



State of Arizona Accounting Manual

Topic 45 Expenditures, Expenses and Disbursements
Section 53 **Proper Uses of MISCPAYVEND and
MISCCUSTOM**

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INTRODUCTION

It is understood that some of the directives contained in this policy will require changes to agency operations and possibly even the programming of certain systems. Because of this, the effective implementation date of this policy is not the issued date shown above; the effective date is for all payments made on or after Wednesday, January 1, 2020.

The Federal Government, including the Internal Revenue Service (IRS) and the Office of Foreign Assets Control (OFAC), has been intensifying its enforcement activities—to include increasing fines—with respect filing and other aspects of compliance. This section of SAAM has been published to assist agencies to properly report transactions so the State can better ensure compliance with Federal requirements.

AZ360 does not prevent certain disbursements to be made without first securing the payee's Taxpayer Identification Number (TIN). This can be accomplished using the vendor/customer IDs of MISCPAYVEND or MISCCUSTOM.

While, at times, the use of these IDs may be viewed as a convenience or an efficiency, there are only a limited number of proper uses for them. Inappropriate use may expose the agency that incorrectly uses them to severe monetary penalties imposed by the Internal Revenue Service (IRS). The cost of these penalties cannot be recovered through Risk Management.

There exists another vendor/customer ID, MISCTRAVEL, that is reserved for special purposes and might become the topic of a different SAAM section.

POLICY & PROCEDURES

1. Beginning January 1, 2020, the GAO will:
 - 1.1. Restrict the use of MISCPAYVEND for many, if not most, purposes.
 - 1.1.1. Agency requests to use MISCPAYVEND are to be forwarded to FINoperations@azdoa.gov for consideration. These requests must state the purpose for which MISCPAYVEND will be used and how Federal reporting requirements will be met.
 - 1.2. Review the use of MISCCUSTOM to ensure appropriate accounting.

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2. All payments to vendors, contractors and non-employee service providers—whether such payments are effected by disbursement or retention—require that the State collect the recipient’s TIN.
 - 2.1. This is accomplished by the recipient’s completing a State of Arizona Substitute W-9, which can be found on the GAO Website at <https://gao.az.gov/publications/forms>.
 3. For payments to vendors, the failure to secure a TIN requires the State to implement what is known as backup withholding before the contemplated payment is made.
 - 3.1. Failure to properly perform, report and remit backup withholding to the IRS will result in the agency’s being responsible for the backup withholding as well as various penalties related to the failure to withhold and report.
 - 3.2. Contact the GAO at FINoperations@azdoa.gov for additional information concerning backup withholding.
 4. It is understood that payments that amount to less than six hundred dollars (\$600) per calendar year need not be reported to the IRS.
 - 4.1. Payments made by any agency at any time throughout the calendar year are consolidated at the State level in AZ360 and the total of all such payments are not visible to any single agency.
 - 4.2. An agency can determine whether the payments it makes throughout the year amount to six hundred dollars (\$600) or more. If, however, the agency’s payments are less than that, it cannot determine whether consolidated statewide payments reach the threshold for reporting.
 - 4.3. Because of its access to statewide payments, the GAO—not the paying agency-- shall determine for which payees, because of amount or organizational status, a Form 1099-MISC will be prepared.
 - 4.4. When possible, using the P-Card to purchase goods and services may be advisable. This practice shifts the burden of 1099 reporting and backup withholding to the card issuer.
 5. Refunds of amounts that were previously paid to the State—except for income tax refunds made by the Arizona Department of Revenue—need not be reported to the IRS, which is to say, no Forms 1099-MISC need be prepared. For such refunds, the appropriate vendor/customer ID to use is MISCCUSTOM. These types of refunds include, but are not limited to:
 - 5.1. Refunds of license plate fees by the Motor Vehicle Division (MVD) of the Arizona Department of Transportation (ADOT).

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- 5.2. Refunds of unsuccessful entries in the Arizona Department of Game and Fish drawings for hunting and fishing licenses.
- 5.3. Refunds of insurance premium overpayments to the Health Insurance Trust Fund.
- 5.4. Refunds, if authorized by law or rule, of application, registration and licensing charges made when a license is not issued or revoked.
- 5.5. Return, if authorized by law, rule or agency policy, of fees paid to the Arizona Parks Department involving the cancellation of park reservations.
- 5.6. Other refunds or returns of money that was previously deposited with the State that has been determined to have been erroneously remitted.
- 5.7. Refunds made using MISCCUSTOM are to be recorded as reductions to the corresponding revenue source.
6. Portions of this policy do not apply to agencies that, under the circumstances described, issue their own Forms 1099, or provide a file containing TINs to the GAO for processing, or are otherwise excluded. These agencies are:
 - 6.1. ADOT, with respect to title services that withhold their fees from their remittances to the State.
 - 6.2. Arizona Department of Revenue, with respect to income tax refunds.
 - 6.3. Arizona Lottery, with respect to winnings paid to players.
 - 6.4. Arizona Department of Corrections, with respect to compensatory payments made to inmates.
 - 6.5. Arizona Department of Juvenile Corrections, with respect to compensatory payments made to youthful offenders.
 - 6.6. Arizona State Hospital, with respect to compensatory payments made to residents.
 - 6.7. Arizona State Retirement System, with respect to retirement benefits paid to retirees or their heirs, assigns or estates.
 - 6.8. Arizona Department of Economic Security, with respect to benefit payments.
 - 6.9. Arizona Department of Game and Fish, with respect to payments made to informants.