactions	MMARS Document Required
TY2023	FY2023 (JAN-JUN)	FY2023 (JAN-JUN)	All	Enter a two-line Expenditure Refund (ER) transaction to reduce the sweep account and put the funds back into the appropriation. After the Expenditure Refund (ER) transaction is in final, an Encumbrance Correction (CEC or GAEC) transaction should be processed.	ER
TY2023	FY2023 (JAN-JUN)	FY2024 (JUL-DEC)	1CS, 1CN, 1RS, 1RN, 1IN	For budgetary appropriations (1CS, 1CN, 1RS, 1RN, 1IN) process the return as miscellaneous revenue (CR) in the current fiscal year and in order to issue the correct tax reporting, departments are required to input the correct vendor customer code and name in the Document Comments section on all CR transactions that reflect prior year refunds from a vendor.	CR
TY2023	FY2023 (JAN-JUN)	FY2024 (JUL-DEC)	Capital, Trust, or Federal appropriations	For capital, trust, or federal appropriations, the enter a two-line Expenditure Refund (ER)	ER
TY2023	FY2024 (JUL-DEC)	FY2024 (JUL-DEC)	All	Enter a two-line Expenditure Refund (ER) transaction to reduce the sweep account and put the funds back into the appropriation. Once the ER is in final, an Encumbrance Correction (CEC or GAEC) transaction should be processed.	ER

If a returned check is not deposited into the sweep account by the deadline of December 29, 2023 or the accompanying MMARS transaction is not processed by the deadline of January 5, 2024, then the vendor payment will be included in the Form 1099 for tax year 2023. The department will be

responsible for submitting a Form 1099 correction request. If a corrected form needs to be issued, departments must take the following steps to ensure appropriate tax reporting of these payments:

- a. Submit a letter, signed by a department authorized signatory, to Jess Cogswell, Statewide Payments and Tax Reporting Officer, substantiating the correct reportable amount and reason for the correction.
- b. Attach a copy of the Form 1099 that will require a correction. CTR will review and issue a corrected Form 1099.

1099 Reportable Payees and Payments

Consistent with the IRS tax reporting requirement, the following criteria are used by CTR to determine reportable payees and reportable payments.

Form Name	Minimum Amount	Reportable Payees	Reportable Payments
1099G	\$600.00	Individuals (non-employees), Sole Proprietorships, Partnerships, Trusts	Taxable Grants
1099MISC	\$600.00 (in boxes 1, 3, 6, 10)	Individuals (non-employees), Sole Proprietorships, Partnerships, Trusts	Rents (office space and equipment rentals), Medical and Health Care Payments, other income (ex. teacher incentives)
1099S	\$0.01	Individuals (non-employees), Sole Proprietorships, Corporations, Partnerships, Trusts	Proceeds from real estate transactions to report the sale or exchange of real estate
1099INT	\$10.00	Individuals (non-employees), Sole Proprietorships, Partnerships, Trusts	Interest Payments
1099NEC	\$600.00	Individuals (non-employees), Sole Proprietorships, Partnerships, Trusts	Non-employee compensation

The table below provides date ranges for the transactions that have an impact upon 1099 reportable amounts:

TY	MMARS TRANSACTION CODE	FROM DATE	TO DATE
2023	ER	Saturday, January 7, 2023	Friday, January 5, 2024
2023	CR	Saturday, January 7, 2023	Friday, January 5, 2024
2023	EX	Saturday, January 7, 2023	Friday, January 5, 2024
2023	DC	Saturday, January 7, 2023	Friday, January 5, 2024
2023	EA	Saturday, January 7, 2023	Friday, January 5, 2024
2023	AD	Thursday, December 29, 2022	Wednesday, December 27, 2023
2023	EFT	Thursday, December 29, 2022	Wednesday, December 27, 2023
2023	IT	Thursday, December 29, 2022	Wednesday, December 27, 2023
2023	NT1	Thursday, December 29, 2022	Wednesday, December 27, 2023
2023	WR	Friday, December 30, 2022	Thursday, December 28, 2023

Reportable object codes are identified in the Commonwealth’s Expenditure Classification Handbook and in the MMARS Object Code table by searching by page code OBJ in the “General Options” section in the “1099 Income Code and Income Type” field.

Additional Guidelines

The balance of this memo applies to departments that do not process payments through MMARS.

Payee Tax Identification Number

All tax documents must include the payee’s TIN. The Form W-9, “Commonwealth of Massachusetts - Request for Verification of Taxation Reporting Information,” is the form that each vendor must complete and submit to the department for registration in MMARS. IRS regulations require backup withholding of 24% at the time a payment is issued for any payments made for which the payer has no TIN on file or has been notified through the B-Notice process that an incorrect TIN is on file.

Tax Form Filing

CTR is the designated department for the generation and distribution of all Forms W-2 and 1099 when the Commonwealth of Massachusetts tax identification number (TIN) 04-6002284 is used. A department may receive CTR approval to file their Form 1099 or Form W-2 payments to the IRS and

SSA electronically. Therefore, whenever a department transmits an original or a corrected W-2 or 1099 transmission file (electronic or paper), using the Commonwealth's tax identification number, they must send a summary report to CTR. These reports are used to reconcile all tax year activity by all departments with the IRS, SSA or DOR. The summary report shall include the total number of records filed by form type, box number and amount. Departments should do this only after the IRS, SSA or DOR acknowledges receipt of their electronic file. The file name assigned by the IRS, SSA or DOR and the transmission date must also be included in the summary report.

- a. All tax forms or letters referencing the Commonwealth's TIN must be issued in the name of "Commonwealth of Massachusetts". When a department files a form 1099 electronically, it is important to enter the MMARS department code on the Payee "B" record in the Payer's Office Code at field positions 41-44. This will allow our office to follow up with the appropriate department if there are any IRS questions.
- b. Those departments using campus or other non-state appropriated funds and making tax reportable payments are required to use their own TIN and not the Commonwealth's TIN (04-6002284). Departments should file these tax forms (i.e., 1099, 1042-S, 1098T) directly with the IRS, SSA and DOR, as appropriate, and not through CTR.
- c. When a department makes a reportable payment to a reportable vendor and does not use a MMARS vendor-specific vendor code, (ex. **Payments made on a summary transaction GX9**), the department must issue the appropriate income tax form(s) to the payee, with copies sent to CTR for filing with the IRS.

NOTE: Periodically, CTR receives requests for taxpayer information, most often from the IRS. To facilitate its response to such requests, CTR requires that departments which receive CTR approval to file their forms independently send a summary report to Jess Cogswell at CTR (Jessica.cogswell@mass.gov). If an IRS request requires more information, CTR requires that the appropriate department(s) supply those details in a timely manner to avoid penalties for noncompliance. In these instances, CTR will create a secure communication link to protect any personally identifiable information (PII) in documents from being shared.

Contacts and References

It is important that departments send correction requests in a timely and protected manner, as responses may contain PII. Departments may send encrypted emails to Jess Cogswell at Jessica.cogswell@mass.gov or through MOVEiT P2P. Do not include passwords in emails. Alternatively, documents may be faxed to (617) 727-2163.

Questions concerning the contents of this memorandum should be directed to Jess Cogswell, Statewide Payment and Tax Reporting Officer, Office of the Comptroller, (617) 973-2323.

General filing information for all form types can be found in IRS Publication 1220.
<http://www.irs.gov/pub/irs-pdf/p1220.pdf>

CC: MMARS Liaisons, Payroll Directors, General Counsels, and Internal Distribution