

Vendor Holds -Levy for Federal Tax

Policy

The Chief Financial Officer will withhold payments to a vendor if a “Notice of Levy” has been filed by the Internal Revenue Service (IRS) with the Department of Financial Services (DFS).

Definitions

Agency

Within the State of Florida, an entity of the legislative, executive, or judicial branch of state government over which the Legislature exercises full budgetary and statutory control.

Notice of Levy

A document providing notice from the Internal Revenue Service that a vendor owes taxes and that the collection of outstanding taxes should be enforced by the recipient of the document.

Release of Levy

A document from the Internal Revenue Service providing notice that a vendor has satisfied their tax liability and the collection of taxes by the recipient of the document can be halted.

Vendor

1. Generally, a supplier of goods and/or services. 2. A vendor is anyone required to provide a Taxpayer Identification Number (TIN) to the State of Florida for W-9 purposes. 3. In the context of federal grant awards, a vendor, generally, is a dealer, distributor, merchant, or other seller providing goods or services that are required for conducting a federal or state program. These goods or services may be for an organization's own use or for the use of beneficiaries of the federal or state program. However, in some cases a state agency employed by the prime agency to perform tasks, provide services, carry out a program, etc. may be classified as a vendor by the federal government if certain criteria outlined by the Federal Office of Management and Budget are met (see Circular A-133

for more information). 4. Information as to vendor classification in the context of state financial assistance programs is outlined in the Florida Single Audit Act Checklist for Non-State Organizations-Recipient/Subrecipient Vs. Vendor Determination checklist. The checklist is available electronically from the Appendix of Forms section of the Financial Management Manual.

Voucher

Transaction used to record invoice details in Aspire and to initiate the payment process. There is a 1:1 relationship between a voucher and an invoice, i.e., a voucher contains details for just one invoice.

Background

The IRS periodically submits a “Notice of Levy” to DFS for vendors that owe taxes to the federal government. DFS will instruct the agency to redirect the vendor’s payment to the US Treasury until the vendor has settled their tax liability with the IRS. The IRS may grant a full or partial release of a payment to the vendor. IRS levies for state employees are addressed in “Volume IV, Section 19” of the *Bureau of State Payrolls Payroll Preparation Manual*.

Procedures

These procedures are provided for withholding payments in Aspire for a Vendor that is delinquent on their taxes to the Internal Revenue Service.

1. The IRS will periodically send a “Notice of Levy” to DFS for vendors that are delinquent on their federal taxes.
2. DFS will place the vendor’s record in Aspire on Payment Hold to prevent the creation of warrants or the electronic transfer of funds. DFS will select the “Internal Revenue Service” reason code in Aspire so that users will know why the vendor record was placed on Payment Hold.
3. DFS will establish a vendor record in Aspire with specific locations for each IRS payment processing center. Aspire has third party payment functionality that allows the user to record one vendor number for the voucher and a separate vendor number for the remittance of payment.

Agencies that need to redirect a payment to the IRS will select the vendor number for the US Treasury and the appropriate location for the IRS processing center on the payment page in Aspire. This will result in the voucher being recorded with the vendor's taxpayer information for 1099 purposes and the warrant recorded with the US Treasury information for payment of the tax levy. See the Taxpayer Identification Number (TIN) and 1099 Reporting policies in the Financial Manual for additional information on the TIN and 1099 Reporting.

4. When a user saves a voucher that is associated with a vendor that is on Payment Hold, the system will generate a message box with the following message:

“Contact the Bureau of Auditing for resolution. Voucher saved has a pending vendor hold flag.”

The voucher will continue to route through the agency's workflow. The agency's final approver should contact the Bureau of Auditing for a copy of the IRS "Notice of Levy".

5. The agency should contact the vendor to determine if a release has been granted by the IRS. The IRS may grant either a partial or full release.
 - a. If a full release has been granted, the agency should attach a scanned copy of the "Release of Levy" to the voucher prior to routing to the Bureau of Auditing for preaudit.
 - b. If the IRS issues a partial release, the agency will be required to reduce the amount of the original voucher down to the amount that has been released by the IRS and select the vendor as the Remit To on the payment page in Aspire. The agency will need to create a new voucher for the amount that should be directed to the IRS. The new voucher should be recorded with the vendor's taxpayer information for 1099 purposes and the payment directed to the IRS by selecting the US Treasury as the Remit To on the payment page in Aspire. The Bureau of Auditing will provide the agency with the correct US Treasury vendor number and location to use as the Remit To.
 - c. If the IRS does not release the levy, the agency will be required to redirect the payment of the vendor's invoice to the US Treasury. The agency will need to record the US Treasury as the Remit To on the payment page in Aspire. The Bureau of Auditing will provide the agency with the correct US Treasury vendor number and location to use as the Remit To.
 - d. The agency will be required to attach a copy of the IRS "Notice of Levy" to any warrants mailed to the US Treasury so that the payment can be applied to the appropriate vendor

6. DFS will remove the Payment Hold from the vendor record and any unpaid vouchers when a “Release of Levy” is received from the IRS indicating that a vendor has satisfied the levy requirements.
7. Agencies receiving a “Notice of Levy” or “Release of Levy” from the IRS should forward the documents to DFS, Bureau of Auditing for appropriate action.
8. Purchasing Card transactions are paid directly to the bank as opposed to the vendor therefore a vendor that has been placed on Payment Hold will still receive payments that were processed via a purchasing card transaction in Aspire. DFS will notify agencies that have used the purchasing card with a merchant/vendor who has an IRS “Notice of Levy” and will request agencies to stop using the purchasing card with that merchant/vendor until notified that the levy has been released.

Policy Approval Dates

Department of Financial Services

Approved

September 25, 2006

Authority and References

Document Version Control

Version Number	Release Date	Version Number Description	Description of Changes
V1			Ready for FPC
V2			Draft for Agency Review
V3			Approved Document