

SAM - DISBURSEMENTS

REPORTABLE PAYMENT IDENTIFICATION AND CLASSIFICATION REQUIREMENTS

8422.190

(Revised 05/2018)

The four items below provide the guidelines for the reportable payment requirements.

1. Payee Data Record form, STD. 204. See section 8422.190 Illustrations 1 and 2.

The purpose of the [STD. 204](#) form is to obtain payee information for income tax reporting and to ensure tax compliance with federal and state law. The STD. 204 is required for any non-governmental entity or individual entering into a transaction that may lead to a payment from the state. Therefore, a completed, dated, and signed STD. 204 with handwritten or electronic signature must be on file with the state before payments are disbursed. Electronic signatures must meet the requirements of the Secretary of State, California Code of Regulations, title 2 section 22003. The original form must also be available and provided upon request. For more information on electronic signatures, refer to California Civil Code sections 1633.1 through 1633.17.

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, a completed STD. 204 must be retained in the department's business services or accounting office. A completed STD. 204 is also required for non-state employees authorized to receive travel expense reimbursements directly from departments before the reimbursement is paid.

The payee will provide the following information on the STD. 204 in accordance with Internal Revenue Code ([IRC](#)) section 6109(a) and California Revenue and Taxation Code (R&TC) sections 18646 and 18661. Instructions for the payee are provided on page 2 of the form.

- a. Complete legal business name and address of the payee doing business with the state. The business owner's full name is required if the business is a sole proprietorship or a single member Limited Liability Company (LLC). The name of the business or owner should match the name on the payee's income tax return.
- b. Payee entity type and the Taxpayer Identification Number (TIN). Payees must provide one of the following applicable TINs:
 - a. Social Security Number (SSN)
 - b. Individual Taxpayer Identification Number (ITIN)
 - c. Federal Employer Identification Number (FEIN)

The TIN for individuals, sole proprietors, and single member LLCs (disregarded entities) is the SSN. Individuals who do not have an SSN and are not eligible for one provide their ITIN. The ITIN is a tax processing number issued by the Internal Revenue Service (IRS) through the W-7 application process. For all other payees, including LLCs treated as partnerships or corporations, the TIN is the FEIN. Refer to the IRS website for more information on TINs.

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- c. Residency status of the payee by indicating resident or nonresident. The STD. 204 instructions on page 2 provide information for making this determination. Pursuant to R&TC section 18662, nonresidents may be subject to state withholding at the standard rate for payment(s) that exceed \$1,500 in a calendar year unless a 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 the FTB website at <http://www.ftb.ca.gov/individuals/wsc/decision-chart.shtml>. For further information on nonresident withholding, see SAM section [8422.195](#).
- d. Complete name, title, e-mail address, telephone number, date, and handwritten or electronic signature of the payee's authorized representative. This signature certifies the accuracy of the information provided. All data on the submitted STD 204 must be unalterable including the signature.

If the STD. 204 is not completed by the payee, then payment to the payee shall be reduced by the following:

- Federal backup withholding at a rate determined by the 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 pursuant to R&TC section 18664.
- Payment may be subject to state income tax withholding if the payee indicates "nonresident" on the STD. 204 per item #1c listed above. Under circumstances where both backup withholding and nonresident withholding apply, only backup withholding shall be required. Refer to FTB Publication 1017 at <https://www.ftb.ca.gov> for further information.

State departments are liable for amounts not withheld, under-withheld, or not remitted to the FTB pursuant to R&TC sections 18662 (d) and 18668. Information on federal and state tax withholdings is provided in SAM section 8422.195. In addition, state departments are 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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2. Payments that must be reported.

- a. Payments for services to medical corporations, legal service corporations, and 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: All payments to medical corporations for services provided and 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.

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- 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.
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, interest payments are 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.

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STATE OF CALIFORNIA-DEPARTMENT OF FINANCE

PAYEE DATA RECORD

(Required when receiving payment from the State of California in lieu of IRS W-9 or W-7)

STD 204 (Rev. 5/2018)

1	<p>Requirement to Complete the Payee Data Record, STD 204</p> <p>A completed Payee Data Record, STD 204 form, is required for all payees (non-governmental entities or individuals) entering into a transaction that may lead to a payment from the state. Each state agency requires a completed, signed, and dated STD 204 on file; therefore, it is possible for you to receive this form from multiple state agencies with which you do business.</p> <p>Payees who do not wish to complete the STD 204 may elect not to 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 and state backup withholding. Amounts reported on Information Returns (Form 1099) are in accordance with the Internal Revenue Code (IRC) and the California Revenue and Taxation Code (R&TC).</p>
2	<p>Enter the payee's legal business name. The name must match the name on the payee's tax return as filed with the federal Internal Revenue Service. Sole proprietorships and single member limited liability companies (LLCs) must also include the owner's full name. An individual must list his/her full name as shown on the SSN or as entered on the W-7 form for ITIN.</p> <p>The mailing address should be the address at which the payee chooses to receive correspondence. The business address is the address of the business' physical location.</p>
3	<p>Check only one box that corresponds to the payee business type. Corporations must check the box that identifies the type of corporation.</p> <p>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 R&TC sections 18646 and 18661 to facilitate tax compliance enforcement activities and the preparation of Form 1099 and other information returns as required by the IRC section 6109(a) and R&TC section 18662 and its regulations.</p> <p>Payees must provide one of the following TINs on this form: social security number (SSN), individual taxpayer identification number (ITIN), or federal employer identification number (FEIN). The TIN for sole proprietorships, single member LLC (disregarded entities), and individuals is the SSN or ITIN. Only partnerships, estates, trusts, corporations, and LLCs (taxed as partnerships or corporations) will enter their FEIN.</p>
4	<p>Are you a California resident or nonresident?</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>
5	<p>Provide the name, title, email address, signature, and telephone number of the individual completing this form. Provide the date the form was completed.</p>
6	<p>This section must be completed by the state agency requesting the STD 204.</p>

Privacy Statement

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.

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.

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.

All questions should be referred to the requesting state agency listed on the bottom front of this form.

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(8422.190 Illustration 2 – Form STD 204)