

1099 Tax Reporting and Withholding

Policy/Procedure

Dickinson College (the “College”) is required to issue Form 1099, *Miscellaneous Income*, to report certain payments made to individuals and/or organizations other than corporations, governmental agencies, and tax-exempt organizations such as colleges and universities (see the *Procurement Policy Manual* for more information on payments to non-resident aliens). Whether a payment is reportable on Form 1099 depends upon the payment amount, payment type and the supplier’s business entity type. Reportable payments include, but are not limited to:

- Independent contractor services
- Consulting services
- Professional services (e.g., accounting and legal services)
- Medical services (e.g., lab tests, physician services, billing/collection)
- Rent
- Prizes, awards and honoraria to non-employees

A Form 1099 is required if the total payments made to a vendor within the calendar year are equal to or greater than \$600. However, other types of payments may have a lower reporting threshold.

The IRS allows for an exception to the requirement of producing a Form 1099 for most payments if the supplier’s business type is a corporation (as verified by Form W-9, *Request for Taxpayer Identification Number and Certification*, or the invoice). However, the corporate exception never applies to suppliers that provide medical and legal services.

IRS reportable payments for services cannot be processed through expense reimbursements.

The College is responsible for obtaining the correct vendor name, address, social security number/employer identification number and type of organization for tax reportable payments to new suppliers prior to making the first payment. This information should be captured upon the vendor’s completion of Form W-9. If the vendor does not complete Form W-9, the IRS requires that the College withhold 28% tax on payments to the vendor. The College is then required to remit this backup withholding tax to the IRS on Form 945. If the College fails to obtain the Taxpayer Identification Number and does not withhold the 28% tax for a reportable payment, the College is liable for the amount that should have been withheld plus penalties and interest.

The IRS informs the College if data provided by a supplier on Form W-9 is incorrect. When the College receives notification from the IRS, Financial Operations will request corrected data from the vendor on Form W-9 and inform the vendor of the withholding consequences on future invoices for non-compliance.

Financial Operations is responsible for mailing Forms 1099 to individuals/organizations and submitting the electronic file of the 1099s to the IRS.

Related Information

Petty Cash
Payments to Students
Worker Classification and Payment
Procurement Policy Manual

History/Revision Information

Responsible Office/Division:	Financial Operations
Effective Date:	October 2012
Last Amended Date:	July 2020
Next Review Date:	Annually in June
Also Found In:	