CONSEQUENCES OF INCORRECT INFORMATION REPORTING **8422.193**
(Revised 03/11)

If the Payee Data Record form STD. 204 is not completed by the payee, the state department is responsible to reduce the payee's payment by withholding the federal and state backup income tax portion. Under the Internal Revenue Code and the Revenue and Taxation Code, a state department that fails to obtain the Tax Identification Number (TIN) or fails to file timely information returns can be assessed a federal backup income tax withholding and a 7 percent state backup withholding on amounts that were incorrectly reported or were not withheld. For more information on the federal backup withholding rate, refer to the Internal Revenue Service (IRS) website http://www.irs.gov/ for Publication 1281, *Backup Withholding for Missing and Incorrect Name/TIN(S).* Additional penalties, fines, and interest may be assessed by the IRS and/or Franchise Tax Board. In order for departments to avoid a penalty for filing a return that omitted the payee's TIN, departments must send the taxpayer a first annual request for the TIN by December 31 of the year in which the department makes a reportable payment. A second annual request is also required by December 31 of the following year if reportable payments are being made.