

SAM - DISBURSEMENTS

REPORTABLE PAYMENTS

8422.19

(Revised 04/2017)

Pursuant to Internal Revenue Code ([IRC](#)) section 6041 and California Revenue and Taxation Code section 18631, the state is required 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. In addition, 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 payments 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 accounting processes, the state Uniform Codes Manual ([UCM](#)), and information provided in the Payee Data Record ([STD. 204](#)). The Department of Finance, [CALSTARS](#) Unit and the Financial Information System for California (FI\$Cal) have developed and implemented appropriate procedures to facilitate such reporting, for its departments, through the Franchise Tax Board (FTB). Non-CALSTARS and non-FI\$Cal departments are required to develop and implement similar reportable payment identification systems.

The chief financial officer of each state department is designated as the person responsible for ensuring compliance with federal and state tax laws. Each state department that 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 requirements. A state department 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 department.

For the purposes of complying with the reporting requirement, each state department (except for departments that use FI\$Cal) shall report under its own unique Federal Employer Identification Number ([FEIN](#)). Departments that use FI\$Cal shall report under a statewide FEIN.

For those departments that need to file separate reports for certain programs, they 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.