

## SAM – DISBURSMENTS

### REPORTABLE PAYMENT IDENTIFICATION AND CLASSIFICATION REQUIREMENTS

8422.190

(Revised 12/11)

1. Required Payee Data Record form, STD. 204. See 8422.190 Illustration 1 and 8422.190 Illustration 1 (Cont. 1).

The purpose of the STD. 204 form is to obtain payee data for information reporting and to ensure tax compliance with the Internal Revenue Code and the California Revenue and Taxation Code (R&TC). Therefore, a completed STD. 204 must be obtained whenever a state department engages in a transaction that leads to a payment to any individual or any entity that is not a governmental entity. The information provided in this form must be used in conjunction with reportable payment indicators in the Uniform Codes Manual (Object section, column “FBR”), to select the payments that are reportable from the payment history files through electronic data processing methods (SAM section 8422.19).

In order to obtain the data necessary to determine what payments are reportable, the STD. 204 must be completed by the payee and attached to each contract. For non-contract transactions, this form must be completed by the payee and retained in the state department’s business services or accounting office.

Information provided by the payee on this form will include:

- (1) Complete business name and address of payee doing business with the state including owner's name, if a sole proprietorship.
- (2) The payee entity type and the Taxpayer Identification Number (TIN) as shown. The TIN is the Social Security Number (SSN) for individual and sole proprietor payees and the Federal Employee Identification Number (FEIN) for all other payees.
- (3) The residency status of the payee by indicating resident or nonresident as shown. The reverse side of the STD. 204 provides instructions for making this determination. Nonresidents may be subject to state withholding at the standard rate unless verification authorizing a reduced withholding amount or a waiver is attached to the STD. 204. To determine when withholding may or may not be required, refer to the decision charts on Franchise Tax Board (FTB) website at [http://www.ftb.ca.gov/individuals/wsc/decision\\_chart.shtml](http://www.ftb.ca.gov/individuals/wsc/decision_chart.shtml).
- (4) The name, title, telephone number, and dated signature of the payee’s authorized representative will be provided. This signature certifies the accuracy of the information provided.

State departments may submit a request for changes to the STD. 204 (including a draft STD. 204 with the proposed changes) to the Department of Finance, Fiscal Systems and Consulting Unit, for approval. Changes must be in accordance with the purpose of the form.

If the STD. 204 is not completed by the payee, payment to the payee shall be reduced by the following:

- Federal backup withholding at a rate determined by the Internal Revenue Service (IRS). For more information, refer to the IRS website <http://www.irs.gov/> for IRS Publication 1281, Backup Withholding for Missing and Incorrect Name/TIN(S). Additional resources include IRS Publication 15, Employer’s Tax Guide, and IRS Publication 17, Your Federal Income Tax. For questions about federal backup withholding or information reporting, contact the IRS’ Information Reporting Program Customer Service Section at (866) 455-7438.
- State backup withholding of 7 percent for payments made on or after January 1, 2010 to residents or nonresidents per R&TC section 18664.
- Payment may be subject to state income tax withholding if the payee indicates “nonresident” on the STD. 204 per item #3 listed above. Under circumstances where both backup withholdings and nonresident withholding apply, only backup withholding shall be required. Refer to FTB Publication 1017, available at <http://www.ftb.ca.gov/>, for further information.

Pursuant to R&TC sections 18662(d) and 18668, state departments are liable for amounts not withheld, under-withheld, or not remitted to the FTB. In addition, the state department is responsible for sending additional requests to those payees that fail to provide their TIN, as described in SAM section 8422.193.

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**REPORTABLE PAYMENT IDENTIFICATION AND CLASSIFICATION REQUIREMENTS 8422.190 (Cont. 1)**  
(Revised 12/11)

- 2. Payments that will be reported.
  - a. Payments for services to medical corporations, legal service corporations, and to non-corporate entities (except governmental units) will be reported. These may include: fees, commissions, other forms of compensation for services (to the extent not reported on Form W-2), interest, rent, royalties, prizes, awards, and "gross proceeds" connected with legal services.
  - b. Payments are reportable if all three of the following points can be answered yes:
    - (1) Payment is within the conduct of trade or business.
    - (2) Payee is not a corporation (note that all payments to a) medical corporations for services provided and b) attorneys or legal services corporations including gross proceeds are reportable).
    - (3) Payment is for rents, prizes, awards, or services (including construction contract services) rendered and not solely for merchandise.
  - c. The following identifies (1) the various recurring payment types that are required to be reported and (2) the box on the Form 1099-MISC in which they are to be reported:
    - Box 1 Rent of real or personal property.
    - Box 2 Royalties.
    - Box 3 Other income (including prizes, awards, and punitive damages not involving physical injury or sickness).
    - Box 4 Federal income tax withheld (backup withholding).
  
    - Box 6 Medical and health care payments, including doctors, medical corporations, dentists, audiologists, optometrists, psychologists, psychiatrists, etc.
    - Box 7 Nonemployee compensation.
      - Prizes and awards for services rendered (e.g. bonuses not reported in W-2).
      - Commissions to non-employees.
      - Commissions to real estate brokers.
      - Consulting fees to non-employees.
      - Professional fees.
      - Payments to entertainers.
      - Construction service contracts (roads, streets, buildings, etc.).
  
    - Box 14 Attorney Fees - Gross Proceeds pursuant to Internal Revenue Code (IRC) section 6045(f); that consist of (1) amounts intended to be paid to the client; and (2) amounts intended for the attorney.
  
    - Box 16 State income tax withheld
  - d. Interest (other than tax exempt government obligations; interest by or to nonresident aliens and most foreign entities; corporations; tax-exempt retirement plans, custodians and nominees, brokers, registered dealers in securities and commodities, and U.S. state governments, including their subdivisions and wholly-owned departments and instrumentalities) must be reported on Form 1099-INT. Form 1099-INT payments are not subject to state backup withholding.

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### REPORTABLE PAYMENT IDENTIFICATION AND CLASSIFICATION REQUIREMENTS 8422.190 (Cont. 2) (Revised 12/11)

3. Payments that are not reported.
  - a. Payments to governmental entities.
  - b. Payments to most corporations for goods and services. However, payments to medical corporations and legal corporations are reported.
  - c. Payments for merchandise (including freight, storage, and similar charges) and utilities (such as electricity, gas, oil, water, telephone, telegraph, and similar services).
  - d. Payments of non-punitive damages (for physical injury or sickness) awarded by the courts. However, any interest payment is reportable.
  - e. Salaries and wages paid from the State Payroll Revolving Fund or otherwise reported on Form W-2.
  - f. Scholarships, fellowships, and stipends (except where such payments are subject to the performance of services).
  - g. Per diem and travel expense reimbursements are not considered reportable income.
4. Payments that include reportable and non-reportable items.

When a payment to an individual includes both reportable and non-reportable items, state departments usually have the option of reporting the total payment or only the reportable portion. If the agreement is only for a lump sum, then the full amount will be reported (including gross proceeds paid to an attorney in connection with legal services). However, when a payment includes both interest and non-reportable principal, only the interest will be reported. When a payment to an external consultant includes a stated amount for travel expenses, per diem, or other expenses, as well as an amount for services, the total amount will be reported.

Questions regarding the determination of reportable payments and/or the use of STD. 204 should be directed to the Franchise Tax Board, Information Reporting Unit, at (916) 845-6304.