

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 2 (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.
- (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.

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STATE OF CALIFORNIA
PAYEE DATA RECORD
STD. 204 (REV. 2-99 (REVERSE))

ARE YOU A RESIDENT OR A NONRESIDENT?

Each corporation, individual/sole proprietor, partnership, estate or trust doing business with the State of California must indicate their residency status along with their taxpayer identification number.

A **corporation** will be considered a “resident” if it has a permanent place of business in California. The corporation has a permanent place of business in California if it is organized and existing under the laws of this state or, if a foreign corporation has qualified to transact intrastate business. A corporation that has not qualified to transact intrastate business (e.g., a corporation engaged exclusively in interstate commerce) will be considered as having a permanent place of business in this state only if it maintains a permanent office in this state that is permanently staffed by its employees.

For **individuals/sole proprietors**, the term “resident” includes every individual who is in California for other than a temporary or transitory purpose and any individual domiciled in California who is absent for a temporary or transitory purpose. Generally, an individual who comes to California for a purpose which will extend over a long or indefinite period will be considered a resident. However, an individual who comes to perform a particular contract of short duration will be considered a nonresident.

For withholding purposes, a **partnership** is considered a resident partnership if it has a permanent place of business in California. An estate is considered a California estate if the decedent was a California resident at the time of death and a trust is considered a California trust if at least one trustee is a California resident.

More information on residency status can be obtained by calling the Franchise Tax Board at the numbers listed below:

From within the United States, call.....1-800-852-5711
From outside the United States, call.....1-916-845-6500
For hearing impaired with TDD, call....1-800-822-6268

PRIVACY STATEMENT

Section 7(b) of the Privacy Act of 1974 (Public Law 93-5791) requires that any federal, state, or local governmental agency which requests an individual to disclose his social security account number shall inform that individual whether that disclosure is mandatory or voluntary, by which statutory or other authority such number is solicited, and what uses will be made of it.

The State of California requires that all parties entering into business transactions that may lead to payment(s) from the State must provide their Taxpayer Identification Number (TIN) as required by the State Revenue and Taxation Code, Section 18646 to facilitate tax compliance enforcement activities and to facilitate the preparation of Form 1099 and other information returns as required by the Internal Revenue Code, Section 6109(a). The TIN for individual and sole proprietorships is the Social Security Number (SSN).

It is mandatory to furnish the information requested. Federal law requires that payments for which the requested information is not provided be subject to a 31% withholding and state law imposes noncompliance penalties of up to \$20,000.

You have the right to access records containing your personal information, such as your SSN. To exercise that right, please contact the business services unit or the accounts payable unit of the state agency(ies) with which you transact that business.

Please call the Department of Finance, Fiscal Systems and Consulting Unit at (916) 324-0385 if you have any questions regarding this Privacy Statement. Questions related to residency or withholding should be referred to the telephone numbers listed above. All other questions should be referred to the requesting agency listed in Section 1.

ARE YOU SUBJECT TO NONRESIDENT WITHHOLDING?

Payments made to nonresident payees, including corporations, individuals, partnerships, estates and trusts, are subject to withholding. Nonresident payees performing services in California or receiving rent, lease or royalty payments from property (real or personal) located in California will have 7% of their total payments withheld for state income taxes. However, no withholding is required if total payments to the payee are \$1500 or less for the calendar year.

A nonresident payee may request that income taxes be withheld at a lower rate or waived by sending a completed form FTB 588 to the address below. A waiver will generally be granted when a payee has a history of filing California returns and making timely estimated payments. If the payee activity is carried on outside of California or partially outside of California, a waiver or reduced withholding rate may be granted. For more information, contact:

Franchise Tax Board
Nonresident Withholding Section
Attention: State Agency Withholding Coordinator
P.O. Box 651 Sacramento, CA 95812-0651
Telephone: (916) 845-4900
FAX: (916) 845-4831

If a reduced rate of withholding or waiver has been authorized by the Franchise Tax Board, attach a copy to this form.

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