

# 30.6 Manage Tax Reporting

## Revision History

Version	Date	Revision Notes
1.0	07/30/2019	Accepted Version

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## General Information

This document describes and depicts the process steps and supporting information for the identified State of Florida financial management business process. This information should be read in conjunction with the Business Process Flow Diagrams.

The Dependencies and Constraints section describes any conditions or criteria that impact how or when the business process should be executed. These could be set within Florida PALM or from external sources (i.e., Law or Rule).

The Business Process Overview section summarizes the business process and provides context for understanding the objectives and desired outcomes of the described business process.

Within the Business Process Flow Details section, included for each process step are:

- **Process Step ID** – A unique number assigned to each process step, which corresponds to the Business Process Flow Diagram
- **Process Step Title** – A short description assigned to each process step, which corresponds to the Business Process Flow Diagram
- **Description of Process** – A detailed narrative description of the process step, which provides additional information and context for understanding the process step

Also described below are the Ledger Impacts and Reports, which are displayed as icons on the Business Process Flow Diagrams. Ledger impacts describe where there is an update to one of the ledgers used to track activity for accounting, budget management, or financial reporting purposes. Reports describe where a report is identified to be produced at a particular process step or is used to support the completion of a process step.

Finally, included in the Terminology section are definitions of terms which will help the reader to better understand the document. These are terms that are used within this document that may be new or that require a description for common understanding.

## Dependencies and Constraints

- Applicable suppliers are required to have a Tax Identification Number (TIN) that is validated with the Internal Revenue Service (IRS) prior to issuance of a tax reportable payment
- Entities are subject to TIN validation based on DFS policy to comply with IRS requirements
- Applicable suppliers are required to provide 1099 information, which is used for withholding and 1099 reporting
- Entities are subject to 1099 reporting based on DFS policy to comply with IRS requirements
- Employees and retirees may be subject to tax reporting requirements for payments other than payroll or pension payments
- Payroll and pension tax reporting requirements are not included in this business process
- The 1099 withhold report is generated for disbursements issued with a 1099-applicable object code(s) in Florida PALM
- The IRS is established as the withholding entity and assigned a unique Supplier ID

## Business Process Overview

The Manage Tax Reporting business process is within the Disbursements Management (DM) business process grouping. DM includes a collection of business processes that:

- Manage supplier information, including demographic and payment information for tax withholding and reporting purposes;
- Support the disbursement process for State obligations from encumbrance through payment request, payment creation, and escheatment; and
- Perform month-end and year-end closing activities.

This business process addresses how tax reporting and withholding are handled for supplier and non-payroll payments.

Florida Palm is used to report taxable payments to the IRS, the State of Florida, and the applicable suppliers, and to withhold federal and state taxes from payments as required by Federal and State laws. As part of the Set Up and Maintain Suppliers business process, the 1099 information is collected and configured in Florida PALM. The Manage Tax Reporting business subprocess identifies the steps for reviewing 1099 configuration, processing 1099 suppliers and vouchers, and generating and transmitting the 1099 reports.

Tax reportable payments generally include payments for services performed. When a supplier submits an invoice for tax-reportable services, the 1099 withholding is made based on the supplier setup, current withholding rules, and the accounting codes for the invoice lines.

## Business Process Flow Details

The table below describes steps in the business process as reflected on the Business Process Flow Diagram. The table also reflects information associated with each step describing the intent of the specific process.

The Business Process Flow Diagrams use horizontal swim lanes to depict where activities are performed by different parties or systems. Each swim lane is titled with a role, either agency-based or within Department of Financial Services (DFS), and in some cases, are representative of an external entity or system. The swim lanes may change from page to page within a single business subprocess as more or fewer roles are required to execute sections of the business subprocess. Optionally, the process flow diagram may reflect vertical swim lanes to further designate information such as systems or time intervals.

Table 1: Manage Tax Reporting

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Swim Lanes – Definition	<b>Agency AP Processor:</b> agency role responsible for entering invoices, voucher corrections, and issuing and maintaining disbursements in Florida PALM <b>DFS 1099 Processor:</b> enterprise role responsible for preparation, final review, and approval of 1099 issuance	
Process Step ID	Process Step Title	Description of Process
1	Review 1099 Setup	The setup should be reviewed for: the calendar; Withholding Entities; Withholding Rules; Withholding Types; Withholding Codes; and set up or review of Report Control Information.
2	Run Withholding Post	This step combines Voucher and payment information to generate 1099 reportable data which is used to generate the 1099 reports. All payments must be posted to be included. The applicability of tax withholding and reporting is identified in the supplier records via Set Up and Maintain Supplier business process. State payments are marked as applicable for tax withholding or reporting through the supplier record configuration and/or the accounting codes recorded on the voucher in Enter and Process Vouchers business process.
3	Perform Review of 1099 Items	<p>After posting withholdings, there are various reports and on-screen inquiries available to review the reportable 1099 voucher and payment information. During the review, vouchers or suppliers may be identified that require marking for withholding.</p> <p>The 1099 Supplier Report, the 1099 Mismatch report, and the Employee Suppliers reports are used to identify any updates that are required to the supplier records or voucher accounting. The 1099 Suppliers report identifies the suppliers subject to 1099 reporting requirements. The Employee Suppliers report identifies the employee payments marked for 1099 reporting requirements. The 1099 Mismatch Report shows payments marked for 1099 reporting which may be made in error based on the supplier profile.</p>

Process Step ID	Process Step Title	Description of Process
4	Complete Withholding Supplier Update	Occasionally, a supplier's withholding setup may be incorrect and require an adjustment for 1099 reporting. The Withholding Supplier Update step is used to change withholding applicability, entity, type, jurisdiction, and/or class.
5	Complete Withholding Voucher Update	This step updates withholding information for a withholding supplier at a voucher line level or for all voucher lines by supplier. Withholding applicability, entity, type, and jurisdiction per voucher line can be changed. The DFS 1099 Processor coordinates with an agency for making corrections and adjustments to vouchers.
6	Update Withholdings	This step updates the 1099 reportable suppliers and voucher transactions, which were updated as part of Complete Withholding Supplier and Voucher Update steps. A 1099 Updates report identifies the suppliers and vouchers that were edited.
7	Run Withhold 1099 Report Post	After all adjustments have been made, all items are reconciled to make sure there are no more corrections required. The Withhold 1099 Report Post step populates the Withholding 1099 Table by extracting data from the Withhold Transaction table and inserting it into the withholding report tables.
8	Generate Withhold 1099 IRS Report	The DFS 1099 Processor selects the parameters to generate the 1099 IRS Report.
9	Tax Reporting File	Florida PALM creates a file with the 1099 information for the IRS or other external users.
10	Generate/ Review 1099 to Send Detail Report	This report is a replica of the data in the file prepared for the IRS. This report can be used to reconcile with the IRS file prior to printing the final report for the supplier.
11	Review/ Update Vouchers	The DFS 1099 Processor coordinates with the Agency AP Processor in reviewing and making corrections to voucher data.
12	Create 1099 Copy B Report	After all final adjustments and corrections, the 1099 Copy B Report is generated.
13	Review/Print/ Send 1099 to Suppliers	Generated 1099 reports are reviewed, printed, and mailed to the suppliers. Florida PALM generates reports for use in reporting payments to foreign suppliers (IRS Form 1042/1042S ), nonpayroll payments, such as gambling winnings (IRS Form 945 ), and a 1099/W-9 reconciliation report for DFS to verify all required 1099s have been printed and to print any 1099s that were missed.
14	Send File to IRS	The DFS 1099 Processor sends the file to the IRS.
15	Finalize/ Update Records	The Withholding Sent File finalizes the 1099 reporting by marking the transactions as included in the reported 1099s.

## Ledger Impacts

Table 2: Ledger Impacts Included on Business Process Flow Diagrams

Ledger Impact ID	Ledger - Ledger Impact Title	Ledger Impact Description
N/A		

## Reports

Table 3: Reports Included on Business Process Flow Diagrams

Report Number	Report Description	Report Frequency	Audience
R1	1099 Suppliers – a report that identifies the suppliers subject to 1099 requirements	Periodic	DFS
R2	1099 Mismatch – a report that lists the suppliers that have had 1099 applicable transactions but may require further review	Periodic, Monthly	DFS
R3	Employee Suppliers – a listing of employees doing business with the State as a supplier	Periodic	DFS
R4	1099 Updates – a report of all suppliers or vouchers that had edits made to 1099 reporting criteria	Periodic	DFS
R5	IRS 1042/1042S Report – a report that provides the data that meets the requirements of IRS Form 1042/1042S. Used for tax reporting for foreign suppliers	Periodic	DFS
R6	IRS 945 Report – a report that provides the data that meets the requirements of IRS Form 945. Used to report withheld Federal income tax from nonpayroll payments such as gambling winnings	Periodic	DFS
R7	1099/W-9 Reconciliation – a report to reconcile the printed 1099s to the W9s on file to verify that all required 1099s have been printed.	Periodic, Monthly	DFS



## Terminology

**IRS Form 945** – the IRS form used to report nonpayroll payments, such as gambling winnings, and applicable withholdings.

**IRS Form 1042/1042S** – the IRS form used to report eligible payments and withholdings for foreign suppliers.

**IRS Form 1099** – the State is required to withhold taxes from eligible payments and is required to annually report such withholdings and the total payments to both the suppliers and the IRS in a format prescribed by the IRS, referred to as a Form 1099.

**Supplier** – all individuals or entities receiving a payment are referred to as suppliers in Florida PALM.

**Voucher** – a digital record created within Florida PALM to make a payment to an external entity such as a supplier.

**Withholding** – amounts deducted from payments made to suppliers for federal or State taxes. The State is required to withhold for federal income taxes from eligible payments, in accordance with tax status information provided by the supplier, and in accordance with IRS requirements. Such amounts are to be remitted to the IRS. The State does not have a State income tax but may elect to withhold for other State taxes for applicable suppliers.