

Tax Reporting for Settlement Agreements



Training Session
February 13, 2008

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[Agenda]

- New Treasury Regulations
- Settlement Payment Process
- Tax Reporting
- Accounting
- Examples
- 1099 Reporting

[Summary of Regulations]

- In general, for settlement agreements:
 - 1.6041-1 – form 1099 to claimant
 - 1.6045-5 – form 1099 to attorney
- Treasury has cross referenced both regulations, so in many cases, the State will issue a **form 1099** to **both the claimant and attorney**

[Treasury Regulations]

- 1.6041-1 – Return of information as to payments of \$600 or more
- 1.6045-5 – Information reporting on payments to attorneys

Information Returns of \$600 or More

- Every person
- Engaged in trade or business
- Shall make informational return
- For payments during each Calendar year
- In course of its trade or business
- To another person
- Of fixed or determinable income
- See Regulation 1.6041-1(a) – page 182

[Explanation of 1.6041-1]

- This part is clear:
- The State (person engaged in trade or business)
- Shall issue form 1099 (informational return)
- For payments during each calendar year
 - On or before January 31 of the year following the calendar year in which the payment was made – January 31, 2008 for payments made during calendar year 2007
- In the course of its trade or business

[To Another Person]

- Who is “another person?”
- Old rule
 - Whomever the State paid
 - With joint payees – the first payee listed
- No More!!!!

[Another Person]

- In the context of settlement agreements, under 1.6041-1, the State shall file a form 1099 to the claimant when the State pays \$600 taxable damages to claimant by paying the claimant's attorney
- See 1.6041-1(a)(iii), pages 183

[Amount Included]

- “Gross amount of payment,” including:
 - amount paid to claimant **plus**
 - attorney’s fees
 - are reported to the claimant
- See 1.6041-1 (f) – pages 186 –187



[1.6041.1 (f) Example]

- Payor settles case for \$100,000 damages and \$40,000 attorney fees.

- Scenario 1: Payor issues check payable to jointly to Attorney and Claimant.
 - Payor files form 1099 to Claimant for \$140,000 (and to Attorney for \$140,000 under 1.6045-5)



[1.6041.1 (f) Example]

- Scenario 2: Payor issues separate checks - \$100,000 to claimant, \$40,000 to Attorney
 - Payor files form 1099 to Claimant for \$140,000
 - Payor files form 1099 to Attorney for \$40,000



[1.6041-1 Summary]

- For taxable damages:
 - Payor shall issue form 1099 to the *claimant* for the gross amount paid – including attorney’s fees *even if paid to attorney*

- For tax-free damages:
 - Payor shall not issue a form 1099 to the claimant



[Payments to Attorneys]

- Payor engaged in trade or business
- Who makes payment of \$600 or more
- In the course of its trade or business
- During a calendar year
- To an attorney in connection with legal services
- Shall file information return for such payments
- See Regulation 1.6045-5 (a) – page 244

[To an Attorney]

- Attorney:
- Person engaged in the practice of law, whether as a sole proprietorship, partnership, corporation, or joint venture
- See Regulation 1.6045-5(d)(1) – page 245

[Payments to an Attorney]

- Payor shall issue a form 1099 to an attorney on a check on which the attorney is named as a:
 - Sole payee, or
 - Joint payee, or
 - Alternative payee

- The attorney is considered the payee on a check written to the attorney's client trust fund
See Regulation 1.6045-5(d)(4) – page 245

[Attorney not a Payee]

- Attorney is not a payee when:
 - Attorney's name is included on the payee line as "in care of," as in check written to:
 - "Client, c/o attorney"
 - Or if the check is written in any other manner that does not give the attorney the right to negotiate the check
 - See Regulation 1.6045-5(d)(4) – page 245

[Multiple Attorneys as Payees]

- Where there are multiple attorneys listed as payees on a check, the payor issues the form 1099 to the **first-listed** payee attorney on the check
- The first-listed attorney is required to report payments made to the other attorneys
- See 1.6045-5(b)(ii) and (iii) – page 244

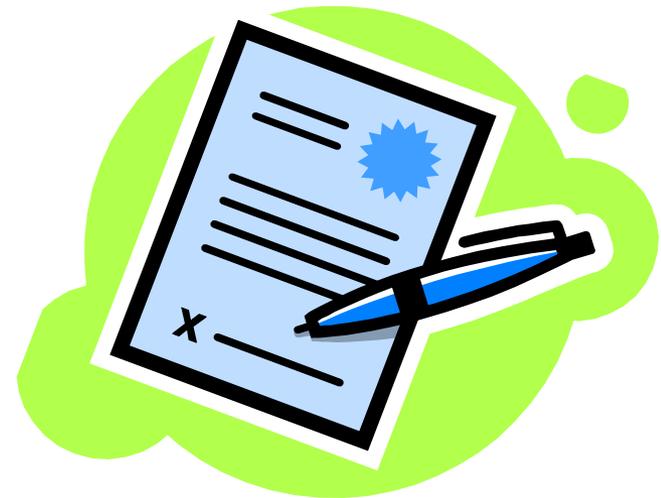


[1.6045-5 Summary]

- Payor shall issue form 1099 to an attorney for:
 - Amounts for legal services
 - Amounts for settlement payments and legal services where attorney is joint payee or alternative payee

[Settlement Payment Process]

- DRAFT agreement
- FINAL agreement (paper original)



Settlement Payment Process

DRAFT Agreement

1. Attorney General's Office (AGO) e-mails
 - draft settlement agreement and
 - claimant's date of birthto Office of the State Controller (OSC)
2. OSC reviews agreement, in particular, payment, tax provisions, signatures
3. OSC e-mails Central Collections and Judicial to determine whether claimant owes the State money

Settlement Payment Process [DRAFT Agreement]

4. Central Collections and Judicial respond to OSC's inquiry
5. OSC updates settlement spreadsheet and responds to AGO
6. AGO circulates final agreement for signatures

Settlement Payment Process

FINAL Agreement

1. Attorney General's Office (AGO) obtains all signatures except OSC's signature
2. AGO obtains W9's from appropriate parties (claimant, attorney, or both)
3. AGO sends settlement agreement (paper original) **and W9's** to OSC

Settlement Payment Process

FINAL Agreement

4. OSC routes as follows:
 - For settlements paid from Risk Management Fund, obtain DPA and DPA controller's signatures, then OSC signs
 - For other settlements, OSC signs

Settlement Payment Process

FINAL Agreement

5. OSC puts cover sheet for routing to agency and coding for COFRS and send to AGO – **NEW**
6. AGO keeps original settlement agreement and sends copy to opposing counsel and routes to Risk Management or State agency

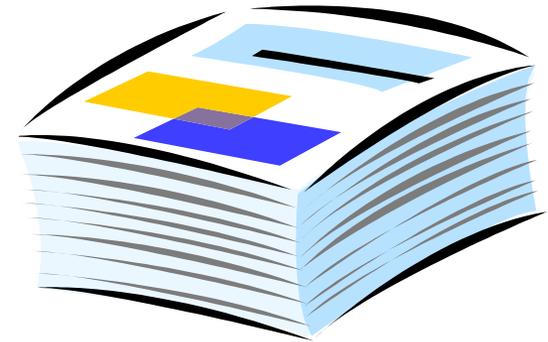
Settlement Payment Process

FINAL Agreement

7. Agency issues warrant
 - DPA for Risk Management Fund
 - Agencies for other settlement payments
8. AGO picks up warrant from Agency
9. AGO delivers warrant to opposing counsel

[Tax Reporting]

- Key Questions
- Income type on form 1099



[Tax Reporting – Key Questions]

- Salary or not?
- Taxable or not?
- If not salary and taxable, what box on form 1099?
- Manual adjustment needed?

[Salary or Not?]

- Settlement agreement should explicitly state whether any amount of the payment is for salary, wages, or back pay.
- If so, this payment is considered payroll, and the State will issue a form W2 to the employee/claimant.



[Back Pay Time Period]

- Settlement agreement should explicitly state the time period covered by the back pay.

- For instance, “This payment represents back pay for the period May 1, 2007 to July 31, 2007.”

- Importance of including time period:
 - Correct service credit with PERA
 - Correct PERA rates
 - Correct rates for AED and SAED



[Wages, Salary and Back Pay]

- Wages, Salary and Back Pay do not represent the State's total liability.
- The State also has to pay PERA (10.15%), Medicare (1.45%), AED (1.4%), and SAED (0.5%) – total of 13.5%. On a \$10,000 payment, these payments equal \$1,135.
- If the employee is being reinstated, the State will also be liable for past medical premiums.

[Taxable or Not?]

- Not Taxable:

- Physical injury/physical sickness – including amounts for emotional distress due to physical injury/physical sickness
- Property damage

- Taxable:

- Everything else

What Box on Form 1099 MISC?

- Box 3 – other income
- Box 7 – Non Employee Compensation
- Box 14 – Gross Proceeds Paid to Attorney or Law Firm

[Box 3 – Other Income]

- Payments to claimant (taxable)
- Payments for punitive damages
- Claimant reports amount in Box 3 on form 1040 US Individual Income Tax Return - line 21 Other Income

Box 7 – Non-Employee Compensation

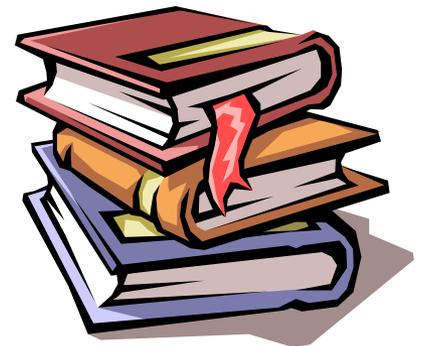
- Payments made solely to the attorney or to group of attorneys
- Only for legal services
- Attorney reports income on schedule C of form 1040 if sole proprietor

Box 14 – Gross Proceeds Paid to Attorney or Law Firm

- Lump sum payments to attorney for settlement and legal services
 - Check solely to attorney, or
 - Joint payees, attorney and claimant
- Attorney has responsibility to issue form 1099 to claimant

Accounting for Settlement Payments

- How do we account for settlement payments so we accurately report to the IRS?
- Steps:
 1. Salary or Not Salary– Salary reported on W2
 2. Not Salary – Taxable reported on 1099, Boxes determined by **Object Codes**



[Object Codes]

- Commonly used object codes for settlement agreements:
- 4112 – physical injury; non taxable
- 4113 – property damage; non taxable
- 4117 – employment settlement; taxable
 - paid solely to claimant

[Object Codes (cont.)]

- 4118 – paid to attorney
 - joint payees with claimant, or
 - attorney's trust account
 - settlement payment and legal fees
- 4119 – paid to attorney
 - solely for legal services

[Object Codes (cont.)]

- 4116 – interest
 - taxable
 - reported on 1099 INT, Box 1
- 4114 – punitive damages – physical injury
- 4115 – punitive damages - other

[Appropriation Codes and Object Codes]

- Settlement payments that are not salary:
 - Usually lump sum payments
 - Reported on form 1099
 - Operating expenses, and should be charged to an operating appropriation code, not personal services
- If a personal services appropriation is used to pay settlement payments and a corresponding personal services object code is used, the 1099 reporting will not be correct.

[Table]

	Appropriation Code	Object Code
Salary	Personal services or program line	1110 to 1640
Non-Salary (taxable)	Operating expense or program line	4114 to 4119

[Risk Management Fund]

- Two funds:
- Liability Fund – settlements payments and payments to attorneys are charged to this fund – object codes 4112, 4117, 4118, 4119
- Property Fund – DPA reimburses agencies for property damage – object code 4113

[Implications]

- Settlement Agreements must include language to comply with new treasury regulations
 - In many cases, claimant will be issued a form 1099
- AGO will need to obtain W9's from appropriate parties
 - Claimants, attorneys, or both

[Implications (cont.)]

- AGO will need to obtain claimant's date of birth so the OSC can verify with Central Collections and Judicial whether the claimant owes the State money
- OSC will prepare cover sheet with object codes and routing to agencies; this sheet must be on every settlement agreement
- Continue open communication between OSC and AGO

[Implications (cont.)]

- Agency Accounting Departments
 - Enter vendors
 - 1099 TX table entries
 - Communication with Central Accounting regarding object codes for settlement payments

[Examples]

- One check, one party
 - #1 to #6
- Separate checks
 - #7 to #11
- One check, joint payees
 - #12 to 15



[Example #1]

Check made payable to claimant
delivered to nonpayee attorney or
delivered to claimant
taxable to claimant

P settles lawsuit for \$300,000

P writes check payable to C for \$300,000

P delivers check to A or to C

P files 1099 to C for \$300,000; Object code 4117; Box 3

P does not file 1099 to A because there was no payment to attorney

[Example #2]

Check made payable to claimant
delivered to nonpayee attorney or
delivered to claimant
non-taxable to claimant

P settles lawsuit for \$300,000; property damage (non-taxable)

P writes check payable to C for \$300,000

P delivers check to A or to C

P does not file 1099 to C - tax free damages - Object code 4112

P does not file 1099 to A because there was no payment to attorney

[Example #3]

Check made payable to claimant
non-taxable payment to claimant
taxable interest to claimant

P settles lawsuit for \$300,000, including \$270,000 non-taxable, \$30,000 interest

P writes check payable to C for \$300,000

P delivers check to C

P does not file 1099 to C - tax free damages - Object code 4112

P files 1099 INT to C for \$30,000; Object code 4116; Box 1

[Example #4]

Check made payable to attorney
delivered to attorney
taxable to claimant

P settles lawsuit for \$300,000

P writes check payable to A for \$300,000

P delivers check to A

The entire amount could be for legal fees or A could pay C a portion of the settlement amount

P files 1099 to C for \$300,000 - Object code 4117; Box 3

P files 1099 to A for \$300,000 - Object code 4118; Box 14

[Example #5]

Check made payable to attorney
delivered to attorney
non-taxable to claimant

P settles lawsuit for \$300,000; personal physical injury (non-taxable)

P writes check payable to A for \$300,000

A pays C \$200,000 and retains \$100,000 for legal fees

P delivers check to A

P does not file 1099 to C for \$300,000 - tax free damages - Object code 4112

P files 1099 to A for \$300,000 - Object code 4118; Box 14

[Example #6]

Check made payable to insurance company
non-taxable to claimant

P settles lawsuit for \$300,000

I is insurance company and is subrogee to C

P writes check payable to I for \$300,000

P does not file 1099 to C - tax free damages

P does not file 1099 to I - Object code 4112

[Example #7]

Separate checks - C and A
taxable to claimant - non wages

P settles lawsuit for \$300,000

P writes separate checks payable to C for \$200,000 and to A for \$100,000

P delivers separate check to C and separate check to A

P files 1099 to C for \$300,000; Object code 4117; Box 3

P files 1099 to A for \$100,000; Object code 4119; Box 7

[Example #8]

Separate checks - C and A taxable to claimant - wages

P settles lawsuit for \$300,000

P writes separate checks payable to C for \$200,000 and to A for \$100,000

P delivers separate check to C and separate check to A

P files W2 to C for \$200,000

P files 1099 to C for \$100,000; Object code 4117; Box 3

P files 1099 to A for \$100,000; Object code 4119; Box 7

[Example #9]



Separate checks - C and A excludable to claimant (tax free)

P settles lawsuit for \$300,000

P writes separate checks payable to C for \$200,000 and to A for \$100,000

P delivers separate check to C and separate check to A

P does not file 1099 to C for \$200,000 - tax free - Object code 4112

P files 1099 to A for \$100,000; Object code 4119; Box 7

[Example #10]

Separate checks - R and A
taxable to claimant
to satisfy a liability of C

P settles lawsuit for \$300,000

P writes separate checks payable to R for \$200,000 and A for \$100,000

R is Central Collections, a party to which C has a liability

P delivers separate check to R and separate check to A

P files 1099 to C for \$300,000; Object code 4117; Box 3

P files 1099 to A for \$100,000; Object code 4119; Box 7

[Example #11]

Separate checks and joint check
Separate check to R; joint to A & C or
to A's trust account
taxable to claimant
to satisfy a liability of C

P settles lawsuit for \$300,000

P writes separate checks payable to R for \$200,000 and A & C for \$100,000
or to A's trust account for \$100,000

R is Central Collections, a party to which C has a liability

P delivers separate check to R and separate check to A or C

P files 1099 to C for \$300,000; Object code 4117; Box 3

P files 1099 to A for \$100,000; Object code 4118; Box 14

[Example #12]

One check

joint payees

taxable to claimant - non-wages settlement

attorney fees not known

P settles lawsuit for \$300,000; taxable settlement (non-wages) to C

P writes check payable jointly to C and A for \$300,000

P delivers check to A

A retains \$100,000 for legal services and disburses \$200,000 to C

P files 1099 to C for \$300,000; Object code 4117; Box 3

P files 1099 to A for \$300,000; Object code 4118; Box 14

[Example #13]

One check
joint payees
excludable to claimant (tax free)

P settles lawsuit for \$300,000; personal physical injury (non-taxable)

P writes check payable jointly to C and A for \$300,000

P delivers check to A

A retains \$100,000 for legal services and disburses \$200,000 to C

P does not file 1099 to C for tax free damages - Object code 4112

P files 1099 to A for \$300,000; Object code 4118; Box 14

[Example #14]

One check

Multiple attorneys listed as payees

P settles lawsuit for \$300,000

P writes check payable to C's attorneys A, Y, and Z for \$300,000

Y, A, and Z belong to separate law firms

P delivers check to A

A deposits the check proceeds

A writes separate checks for legal services to Y for \$30,000 and Z for \$15,000

A writes separate check to C for \$155,000

P files 1099 to C for \$300,000; Object code 4117; Box 3

P files 1099 to A for \$300,000; Object code 4118; Box 14

A files 1099 to Y for \$30,000 and Z for \$15,000

[Example #15]

One check

Joint payees

attorney does not provide TIN

P settles lawsuit for \$300,000

A fails to furnish P with A's TIN

P is required to withhold 28% from A

P writes check payable jointly to C and A for \$216,000 (\$300,000 less \$84,000)

P delivers check to A

P files 1099 to C for \$300,000; Object code 4117; Box 3

P files 1099 to A for \$300,000; Object code 4118; Box 14

[1099 Reporting]



- **COFRS TABLES**
- **VEND** – Payee Name & TIN
- **OBJT** – Object Code Table
- **99TX** – Text Table – Audit Trail
- **1099** – Processing Table
- **TIN1** – 1099 Inc by Tax ID Table



[1099 Reporting – OBJT Table]

ACTION: R SCREEN: OBJT USERID: \$DF00 02/08/08 04:12:34 PM

OBJECT TABLE

KEY IS FISC YEAR, OBJECT

FY	OBJT	OBJECT NAME	SHORT NAME	<u>1099</u>	
08	4112	ACT DAMAGES - PHYS INJ/ILLNESS	AD-PHYS INJ		
08	4113	ACTUAL DAMAGES - PROPERTY	AD-PROPERTY		
08	4114	PUNITIVE DAMAGES-PHYS INJ/ILL	PD-PHYSINJ	A	3
08	4115	PUNITIVE DAMAGES-OTHER	PD-OTHER	A	3
08	4116	JUDGMENT INTEREST	JUDGMNT INT	6	1
08	4117	REPORTBLE CLAIMS AGAINST STATE	REPORTABLE	A	3
08	4118	GROSS PROCEEDS TO ATTORNEYS	GROSS PROCDS	A	C
08	4119	CLAIMENT ATTORNEY FEES	CLAIMENT ATT	A	7

[1099 Reporting]

- There are two ways to accumulate or adjust vendor 1099 income:
- **General Ledger Transactions – PV JV CR**
 - **REMEMBER:** (1) All transactions must show as **ACCEPTED** in SUSF on the last business day of December, (2) Must use vendor code
- OR**
- **99TX and 1099 Table Entries – REMEMBER:** Can't make 1099 Table Entry until January 2 each year

[1099 Reporting]

Preference is:

- **General Ledger Transactions**
 - **Accounting detail is picked up on 1099 Report – T9902RY**
 - **Good Audit Trail**
- **REMEMBER: Only the JV lines with a vendor code affect 1099 income.**

[1099 Reporting]

Here's the Good News:

- **1099 Subsystem automatically issues correct 1099s for**
- **Examples 1, 2, 3, 5, 6, 9, 13**

[1099 Reporting]

Here's the CHALLENGE:

- The claimant needs a 1099 for total settlement agreement amount (not reduced by attorney fee).
- 1099 Subsystem cannot automatically issue correct 1099s
- Manual adjustments are needed for examples 4, 7, 8, 10, 11, 12, 14, 15

[1099 Reporting – JV Entry]

Best Practice

- Add VEND record for claimant
- Enter a JV to add or adjust claimant income the same day as the settlement PV (s)
- Use claimant's vendor code only on the debit line in the VC field when adding an amount
- Debit OBJT 4117(3) to add claimant income

[1099 Reporting – VEND Table]

Examples 4, 5, 7, 8, 9,10

ACTION: A SCREEN: **VEND** USERID:\$DF00 01/07/08 09:20:07 AM

VENDOR: **987654321** MISC: N ---1099 NAME/ADDRESS

NAME: **ATTORNEY PC** **ATTORNEY PC**

DBA:

ADDR: **14 SOUTH STREET** **14 SOUTH STREET**

CITY: **COLORADO SPRINGS ST:CO** CITY:**COLORADO SPRINGS ST:CO**

ZIP: **80999** COUNTRY: ZIP: **80999** COUNTRY:

PHONE: FAX:

COMMENT:

- **ATTORNEY'S TIN**
- **NO JOINT PAYEE**

[1099 Reporting – VEND Table]

Example 11, 12, 13

ACTION: A SCREEN: **VEND** USERID:\$DF00 01/07/08 09:20:07 AM

VENDOR: 987654321 B	MISC: N	---	1099 NAME/ADDRESS
NAME: ATTORNEY PC			ATTORNEY PC
DBA: <u>AND</u> CLAIMANT			<u>AND</u> CLAIMANT
ADDR: 14 SOUTH STREET			14 SOUTH STREET
CITY: COLORADO SPRINGS ST:CO			CITY:COLORADO SPRINGS ST:CO
ZIP: 80999	COUNTRY:	ZIP: 80999	COUNTRY:
PHONE:	FAX:		
COMMENT: CREATED FOR SETTLEMENT AGREEMENT			

JOINT PAYEES - NOTE THE PLACEMENT OF “AND”

TIN BELONGS TO THE ATTORNEY

CONTACT OSC TO PUT ON HOLD AFTER WARRANT IS ISSUED

[1099 Reporting – VEND Table]

Example 14

ACTION: A SCREEN: **VEND** USERID:\$DF00 01/07/08 09:20:07 AM

VENDOR: 987654321 B	MISC: N	---	1099 NAME/ADDRESS
NAME: ATTORNEY1 & ATTORNEY2			ATTORNEY1 & ATTORNEY2
DBA: <u>AND</u> ATTORNEY3			<u>AND</u> ATTORNEY3
ADDR: 14 SOUTH STREET			14 SOUTH STREET
CITY: COLORADO SPRINGS ST:CO			CITY:COLORADO SPRINGS ST:CO
ZIP: 80999	COUNTRY:	ZIP: 80999	COUNTRY:
PHONE:	FAX:		
COMMENT: CREATED FOR SETTLEMENT AGREEMENT			

**JOINT PAYEES - NOTE THE PLACEMENT OF & “AND”
TIN BELONGS TO ATTORNEY 1
CONTACT OSC TO PUT ON HOLD AFTER WARRANT IS ISSUED**

[1099 Reporting - 99TX Table]

Examples 4,10,11,12,14,15

ACTION: A SCREEN: 99TX USERID: \$DF00

H- 1099 TEXT TABLE

KEY IS YR, RTN TYPE, AGENCY, TAXPAYER ID, INC TYPE, TEXT LINE

YR: 08 RETURN TYPE: A AGENCY: AGY TAXPAYER ID: 123456789

INCOME TYPE: 3 VENDOR NAME: CLAIMANT

	TEXT	LINE
01-	<u>10/22/08 ADD TO CLAIMANT 1099 +300,000.00</u>	001
03-	<u>CODED TO Attorney 4118 ON PV AGY 0800000012</u>	003
04-	<u>TOTAL CLAIMANT 1099 SB 300,000.00</u>	005

1099 Reporting - 99TX Table

Example 7,8

ACTION: A SCREEN: 99TX USERID: \$DF00

H- 1099 TEXT TABLE

KEY IS YR, RTN TYPE, AGENCY, TAXPAYER ID, INC TYPE, TEXT LINE

YR: 08 RETURN TYPE: A AGENCY: AGY TAXPAYER ID: 123456789

INCOME TYPE: 3 VENDOR NAME: CLAIMANT

	TEXT	LINE
01-	<u>10/22/08 ADD TO CLAIMANT 1099 4117 +100,000.00</u>	001
03-	<u>CODED TO Attorney 4118 ON PV AGY 0800000012</u>	003
04-	<u>TOTAL CLAIMANT 1099 SB 300,000.00</u>	005

1099 Reporting – 1099 Table

Examples 4,10,11,12,14,15

ACTION: A SCREEN: 1099 USERID: \$DF00 02/07/08 05:27:05 PM

VENDOR 1099 TABLE

KEY IS CALENDAR-YEAR, RETURN-TYPE, AGENCY, TAXPAYER ID, INCOME TYPE

YR: 08 RETURN TYPE: A AGENCY: AGY TAXPAYER ID: 123456789

VENDOR NAME: CLAIMANT

INCOME TYPE	VENDOR INCOME AMT	MISAPPLIED AMT	OUTSIDE PAYMENT
-----	-----	-----	-----
	RPT IND	1099 AMT REVISED	ADJUSTED 1099
	-----	-----	-----
01-	00.00	<u>300,000.00</u>	0.00
	N	0.00	<u>300,000.00</u>

1099 Reporting – 1099 Table

Example 7, 8

ACTION: A SCREEN: 1099 USERID: \$DF00 02/07/08 05:27:05 PM

VENDOR 1099 TABLE

KEY IS CALENDAR-YEAR, RETURN-TYPE, AGENCY, TAXPAYER ID, INCOME TYPE

YR: 08 RETURN TYPE: A AGENCY: AGY TAXPAYER ID: 123456789

VENDOR NAME: CLAIMANT

INCOME TYPE	VENDOR INCOME AMT	MISAPPLIED AMT	OUTSIDE PAYMENT
-----	-----	-----	-----
	RPT IND	1099 AMT REVISED	ADJUSTED 1099
	-----	-----	-----
01-	200,000.00	<u>100,000.00</u>	0.00
	N	0.00	<u>300,000.00</u>

1099 Reporting – TIN1 Table

Examples 4,7,8,10,11,12,14,15

ACTION: S SCREEN: TIN1 USERID: \$DF00 02/07/08 05:54:32 PM

TAXPAYER ID TABLE

KEY IS CALENDAR YEAR, RETURN TYPE, TAXPAYER ID, AGENCY, INC TYPE

YEAR: 08 RETURN TYPE: A TAXPAYER ID: 123456789

VENDOR NAME: CLAIMANT

RPT ORIG/ADJUSTED REVISED

AGENCY INCOME TYPE IND 1099 AMOUNT 1099 AMOUNT

01- AGY 3 N 300,000.00 0.00

02-

1099 Reporting – JV Entry

Examples 4,10,11,12,14,15

JV Adjustment to 1099 Amount

- Total Settlement Amt 300,000
- Orig PV to Atty – 4118 Box C 300,000
- (No PV to Claimant) <0>
- JV to ADJ Claimant 1099 Income = +300,000

DR 300,000 with Claimant Vendor Code field - 4117 Box 3

CR 300,000 w/o Claimant Vendor Code field - 4117 Box 3

- No chg to GL – the accounts “netted” to 0

[1099 Reporting — JV Entry]

Example # 7

JV Adjustment to 1099 Amount

- Total Settlement Amt **300,000**
 - Orig PV to Atty – 4119 (7) **100,000**
 - Orig PV to Claimant - 4117(3) **200,000**
 - **JV to ADJ Claimant 1099 Income = +100,000**
- DR 100,000 with Claimant Vendor Code field - 4117 Box 3
CR 100,000 w/o Claimant Vendor Code field - 4117 Box 3
- **No chg to GL – the accounts “netted” to 0**

[1099 Reporting — JV Entry]

Example # 8

JV Adjustment to 1099 Amount

- Total Settlement Amt 300,000
 - W-2 issued for 200,000
 - Orig PV to Atty – 4119 Box 7 100,000
 - Orig PV to Claimant 00
 - **JV to ADJ Claimant 1099 Income = +100,000**
- DR 100,000 with Claimant Vendor Code field - 4117 Box 3
- CR 100,000 w/o Claimant Vendor Code field - 4117 Box 3
- No chg to GL – the accounts “netted” to 0

1099 Reporting - JV for

Examples 4,10,11,12,14,15

ACCT	SUB APPR			OBJ	SUB	BS	RPTG						
TYPE	FUND	AGY	ORG	ORG CODE	PROG	FUNC	REV	O/R	ACCT	GBL	CAT	PROJECT	

VENDOR / PROVIDER-CUSTOMER.../													
IND CODE		NAME				DESCRIPTION							

DEBIT AMOUNT			CREDIT AMOUNT										

01-	02	100	AGY					4117					
	V	123456789						ADJ CLAIMANT 1099 2006CV5					
		300,000.00											
02-	02	100	AGY					4117					
								ADJ CLAIMANT 1099 2006CV5					
								300,000.00					

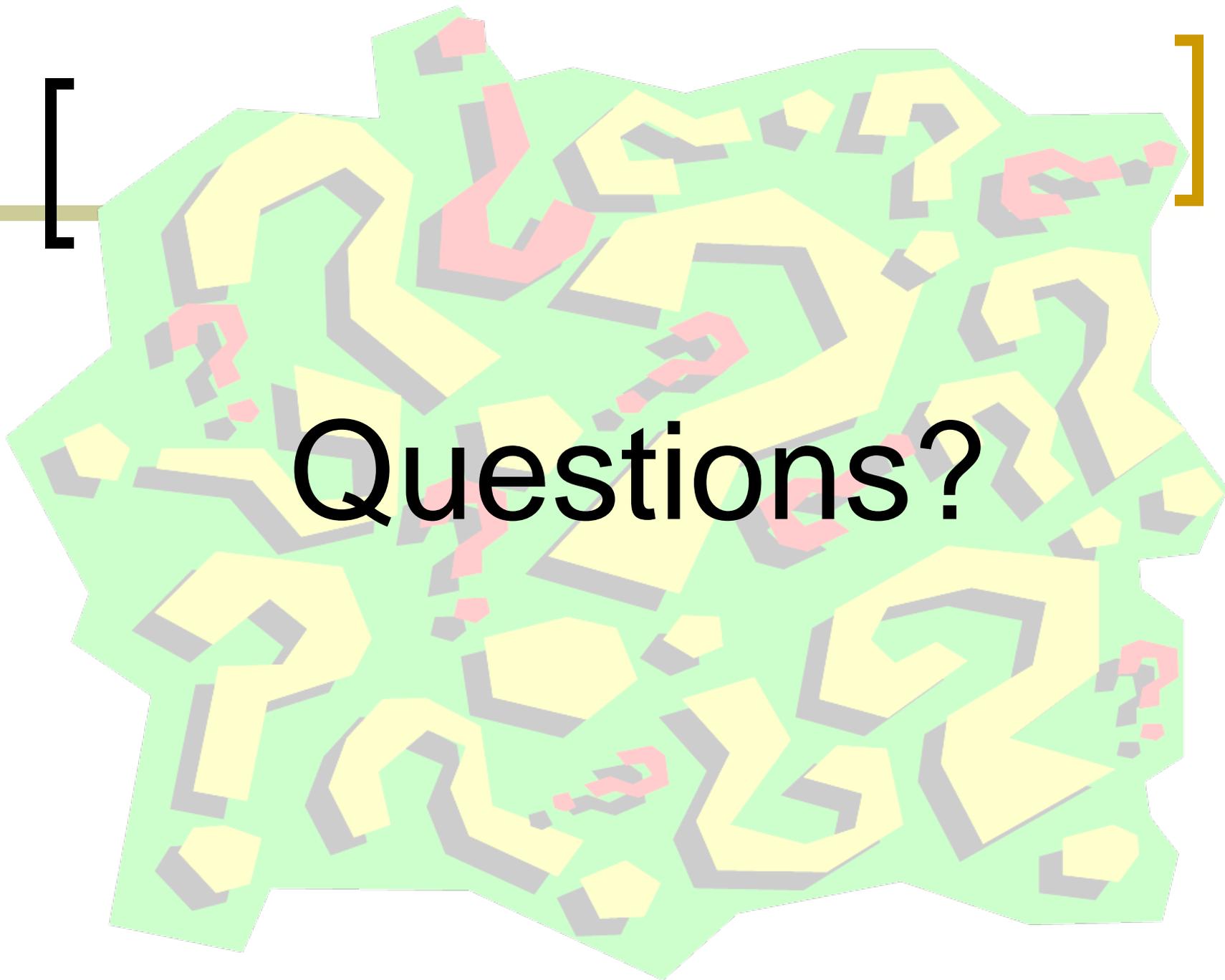
1099 Reporting - JV for

Examples 7,8

ACCT	SUB APPR			OBJ	SUB	BS	RPTG							
TYPE	FUND	AGY	ORG	ORG	CODE	PROG	FUNC	REV	O/R	ACCT	GBL	CAT	PROJECT	

VENDOR / PROVIDER-CUSTOMER.../														
IND CODE		NAME				DESCRIPTION								

DEBIT AMOUNT				CREDIT AMOUNT										
-----				-----										
01-	02	100	AGY					4117						
		V	123456789					ADJ CLAIMANT 1099 2006CV5						
			100,000.00											
02-	02	100	AGY					4117						
								ADJ CLAIMANT 1099 2006CV5						
			100,000.00											



Questions?

[Thank You!]

Please remember to complete and submit your evaluation forms by the end of the day