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TO: All State Agencies
ATTN: Accounting Supervisors

FROM: Angela Dillard, Statewide Chief Financial Officer

DATE: December 7, 2023

SUBJECT: 1099 Reporting for Calendar Year 2023

The General Accounting Office (GAO) is required to file 1099 information returns with the Internal Revenue Service (IRS) for Calendar Year 2023. Similar to prior reporting years, nonemployee compensation amounts will continue to be reported in Box 1 of the 1099-NEC Form (Nonemployee Compensation) per IRS requirement since Calendar Year 2020.

The GAO has prepared the following 1099 reports that list 1099 reportable payments made by State agencies to vendors for Calendar Year 2023. These reports are available in Excel format and are located in the 1099/AP Confidential Reports folder under each agency's reports folder in infoAdvantage.

- AP-N176i lists reportable payments issued from AZ360 in Calendar Year 2023
- AP-N176e lists reportable payments from the interfacing agencies in Calendar Year 2023

The N176i report, which includes 1099 reportable payments from AZ360 from January 1, 2023 through December 6, 2023. This report will be available in each agency's 1099/AP Confidential Reports folder in infoAdvantage on December 12, 2023. This report is a preliminary version to assist agencies with reviewing and submitting corrections to the GAO as soon as possible. A final version of the N176i, which will include 1099 reportable payments from AZ360 from January 1, 2023 through December 31, 2023, will be available in infoAdvantage on January 5, 2024. The N176e report will be available in the interfacing agency's 1099/AP Confidential Reports folder in infoAdvantage by January 12, 2024.

The deadline for the first round of 1099 corrections before both 1099-MISC and 1099-NEC Forms are printed and mailed to the recipients is **January 8, 2024**. **Due to a small window of time for corrections, GAO asks that agencies review the N176i and the N176e reports (if applicable) and submit any corrections via the GAO-94 Form to the GAO as soon as possible.**

Similar to previous reporting years, the N176i and N176e reports include the legal name and Taxpayer Identification Number (TIN) of the vendor. The TIN is either a Social Security Number (SSN) or Employer Identification Number (EIN). These reports also include lines for each type of payment (corresponding to the reporting boxes on the 1099-MISC and 1099-NEC Form) made to a particular vendor by a single agency, as well as the corresponding amount of payments issued during the tax year, totaled by type of payment. **Data from the N176e report will NOT be combined with AZ360 data or with reportable payments from any interfacing division within an interfacing agency. Please refer to the 1099 Interfacing Agencies Memo for further instructions on how 1099 reportable data from the interfacing agencies is handled.**

The GAO is responsible for compiling all 1099 information from State agencies and sending the information to the State's contracted vendor, Information Outsource, who will print and mail 1099 forms to recipients. 1099-MISC and

1099-NEC Forms for Calendar Year 2023 will be mailed to the recipients no later than January 31, 2024. Prior to completion of the 1099 forms, the GAO relies on all State agencies to provide complete and accurate information for all vendors paid by their agency.

The GAO is also responsible for filing 1099-MISC and 1099-NEC information returns for the State of Arizona with the IRS. It is crucial that all State agencies verify their vendor payments included on the N176i and N176e reports and report any additions, deletions, or changes needed to the GAO as soon as possible.

Please follow these procedures in order to ensure the most accurate information is distributed to the 1099 recipients and filed with the IRS:

1. Determine if each vendor on the 1099 reports is a 1099 reportable entity and no vendors that are subject to 1099 reportable were excluded from the 1099 reports.

Reportable vendors include sole proprietors, individuals (including employees who do business with the State), partnerships, all providers of medical services (including corporations), professional limited liability companies (PLLCs), limited liability partnerships (LLPs), limited liability companies (LLCs), trusts, and receiverships. Corporations that do not provide medical or legal services are exempt from 1099 reporting, as are governments. Payments to these exempt entities should not be included on the N176i and the N176e reports.

If a vendor **is on** the report and **should not be** because it is a non-reportable entity (government, corporation does not provide medical or legal services, etc.), submit a GAO-94 to the GAO to remove the 1099 reportable payment from the AZ360 1099 database.

If a vendor **is not** on the 1099 reports and **should be** because it is a reportable entity (individual, corporation provides medical or legal services, partnership, etc.), then:

- a. Submit a GAO-94 to the GAO to add 1099 reportable payments to the AZ360 1099 database.
- b. Review the vendor 1099 Classification under the Organization section on the VCUST screen in AZ360. If it needs to be updated, submit a GAO-W-9 to the GAO to update it. If the vendor was originally set up in AZ360 through the Arizona Procurement Portal (APP) system, request the vendor to update their profile in APP. If the vendor is from an interfacing agency, be sure to update your agency's internal vendor file record.

2. If a vendor is a 1099 reportable entity, verify that payments issued are considered tax reportable payments.

Payments for services rendered in the course of your trade or business are considered 1099 reportable. Payments for goods are not considered to be reportable.

Payments for merchandise, telegrams, telephone, freight, storage, and similar items are **not required** to be reported on a 1099 form. Personal payments, such as payments to an employee, generally should not be reported. **The best practice for an agency is to pay for items directly and not allow employees to personally make payments on behalf of the agency.** Although individuals are reportable entities, these types of reimbursements are not considered to be reportable payments. Employee travel and other reimbursements should be processed through the HRIS system. In order to correct vendor travel reimbursements, additional certification forms will need to be submitted to the GAO. Please contact Arlene Rodriguez (contact information listed below) if you have questions or need to obtain the necessary certification forms. As a reminder, same-day meal reimbursements to vendors are considered 1099-MISC reportable.

Example: Missy Smith is a vendor who receives monthly payments for providing a service to the State of Arizona. Missy, an individual, is a reportable vendor and payments made to her were reportable payments; therefore, the payments to this vendor should be included on the 1099 reports.

3. If a vendor is on the report due to an incorrect coding of expenditure object in AZ360, prepare and submit a GAO-94 to the GAO for correction. The GAO-94 must include an explanation of why the incorrect object was used and what the correct object should have been.

4. If a vendor is not on the report due to an incorrect coding of expenditure object, prepare and submit a GAO-94 to the GAO for correction. The GAO-94 must include an explanation of why the incorrect object was used and what the correct object should have been.

5. Verify that the vendor name is formatted correctly.

- A. Verify that vendor business names **do not** have “DBA” or “THE” as the first word.
- B. Verify that all sole proprietorships have the owner’s name on the first line. The business name can be on the secondary name field.
- C. Verify that there is no punctuation or extra space in the vendor’s name.
- D. Verify that all vendors do not have a title in front of their name.

INCORRECT FORMAT	CORRECT FORMAT
Dr. I. M. Normal	I M Normal MD
The Arizona Company	Arizona Company
Hart N. Sole Proprietorship Hart N. Sole	Hart N Sole DBA Hart N Sole Proprietorship
Ms. Dee Boat	Dee Boat

- E. If a name is not properly formatted, submit a GAO-94 to the GAO to correct the vendor name format in the AZ360 1099 database.

6. Verify the amount and type of payment to the vendor is correct.

As a reminder, the amounts shown on the N176i report are not necessarily the amounts issued to the recipients on the 1099-MISC and 1099-NEC. If any other agencies issued payments to the same recipient from AZ360, the aggregate amount will be reported on the 1099-MISC and 1099-NEC. If the amount or reporting income type (box number) is not correct, submit a GAO-94 to the GAO for correction. **Please remember to always include the reason for the correction on the GAO-94.**

Please submit all vendor file corrections and GAO-94 corrections to the GAO as soon as possible and no later than **4:00 PM on January 8, 2024.** This is to ensure that corrections are included in the initial 1099 forms to recipients. The State may be assessed a penalty for each 1099-MISC and 1099-NEC form that is incorrectly reported. GAO-94 Forms are to be submitted by an authorized person listed on the GAO-3DT Form to the GAO. **If you submit GAO-94 corrections via vendors@azdoa.gov, you must send them as secure emails to protect recipient’s sensitive information.** The latest version of the GAO-94 and the GAO-W-9 are on the GAO website (www.gao.az.gov) under Publications, Forms.

If you have any questions concerning the forms or other related 1099 issues, please contact Arlene Rodriguez at Arlene.Rodriguez@azdoa.gov or (602) 989-2472. We look forward to working with you and your agency in order to make this 1099 season as smooth as possible.

AD/bn/ar