

NORTH CAROLINA STATE UNIVERSITY
VENDOR PAYMENTS-REPORTABLE ON 1099-MISC OR NOT

The University is required to file Form 1099-MISC, Miscellaneous Income, for each calendar year if total payments made to the recipient are for 1) at least \$10 in royalties, or 2) at least \$600 in rents, services (including parts and materials), prizes and awards, other income payments, medical/health care payments and legal services.

Per the IRS, 1099-MISC must be mailed to the recipients by January 31 of each year.

Exceptions:

The IRS does not require some payments to be reported on form 1099-MISC, although they may be taxable to the recipient. These include:

- 1) Payments to a corporation (with the exception of medical/health care and legal fees)
- 2) Payments for merchandise
- 3) Payments of rent to real estate agents
- 4) Wages paid to employees (reportable of IRS form W-2)
- 5) Scholarships and Fellowships
- 6) Accountable plan payments. Payments made to employees under an "accountable plan" are not reportable. The requirements of the University's accountable plan can be found online and in Treasury Regulation 1.62-2.

REPORTABLE payments - If the vendor is not incorporated or tax-exempt...

- 1) Compensation for personal and/or professional "services" (including parts & materials used in performing services) (Box 7)
- 2) Rental fees (e.g., equipment, building space, pasture rentals, lodging, banquet rooms, booth space, etc.) (Box 1)
- 3) Copyright, license, and royalty fees (industrial, literary and patent) (Box 2)
- 4) Catering
- 5) Stipends (Review necessary to determine exact nature of stipend payment) Typically, if there is a work requirement then it is considered taxable (participation, required attendance, etc.) (Box 7)
- 6) Miscellaneous prizes and awards (Box 3)
- 7) Honorariums, speaker fees, entertainment, etc. (Box 7)
- 8) Sports tickets for non-employees (Box 3)
- 9) Gross proceeds paid to an attorney or law firm regardless of whether or not they are incorporated (e.g., legal settlement or garnishment payment) (Box 7 and/or Box 14)
- 10) Payments for medical/healthcare and legal services regardless of whether or not the entity is incorporated (Box 6)
- 11) Advertising-where the ads are "created" by the vendor (e.g., display ads, billboards, etc.) (Box 7)
- 12) Research subjects (Box 3)
- 13) Deceased employees (Box 3)

NON-REPORTABLE payments....

- 1) Expense reimbursements to non-employees/students substantiated by original receipts (accountable plan)
- 2) Utilities (e.g., telephone, gas, electric, cable, etc.)
- 3) Payments made to a school, college, university, church or other recognizable tax-exempt entity
- 4) Payments to a corporation-with the exception of payments for medical/healthcare and legal services and gross proceeds paid to an attorney or law firm
- 5) Payments to a state, the District of Columbia, a U.S commonwealth or possession, or any of their political subdivisions, agencies, or instrumentalities
- 6) Nonresident Aliens (NRA)-Income to be reported on 1042-S
- 7) Scholarships and Fellowships-Could still be taxable to recipient but the University is not required to report to the IRS
- 8) Merchandise-when no service such as installation, training, technical support, customizing, etc., is included in the purchase
- 9) Freight
- 10) Subscriptions
- 11) Rental of "Storage Units"
- 12) Military differential pay is reported on W-2

W-9 Request for Taxpayer Identification Number & Certification

1. The W-9 Form serves to collect the following information:
 - a. Type of business entity-which is used to determine whether or not payments to the vendor could be reportable on a 1099-MISC.
 - b. Taxpayer identification number (TIN) of the vendor-which would be a social security number (SSN) for individuals and sole-proprietors and an Employer ID number (EIN) for all other entities.
 - c. Certification from the vendor that 1) The TIN provided is correct 2) They are exempt from backup withholding tax (ex-empt from 1099-MISC reporting), and 3) They are a U.S. person (Including U.S. resident alien or permanent resident).
2. The W-9 Form is NOT valid if completed by a nonresident alien person. Nonresident alien person for IRS tax purposes is any foreign entity (e.g., foreign individual, foreign company). A form W-8 Series is necessary for a nonresident alien.
3. A completed W-9 Form should be completed when initiating any transactions with a new vendor that is a U.S. citizen or entity.
4. It is important to note to vendors that in order for taxes we must have the most accurate and up-to-date information possible to accurately report to the IRS any withholdable payments. This includes correct taxpayer identification numbers and addresses. If these have changed, please request an updated W-9.

For any questions pertaining to 1099-MISC processing, please email 1099_questions@ncsu.edu