

## SAM - DISBURSEMENTS

### REPORTABLE PAYMENT IDENTIFICATION AND CLASSIFICATION REQUIREMENTS

8422.190

(Revised 06/2016)

1. Required Payee Data Record form, STD. 204. See 8422.190 Illustration 1 and 8422.190 Illustration 2.

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 (IRC) and the California Revenue and Taxation Code (R&TC). The STD. 204 is required for any non-governmental or individual entering into a transaction that may lead to a payment from the state. Therefore, a completed, signed, and dated STD. 204 must be on file with the state before payments are disbursed. 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).

A completed STD. 204 is necessary to determine what payments are reportable by the payee and must be 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. Non-state employees authorized to receive travel expense reimbursements directly from departments must also complete a STD. 204 before the reimbursement is paid.

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 (IRC section 6109(a) and R&TC section 18646) 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 for payment(s) that exceed \$1,500 in a calendar year (R&TC section 18662) unless verification authorizing a reduced withholding amount or a waiver approved by the Franchise Tax Board (FTB) is attached to the STD. 204. To determine if withholding is required and the standard withholding rate, refer to the decision charts on FTB website at [http://www.ftb.ca.gov/individuals/wsc/decision\\_chart.shtml](http://www.ftb.ca.gov/individuals/wsc/decision_chart.shtml). For further information on nonresident withholding, see SAM section 8422.195.
- (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.

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8422.190 (Cont. 1)

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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. Suggested 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. Information on federal and state tax withholdings is provided in SAM section 8422.195. 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.

2. Payments that must 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.

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- 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 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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8422.190 (Cont. 3)

(Revised 06/2016)

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 generally not considered reportable income. Refer to IRS Instructions for Form 1099-MISC on nonemployee compensation.
  
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.



# SAM - DISBURSEMENTS

STATE OF CALIFORNIA-DEPARTMENT OF FINANCE  
**PAYEE DATA RECORD**  
 STD. 204 (Rev. 6-2003) (REVERSE)

<b>1</b>	<p><b><u>Requirement to Complete Payee Data Record, STD. 204</u></b></p> <p>A completed Payee Data Record, STD. 204, is required for payments to all non-governmental entities and will be kept on file at each State agency. Since each State agency with which you do business must have a separate STD. 204 on file, it is possible for a payee to receive this form from various State agencies.</p> <p>Payees who do not wish to complete the STD. 204 may elect to not do business with the State. If the payee does not complete the STD. 204 and the required payee data is not otherwise provided, payment may be reduced for federal backup withholding and nonresident State income tax withholding. Amounts reported on Information Returns (1099) are in accordance with the Internal Revenue Code and the California Revenue and Taxation Code.</p>
<b>2</b>	<p>Enter the payee's legal business name. Sole proprietorships must also include the owner's full name. An individual must list his/her full name. The mailing address should be the address at which the payee chooses to receive correspondence. Do not enter payment address or lock box information here.</p>
<b>3</b>	<p>Check the box that corresponds to the payee business type. Check only one box. Corporations must check the box that identifies the type of corporation. The State of California requires that all parties entering into business transactions that may lead to payment(s) from the State provide their Taxpayer Identification Number (TIN). The TIN is required by the California Revenue and Taxation Code Section 18646 to facilitate tax compliance enforcement activities and the preparation of Form 1099 and other information returns as required by the Internal Revenue Code Section 6109(a).</p> <p>The TIN for individuals and sole proprietorships is the Social Security Number (SSN). Only partnerships, estates, trusts, and corporations will enter their Federal Employer Identification Number (FEIN).</p>
<b>4</b>	<p><b><u>Are you a California resident or nonresident?</u></b></p> <p>A corporation will be defined as a "resident" if it has a permanent place of business in California or is qualified through the Secretary of State to do business in California.</p> <p>A partnership is considered a resident partnership if it has a permanent place of business in California. An estate is a resident if the decedent was a California resident at time of death. A trust is a resident if at least one trustee is a California resident.</p> <p>For individuals and 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 that 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.</p> <p>Payments to all nonresidents may be 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 \$1,500 or less for the calendar year.</p> <p>For information on Nonresident Withholding, contact the Franchise Tax Board at the numbers listed below:        Withholding Services and Compliance Section: 1-888-792-4900 E-mail address: wscs.gen@ftb.ca.gov        For hearing impaired with TDD, call: 1-800-822-6268 Website: www.ftb.ca.gov</p>
<b>5</b>	<p>Provide the name, title, signature, and telephone number of the individual completing this form. Provide the date the form was completed.</p>
<b>6</b>	<p>This section must be completed by the State agency requesting the STD. 204.</p>
	<p><b><u>Privacy Statement</u></b></p> <p>Section 7(b) of the Privacy Act of 1974 (Public Law 93-579) requires that any federal, State, or local governmental agency, which requests an individual to disclose their 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.</p> <p>It is mandatory to furnish the information requested. Federal law requires that payment for which the requested information is not provided is subject to federal backup withholding and State law imposes noncompliance penalties of up to \$20,000.</p> <p>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.</p> <p>All questions should be referred to the requesting State agency listed on the bottom front of this form.</p>