

A Bimonthly Guide to Texas State Accounting

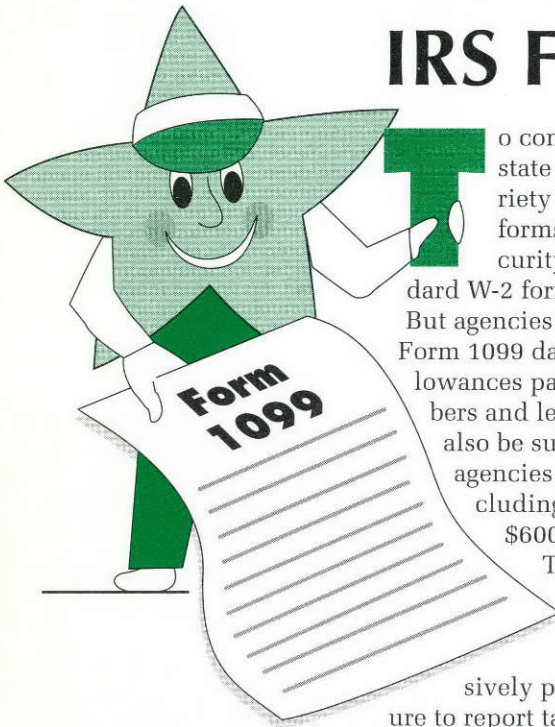
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Bob Bullock, Texas Comptroller of Public Accounts

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State agencies must track IRS Form 1099 information



To comply with federal regulations, state agencies must provide a variety of tax information on federal forms to the IRS or the Social Security Administration. The standard W-2 form is the most well known. But agencies are also required to send IRS Form 1099 data on salary per diem allowances paid to employees, board members and legislators. Form 1099s must also be submitted on certain payments agencies make to non-employees, including payments of more than \$600 to non-corporate entities.

The IRS uses this data to doublecheck against taxpayer income tax returns.

The IRS has not aggressively pursued state agencies for failure to report tax information. Thus, agencies across the nation have not been too concerned about penalties. But with the large federal deficit, some changes in federal rules may be on the way to ensure that Washington receives accurate information.

Two separate 1989 surveys by the United States General Accounting Office (GAO) and the National Association of State Auditors, Comptrollers and Treasurers (NASACT) have spotlighted the issue. They revealed some states are not reporting information to the federal government on millions of dollars in payments.

Both studies showed that payments to independent contractors were particularly troublesome to state agencies. The GAO survey's sample found that some agencies did not understand Form 1099 rules. The NASACT survey of six volunteer states

reached the same conclusion and also found that some states' accounting systems did not accumulate the data needed for Form 1099 requirements. NASACT reported that in some states there was no clear designation of responsibility for reporting.

The types of payees most often mishandled were non-incorporated businesses. And accounting systems generally did not have adequate information to identify the type of payee for compliance purposes, such as whether the payee was an individual, a corporation or a partnership.

States frequently had problems maintaining accurate Tax Identification Numbers for vendors. And some agencies were not equipped to withhold the required 20 percent of payment if vendors fail to provide their Tax Identification Numbers.

While the Comptroller's Claims Division provides agencies with several reports each January to help them to accurately fill out Form 1099s, **it is the responsibility of the individual agency to prepare accurate forms and submit them to the IRS.**

For more information, you may consult the Government Finance Officers Association's publication entitled *IRS 1099 Forms for State and Local Governments, November 1988*.

These IRS publications also may help explain federal rules: *Instructions for Forms 1099*; Publication 916, *Information Returns*; Publication 1220, *Requirements and Conditions for Filing Information Returns in the Forms 1098, 1099, 5498 and W-2G on Magnetic Tape, 5 1/4 and 3 1/2 Magnetic Diskettes*; and Publication 1388, *Should you be Filing Information Returns?* ■

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STRAIGHT FACTS

Technology is transforming state government. But it's essential that we remember technology is in the hands of human beings. When implemented, the new Uniform Statewide Accounting System (USAS) will dramatically improve how Texas tracks the government's income and expenditures. How well the new system fulfills our hopes depends on the people who use it.

We must never forget the all-important human factor. We should not depend on high-tech systems to do our jobs for us but instead realize we just use these systems to get the job done.

The human factor also is important in keeping up-to-date on the latest developments in the public sector as well as in each person's own area of expertise. One way to make sure we know what's happening is to get involved with other public employees in professional organizations.

Two excellent ones, the Texas State Agency Business Administrators Association (TSABAA) and the Texas Association of State Senior College and University Business Officers (TASSCUBO), offer employees an invaluable opportunity to meet face-to-face with co-workers and exchange ideas and information.

State employees should consider joining these groups or any one of a variety of other public-oriented or professional organizations that provide networks where solutions to common problems can be discussed and shared.

REPLAYS

Claims division thanks agencies for help

Thanks to the cooperation of state agencies, the Comptroller's new Texas Payee Information System (TPIS), implemented in September 1989, is operating successfully. The Comptroller's Claims Division expressed its appreciation to agencies for their patience during the early phases of the program. Establishing a new system is never painless, but the agencies' support made the experience easier.

Agencies must now comply with strict new requirements to set up information files in TPIS for those receiving state money.

- An agency number must be listed on all transactions.
- Ownership information must be complete. Supplemental ownership data is required on certain TPIS "setups." For example, if the payee is a "sole ownership," the owner's name and Social Security number must be listed. If the set-up is for a partnership, two part-

ners' names and their Social Security numbers are required. If the organization is a Texas corporation, a professional corporation or a professional association, the Texas charter number must be listed.

- City, state and zip code is required on all mail codes. An agency is not permitted to give all nines (999999) or zeroes (00000) instead of the correct zip code and the code must be identical to the one listed in the U.S. Postal Service's Zip Code Table. The state abbreviation must also be correct.

If agencies do not fulfill the new requirements, TPIS will reject the documents and any accompanying vouchers.

By March 1990, the Texas Payee Information System Guide will be distributed to state agencies. If you have questions about the TPIS Guide, please call Amelia Rodriguez at (512) 463-3657, or Selissa Davis at (512) 475-1132. ■

Notices to state agencies

Following is a list of recent Notices to State Agencies from the Comptroller's Office. For further information, contact the Fund Accounting Division at (512) 463-4992, the Claims Division at (512) 463-4850 or the State Government Accounting Division at (512) 794-8065.

<u>Notice</u>	<u>Division</u>	<u>Date</u>
Senate Bill 913—Agency Reporting Requirements	State Acct. Fund Acct.	Dec. 4, 1989
Texas Payee Information System Guide	Claims	Dec. 11, 1989
Personnel Change in the Fund Accounting Division	Fund Acct.	Jan. 3, 1990
Statewide Payroll Project Status	State Acct.	Jan. 8, 1990
IRS Reporting Requirements/ Per Diem Payments	Claims	Jan. 8, 1990
IRS Reporting Requirements/ Form 1099	Claims	Jan. 8, 1990
Personnel Change in Claims Division	Claims	Jan. 15, 1990

Where to go for help

One of the Comptroller's main goals is to assist state agencies and taxpayers in answering questions about the state's accounting system or taxes. Following is a list of helpful numbers.



Give us a call!

Problem	Contact	Division	Phone Number
Voucher Tracking	Voucher Control	Claims	512/463-4338 (STS 255-4338)
Return Vouchers	Auditor signing the reject sheet attached to voucher(s)	Claims	Auditor or 512/463-4850 (STS 255-4850)
Payroll Vouchers	Payroll Audit Section	Claims	512/463-4850 (STS 255-4850)
Travel Vouchers	David Becerra	Claims	512/463-4035 (STS 255-4035)
Held Warrants	Refunds & Warrant Hold Section	Revenue Acct.	512/463-4561 (STS 255-4561)
Rewrite Warrants	Gladys Atkinson	Claims	512/463-3873 (STS 255-3873)
Expenditure Transfers	Delores Grover	Claims	512/463-4946 (STS 255-4946)
Consultant Vouchers	Mark Evatt	Claims	512/463-4047 (STS 255-4047)
Object Codes	Voucher Audit Section	Claims	512/463-4850 (STS 255-4850)
Payee Number Inquiries, Payee Maintenance Forms & Tape Processing	Payee Information	Claims	512/463-3660 (STS 255-3660)
Deferred Compensation	Deferred Compensation	Claims	512/463-3863 (STS 255-3863)
Direct Deposit Inquiries, Forms & Automated Processing	Carol Quintero	Claims	512/463-4045 (STS 255-4045)
Warrant Cancellations	Tracy Cowan	Claims	512/463-4975 (STS 255-4975)
Tape Voucher Processing	Voucher Control	Claims	512/463-4586 (STS 255-4586)
Manual of Accounts	Research & Admin. Serv.	Fund Accounting	512/463-4992 (STS 255-4992)
Fund Balances, Appropriations, Voucher Processing	Appropriation Control	Fund Accounting	512/463-4992 (STS 255-4992)
Financial Reporting Requirements and Annual Financial Reports	Financial Reporting	Fund Accounting	512/463-4992 (STS 255-4992)
Copies of Deposits, Journal Vouchers, ITV's, etc.	Research & Admin. Serv.	Fund Accounting	512/463-4992 (STS 255-4992)
Judgments and Settlements	Research & Admin. Serv.	Fund Accounting	512/463-4992 (STS 255-4992)
Out-of-Date (void) Warrants and Claims Past Statute of Limitations	Research & Admin. Serv.	Fund Accounting	512/463-4992 (STS 255-4992)
Copies of Accounting Policy Statements and Fund Acct. Notices to State Agencies	Research & Admin. Serv.	Fund Accounting	512/463-4992 (STS 255-4992)
HRIS Questions/Problems	Human Resource Information System	State Account.	512/794-8065 (STS 820-7400)
USAS Questions/Problems	Tom Lauger	State Account.	512/794-8065 (STS 820-7400)
USPS Questions/Problems	Andy Slack	State Account.	512/794-8065 (STS 820-7400)
Issued Warrant(s) Status	State Treasury	Warrant Research	512/463-5964 (STS 255-5964)

Call toll-free at 1-800-531-5441 for most of the issues listed above and use the last four digits of each phone number as the extension; call 1-800-252-5555 for questions directly related to taxes.

HOW TO

Apartment leasing rules for state employees

The Comptroller has adopted apartment leasing procedures for state employees traveling on state business. These guidelines permit leasing an apartment—instead of staying at a hotel—from a commercial lodging establishment only when it will save state funds. Also the purpose of the travel must require a minimum stay of one month.

Reimbursable expenses

An employee may be reimbursed for the "actual expense of leasing an apartment," including those costs that are reasonably necessary to make the apartment livable. For example, furniture rental, mandatory utility charges (gas, water, electricity, garbage collection) and basic monthly telephone charges for a single phone are reimbursable. But items such as refundable security deposits or cable television fees are not reimbursable.

The reimbursement may not be more than the daily lodging rate established for the duty point multiplied by the number of state busi-

ness days. State business days are the first day of state business at the duty point, the last day of state business at the duty point and all the days in between.

When an employee completes his state business before the month's lease agreement is up, the actual days on duty qualify as the state business days for the entire month, if the purpose of the travel originally required a one-month minimum stay.

Voucher requirements

All leasing expenses must be incurred by a state employee and a State of Texas Travel Voucher must be used to obtain reimbursement. The voucher may not include more than one month's expenses. Direct payments to commercial lodging establishments for apartment leasing expenses are not permitted, but a state agency may issue a travel advance to an employee to cover the apartment expenses.

More detailed procedures for leasing apartments are listed in Section 3.02 of the *State of Texas Travel Allowance Guide*. ■

Q & A

About Social Security matching funds

Q How does an agency receive its appropriation for Social Security matching funds and the state-paid portion of Social Security?

A The appropriation for Social Security was made by the Legislature to the Comptroller. Each agency must transfer its portion of the appropriation to its own Social Security accounts. Accounting Policy Statement Number 027 explains the procedures for these transfers.

Q How is Social Security handled for salaries paid from grant funds that are not part of the agency's Method of Financing (the list of an agency's funding sources)?

A Any grants that were not included in an agency's Method of Financing must include fringe benefits, including Social Security. See Accounting Policy Statement 001 entitled *Reduction of Gift or Grant Cost Centers for Matching Benefits*.

FISCAL FACTS

Bob Bullock
Comptroller of Public Accounts
P.O. Box 13528, Capitol Station
Austin, Texas 78711-9831

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