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COMPTROLLER'S MEMORANDUM

#06-02

July 18, 2006

TO Agency Head/Fiscal Officers
FROM: Eileen Moran *Eileen Moran*

SUBJECT Financial Management System (FMS) Year-End Instructions for Calendar Year 2006 Form 1099-MISC and Form 1099-INT

This Memorandum supersedes instructions provided in Comptroller's Memorandum (CM) 05-01, *Financial Management System Year End Instructions for Calendar Year 2005 Form 1099-MISC and Form 1099-INT*. The Memorandum describes the year-end procedures for Forms 1099-MISC and 1099-INT and furnishes the production schedules for the calendar year 2006 FMS VA99 Report (Vendor Audit Review - By Agency), year-end Forms 1099, and Amended Cycles.

This Memorandum must be used in conjunction with Comptroller's Directive 29, *Payee/Vendor Maintenance and Tax Reporting Requirements*. Directive 29 provides an overview of 1099-MISC and 1099-INT processing and introduces many of the terms used in the operation of the 1099 subsystem of FMS and payee/vendor maintenance. Agency 1099 coordinators must be familiar with the instructions outlined in Directive 29.

I. OVERVIEW

Agencies will receive the FMS report VA99 at various times during calendar year 2006 to assist in the correction of 1099-MISC and 1099-INT accounting transactions as described in Directive 29. The VA99 report provides agencies the means to examine all calendar year 2006 (January through December) reportable payments cleared by FMS so that, if necessary, corrections can be made before FISA generates Forms 1099-MISC and 1099-INT. Agencies must review these reports and, using FMS Journal Vouchers, submit corrections to the Comptroller's Bureau of Accountancy no later than the dates specified in Section IV. Corrections received after January 12, 2007 will not be incorporated into the City's initial filing of Forms 1099-MISC and 1099-INT. Necessary corrections after January 12 will require Vendor Income Correction (VC) document entries as part of the first

amended tax reporting cycle, which commences February 1st, 2007. Once the Amended Cycle commences, agencies must use VC document entries, accompanied by a letter signed by the agency Fiscal Officer, to make adjustments in accordance with the dates outlined in Section IV.

It is important that all necessary corrections are performed timely and accurately. IRS regulations specify penalties of up to \$50.00 for each Form 1099-MISC and 1099-INT not provided to a payee by January 31st, 2007 and for forms with incorrect information.

II. DISTRIBUTION OF FORMS 1099-MISC AND 1099-INT AND YEAR-END REPORTS

FISA will generate FMS Forms 1099-MISC and 1099-INT on January 19, 2007 based on Journal Voucher corrections and other information that it receives through January 12, 2007. The Comptroller's Office will seal and mail calendar year 2006 forms directly to 1099 recipients by January 31st, 2007. Agencies will receive two copies of the calendar 2006 FMS VA99 report on January 22, 2007. This last set of VA99 Reports must be kept for reference purposes during the amended cycle, which takes place from February to April 2007. To comply with IRS retention requirements, agencies must retain all records relating to the reporting tax year, including all year-end reports, for at least four years.

III. DISTRIBUTION OF AMENDED FORMS 1099-MISC AND 1099-INT

FISA will generate FMS amended Forms 1099-MISC and 1099-INT based on VC document entries supplied by agencies at the conclusion of each amended cycle described in Section IV. Errors in 1099-MISC and 1099-INT reported amounts must be corrected by following the error correction procedures described in Directive 29. Agencies should use the final 2006 FMS VA99 report, described in Section II above, and their own records of payment activity to determine the correct amount to be reported.

The Comptroller's Office will seal and mail amended calendar year 2006 forms directly to 1099 recipients at the end of each amended cycle.

A. Crystal Report Number A0150045

Crystal Report number A0150045 (Payee/Vendor 1099 Income Reconciliation By TIN Number) is available for agencies during the Amended Cycle to reconcile 1099 reported amounts in cases where a Payee/Vendor has been paid by more than one City agency. With the exception of the Department of Education and School Construction Authority, the Crystal Report lists all reportable payments in the calendar year from City agencies to Payee/Vendors, and provides the 1099 form, box number where income was reported to the IRS, and Federal Income Tax Withheld (Box 4 Backup Withholding). Agency personnel wishing to access Crystal Reports must have their agency FMS Security Officer submit the appropriate application to validate their FMS ID.

Agencies should contact the FISA Call Center for specific step-by-step procedures on scheduling Crystal Report number A0150045, or follow procedures set forth in FMS training course ILT 434 (FMS 1099-MISC and INT Tax Reporting).

IV. CALENDAR 2006 REPORT PRODUCTION SCHEDULE

The following schedules show both the report distribution and the correction cut-off dates for the Regular 1099-MISC/1099-INT cycle and the Amended 1099-MISC/1099-INT cycle.

1. VA99 Report Distribution & Journal Voucher Correction Schedule

REGULAR 1099-MISC AND 1099-INT SCHEDULE FOR 2006		
VA99 Report Period Covered	Report Distribution Date	Last Date to Submit Journal Vouchers (JVs) to Comptroller's Office, Bureau of Accountancy
January - June 2006	July 18, 2006	August 31, 2006
January - September 2006	October 11, 2006	December 1, 2006
January - November 2006	December 12, 2006	December 28, 2006
January - December 2006	January 3, 2007	January 12, 2007
January - December 2006	January 22, 2007	JVs cannot be entered at this time. This report is provided to Agencies for information purposes only.

The Comptroller's Bureau of Accountancy requires that:

- (a.) Journal Voucher corrections must be Level 3 (PEND3) approved and accepted into FMS for the period covering January to June by August 31st, 2006. For 1099 purposes, Month 13 closes on September 1st; and
- (b.) JV corrections must be Level 3 (PEND3) approved in FMS for the period covering July to December by January 12, 2007 in order to give the Bureau of Accountancy adequate time to apply Level 5 (PEND5) approvals prior to 1099 form generation. Agencies are advised to contact the Bureau of Accountancy for Level 5 (PEND5) approvals.
- (c.) Any JVs that are processed in January must have a **Date of Record 12/31/06**.
- (d.) To correct 1099 information **prior** to January 7, 2007 Journal Vouchers must have the Accounting Period set to **Fiscal Month 06 of the current Fiscal Year (06/07)**. The Accounting Period field can be found in the header of the Journal

Voucher. These corrections will be reflected on the vendor's 1099 forms generated in mid-January.

2. Amended Vendor Income Correction & Form Generation Schedule

AMENDED FORM 1099-MISC AND 1099-INT SCHEDULE FOR 2006		
Amended Cycle	Last Date to enter Vendor Income Correction Documents (VCs) on FMS	Last Date to Submit Fiscal Officer Letters to the Comptroller's Office, Bureau of Management & Accounting Systems
<u>February Amended Cycle</u> Begins: February 1, 2007 Ends: February 16, 2007	February 14, 2007	8 am on February 14, 2007
<u>March Amended Cycle</u> Begins: March 1, 2007 Ends: March 30, 2007	February 28, 2007	8 am on February 28, 2007
	March 14, 2007	8 am on March 14, 2007
	March 28, 2007	8 am on March 28, 2007
<u>April Amended Cycle</u> Begins: April 1, 2007 Ends: April 27, 2007	April 11, 2007	8 am on April 11, 2007
	April 25, 2007	8 am on April 25, 2007 <i>THIS MARKS THE END OF THE FINAL AMENDED CYCLE. FURTHER CORRECTIONS WILL NOT BE ACCEPTED.</i>

V. AGENCY TRAINING

The Comptroller's Office, in conjunction with FISA offer training course ILT434 (FMS 1099-MISC and 1099-INT Tax Reporting) during selected times throughout the calendar year. City personnel wishing to enroll should contact FMS training coordinators at individual agencies.

All employees with 1099 responsibilities must be adequately trained and must maintain for ready reference, complete and up-to-date 1099-MISC and 1099-INT manuals and training material offered by ILT434.

For more information, agencies can call the Comptroller's 1099-MISC and 1099-INT Hot Line at (212) 669-8160 for 1099 related questions. 1099 staff will attempt to return agency calls within one business day. Agencies can also obtain up-to-date 1099-MISC and 1099-INT information from the Comptroller's Web Site at:

<http://www.comptroller.nyc.gov/bureaus/acc/1099.shtm>

cc: 1099 Coordinators