

## SAM – DISBURSMENTS

### REPORTABLE PAYMENTS

8422.19

(Revised 12/08)

Sections 6041 of the federal Internal Revenue Code (IRC) and 18631 of the CA Revenue and Taxation Code require the state to report certain payments made to individuals, medical and legal corporations, and partnerships when such payments total at least \$600 of miscellaneous income and \$10 of interest income, respectively. In addition, the IRC Section 6045(f) requires the State to report any payment to an attorney (including legal corporations) made in connection with legal services whether or not such services were performed for the payer. These include "gross proceeds" (i.e., lump sum payments to attorneys that consist of legal fees and amounts awarded to the client).

State policy requires that reportable payments be identified and reported through a combination of electronic data processes, the state Uniform Codes Manual (UCM), and information provided in the Payee Data Record (STD. 204). The Department of Finance (DOF), CALSTARS Unit has developed and implemented appropriate procedures to facilitate such reporting, for its agencies, through the Franchise Tax Board (FTB). Non-CALSTARS agencies that operate their own EDP systems are required to develop and implement similar reportable payment identification systems. Non-CALSTARS agencies that operate in a manual accounting environment are encouraged to call the DOF, Fiscal Systems and Consulting Unit, if they have any questions.

The chief financial officer of each state agency is designated as the person responsible for ensuring compliance with federal and state tax laws. Each state agency which makes payments from the State Treasury trust and/or agency funds will comply with the Internal Revenue Service (IRS) and the FTB annual information reporting and income tax withholding (W/H) requirements. A state agency may arrange to have 1099s, FTB, and IRS reports prepared by a reporting agent such as FTB. However, the final responsibility will rest with the state agency.

For the purposes of complying with the reporting requirement, each state agency is a separate reporting entity. Accordingly, each agency shall report under its own unique Federal Employer Identification Number (FEIN). Some departments may even consider it necessary to file separate reports for certain programs. Where such separate reporting is deemed necessary, the department should apply for separate FEIN(S) for the appropriate program(s). A FEIN application (Form SS-4) is available at the IRS website: <http://www.irs.gov>. Return the completed form to the IRS.