



**THE GEORGE
WASHINGTON
UNIVERSITY**
WASHINGTON, DC

Responsible University Official:
Director, Accounts Payable & Travel
Responsible Office: Accounts
Payable
Origination Date: Not Available
Last Amended Date: June 27, 2006

1099 TAX REPORTING & WITHHOLDING POLICY

Policy Statement

Payments for services to independent contractors, other individuals, or unincorporated businesses of \$600 or more in a calendar year are reportable to the IRS on Form 1099. Any payments for legal and medical services to corporations are also reportable on IRS Form 1099. The university is required to withhold 28% tax from reportable supplier payments if a taxpayer identification number (“SSN” or “Employer Identification Number, EIN”) is not provided in advance of payment.

Reason for Policy/Purpose

To promote compliance with IRS Regulations, this policy provides guidance regarding the university’s tax withholding and reporting responsibilities related to supplier payments. The university is liable for tax, penalties, and interest for failure to comply with these annual requirements.

Who Needs to Know This Policy

Faculty and staff

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1099 TAX REPORTING POLICY

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Policy/Procedures

The IRS requires the university to issue a Form 1099 reporting certain payments made to individuals and/or organizations other than corporations, governmental agencies, and tax-exempt organizations such as colleges, and universities. Whether a payment is reportable on Form 1099 depends upon the payment amount, payment type and the supplier's business entity type. Reportable payments include, but are not limited to:

- Independent contractor services
- Consultant services
- Professional services (e.g., accounting and legal services)
- Medical services (e.g., lab tests, physician services, billing/collection)
- Commissions to non-employees
- Rent
- Royalties (reduced reporting threshold of \$10)
- Copyright payments
- Prizes and awards to non-employees
- Honoraria to non-employees
- Human subjects payments

A Form 1099 is required if the total payments made to a supplier within the calendar year are equal to or greater than \$600. However, royalty payments have a lower reporting threshold of \$10.

The IRS allows for an exception to the requirement of producing a Form 1099 for most payments if the supplier's business type is a corporation (as verified by Form W-9 or the invoice). This is called the "corporate exception." However, the corporate exception *never* applies to suppliers that provide medical and legal services. Medical services include:

- Ambulatory services
- Medical technician services
- Nursing services
- Physician treatment/care
- Therapy (all types)
- Lab exams
- Consultations
- Billing and collections

IRS reportable payments for services cannot be processed through Petty Cash funds, via expense reimbursement or via the P-Card.

1099 TAX REPORTING POLICY

Suppliers will be classified as 1099 Reportable Suppliers and non-1099 Reportable Suppliers in the University Financial System. All payments to 1099 Reportable Suppliers, except a supplier's documented business expense reimbursements will be included in the year-end tax reporting to IRS.

The university (i.e., Accounts Payable, Supplier Maintenance and/or originating department) is responsible for obtaining correct supplier name, address, social security number/employer identification number and type of organization for tax reportable payments to new suppliers prior to making the first payment. This information should be captured upon completion of the [Supplier Registration Package](#), which includes Form W-9. If the supplier does not complete Form W-9, the IRS requires that the university withhold 28% tax on payments to the supplier. The university is then required to remit this backup withholding tax to the IRS on Form 945. If the university fails to obtain the Taxpayer Identification Number and does not withhold the 28% tax for a reportable payment, the university is liable for the amount that should have been withheld plus penalties and interest.

The IRS informs the university if data provided by a supplier on Form W-9 is incorrect. When the university receives notification from the IRS, Accounts Payable will request corrected data from the supplier on a Form W-9. If the university receives a second notice from the IRS regarding incorrect data from the supplier, Accounts Payable will send a second request for corrected data on a Form W-9 and also inform the supplier of the withholding consequences on future invoices for non-compliance.

Accounts Payable is responsible for mailing Forms 1099 to the individual and submitting the electronic file of the 1099s to the IRS.

Forms / Instructions

[Supplier Registration Package \(including Form W-9\)](#)
[Worker Classification Review](#)

Website Address for this Policy

[GW University Policies](#)

Contacts

Subject	Contact	Telephone
Classification of Payment as Reportable or Non-Reportable	Tax Department	(703) 726-8313
Processing of IRS Form W-9	Supplier Maintenance	(703) 726-4200

1099 TAX REPORTING POLICY

Issuance of IRS
Form 1099

[Accounts Payable](#)

(703) 726-4193

Definitions

Backup Withholding	The process of withholding 28% tax from a supplier payment because the supplier has failed to provide a completed Form W-9.
Form 1099	An information form filed with the IRS and the supplier that reports total payments made during the calendar year (similar to a Form W-2 issued to employees).
Form W-9	(Request for Taxpayer Identification Number and Certification) – form used to request the correct name and TIN combination of a supplier and allows the supplier to certify exemption from backup withholding.
TIN	The Taxpayer’s Identification Number (TIN) and can either be an individual Social Security Number (“SSN”) or a business’ Employer Identification Number (“EIN”).

Related Information

[Supplier Registration Policy](#)
[Worker Classification Review](#)

Who Approved This Policy

Louis H. Katz, Executive Vice President and Treasurer
Beth Nolan, Senior Vice President and General Counsel

History/Revision Dates

Origination Date:	Not Available
Last Amended Date:	June 27, 2006
Next Review Date:	December 31, 2013