

# 30.5 Manage Tax Reporting

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## Manage Tax Reporting

### General Information

This document describes and depicts the process steps and supporting information for the identified State business process. Within the *Subprocess Flow Details* section, included for each process step are:

- Process Step ID – Unique number assigned to each process step
- Process Step Title – Short description assigned to each process step
- Description of Process – Detailed narrative description of the process step
- Ledger Impacts ID – Number assigned to the documented accounting entry associated with the step

Also described below are the *Ledger Impacts* and *Reports*, which are displayed as icons on the *Business Process Flow Diagrams*. Finally, included in the *Terminology* section are definitions of terms to help the reader to better understand the document.

### Dependencies and Constraints

- Applicable suppliers are required to have a Tax Identification Number (TIN) that is validated with the Internal Revenue Service (IRS) prior to issuance of a tax reportable payment.
- Corporations, payroll suppliers, PCard suppliers, employees, and retirees are not subject to TIN validation.
- Applicable Suppliers are required to provide 1099 information, which is used for withholding and 1099 reporting.
- Corporations, payroll suppliers, and PCard suppliers are not subject to 1099 reporting.
- Employees and retirees have unique tax reporting requirements.
- The 1099 withhold report is generated for disbursements issued with a 1099-applicable object code(s) in Florida PALM.
- The IRS is established as the withholding entity and assigned a unique Supplier ID.

### Business Process Overview

Florida Palm is used to report taxable payments to the IRS, the State of Florida, and the applicable suppliers, and to withhold federal and state taxes from payments as required by Federal and State laws. As part of the Supplier Set Up Process, the 1099 information is collected and configured in Florida PALM. The 1099 Tax and Supplier Withholdings Process identifies the steps for reviewing 1099 configuration, processing 1099 suppliers and vouchers, and generating and transmitting the 1099 reports.

Tax reportable payments generally include payments for services performed. When a supplier submits an invoice for tax-reportable services, the 1099 withholding is made based on the supplier setup, current withholding rules, and the accounting codes for the invoice lines.

## Subprocess Flow Details

The table below describes steps in the business subprocess as reflected on the Process Flow diagrams. The table also reflects information associated with each step describing the intent of the specific process.

The Business Process Flow Diagrams use horizontal swim lanes to depict where activities are performed by different parties or systems. Each swim lane is titled with either an agency or an enterprise role. The swim lanes may change from page to page within a single business subprocess as more or fewer roles are required to execute sections of the business subprocess. Optionally, the process flow diagram may reflect vertical swim lanes to further designate information such as systems or time intervals.

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<b>Swim Lanes – Definition</b>	<b>Agency AP Processor:</b> agency role responsible for any Voucher corrections needed <b>DFS 1099 Processor:</b> enterprise role responsible for preparing, final review, and approval of 1099 issuance

Process Step ID	Process Step Title	Description of Process
1	Review 1099 Setup	The setup should be reviewed for: the calendar; Withholding Entities; Withholding Rules; Withholding Types; Withholding Codes; and set up or review of Report Control Information.
2	Run Withholding Post	This process combines Voucher and payment information to generate 1099 reportable data which is used to generate the 1099 reports. All payments must be posted prior to running this process. Various processes enter through this step: 30.1.1-13 Supplier Ready for Usage, 30.1.2-11 Supplier Ready for Usage, 30.3.1-12 Enter/Update Voucher.
3	Perform Review of 1099 Items	After posting withholdings, there are various reports and on-screen inquiries available to review the reportable 1099 voucher and payment information. During the review process, vouchers or suppliers may be identified that require marking for withholding.
4	Complete Withholding Supplier Update	Occasionally, a supplier's withholding setup may be incorrect and require an adjustment for 1099 reporting. The Withholding Supplier Update process is used to change withholding applicability, entity, type, jurisdiction, and/or class.
5	Complete Withholding Voucher Update	This process updates withholding information for a withholding supplier at a voucher line level or for all voucher lines by supplier. Withholding applicability, entity, type, and jurisdiction per voucher line can be changed. The DFS 1099 Processor coordinates with an agency for making corrections and adjustments to vouchers.
6	Update Withholdings	This process updates the 1099 reportable suppliers and voucher transactions, which were updated as part of Complete Withholding Supplier and Voucher Update Processes.

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Process Step ID	Process Step Title	Description of Process
7	Run Withhold 1099 Report Post	After all adjustments have been made, all items are reconciled to make sure there are no more corrections required. The Withholding Report Post process populates the Withholding 1099 Table by extracting data from the Withhold Transaction table and inserting it into the withholding report tables.
8	Generate Withhold 1099 IRS Report	The DFS 1099 Processor selects the parameters to generate the 1099 IRS Report.
9	Tax Reporting File	Florida PALM creates a file with the 1099 information for the IRS or other external users.
10	Generate/ Review 1099 to Send Detail Report	This report lists all the information created by the 1099 reporting process and is a replica of the data in the file prepared for the IRS. This report can be used to reconcile with the IRS file prior to printing the final report for the supplier.
11	Review/ Update Vouchers	The DFS 1099 Processor coordinates with the Agency AP Processor in reviewing and making corrections to voucher data.
12	Create 1099 Copy B Report	After all final adjustments and corrections, the 1099 Copy B Report is generated.
13	Review/Print/ Send 1099 to Suppliers	Generated 1099 reports are reviewed, printed, and mailed to the suppliers.
14	Send File to IRS	The DFS 1099 Processor sends the file to the IRS.
15	Finalize/ Update Records	The Withholding Sent File finalizes the 1099 reporting by marking the transactions as included in the reported 1099s to designate that the process was completed.

### Ledger Impacts

Ledger Impact ID	Ledger - Ledger Impact Title	Ledger Impact Description
N/A		

### Reports

Report Number	Report Description	Report Frequency	Audience
R1	1099 Vendor Query – a report which lists the vendors that have been marked as 1099 applicable.	Periodic	DFS

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Report Number	Report Description	Report Frequency	Audience
R2	1099 Mismatch - a report which lists the vendors that have been marked as 1099 applicable in error.	Periodic	DFS
R3	Employee Suppliers – a listing of employees doing business with the State as a Supplier.	Periodic	DFS
R4	1099 Changes - a report of all suppliers or vouchers that had changes made to 1099 reporting criteria.	Periodic	DFS
R5	IRS 1042/1042S Report – a report that provides the data that meets the requirements of IRS Form 1042/1042S. Used for tax reporting for foreign suppliers.	Periodic	DFS
R6	IRS 945 Report – a report that provides the data that meets the requirements of IRS Form 945. Used to report withheld Federal income tax from nonpayroll payments.	Periodic	DFS

## Terminology

**1099** – the State is required to withhold taxes from eligible payments and is required to annually report such withholdings and the total payments to both the suppliers and the IRS, in a format prescribed by the IRS, referred to as a 1099.

**Supplier** – all payees are referred to as suppliers in Florida PALM.

**Voucher** – an internal document that is used to make payment to an external entity, such as a supplier. Normally a voucher is created when an invoice is received from a supplier.

**Withholding** – amounts deducted from payments made to suppliers for Federal or State taxes. The State is required to withhold for federal income taxes from eligible payments, in accordance with tax status information provided by the supplier, and in accordance with IRS requirements. Such amounts are remitted to the IRS. The State does not have a State income tax but may elect to withhold for other State taxes for applicable suppliers.

## Business Process Flow Diagrams

Please see *30.5 – Manage Tax Reporting* located in the [D54 Standardized Business Processes > Working > Workstream B folder](#).