# Smart Accounting

## 1099-MISC and ICR Notes 2019

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1099-MISC Overview

Important Points of Interest

- The IRS will accept 1099 filings only through its Filing Information Returns Electronically (FIRE) upload site if there is an excess of 250 1099s. If filing fewer than 250 forms, the IRS will accept paper or electronic filing. If you have any questions, please contact the Information Reporting Program (IRP) at 866.455.7438.

- Use of the IRS FIRE system requires an IRS-assigned Transmitter Control Code (TCC). The client can obtain their own TCC number from the IRS. Refer to http://www.irs.gov for more information.

- Alternatively, the client has the option to have Entertainment Partners (EP) transmit on the production’s behalf using EP’s TCC number. Please refer to the EP Website for pricing and ordering information. You may also send an email to support@ep.com or call Service and Support at 818.955.6300 for further assistance.

- The IRS Federal tax limits remain at $600.00 for boxes 01, 03, 06, and 07, and $10.00 for box 02.

- An option has been added in the Tax Report module to sort by Vendor Name, TIN Name, or Tax ID.
  - Vendors who are missing Tax ID information will always show up first in the Tax Report, regardless of the sorting option selected.

- 1099 Vendor forms must be postmarked no later than January 31, 2019.

- 1099-MISC forms are available in most office supply stores, can be ordered from the IRS by dialing 1.800.829.3676, or through Form Consultants by dialing 1.800.719.6817.

- IRS paper filings for all Federal and State 1099-MISC and 1096 Forms must be postmarked no later than January 31, 2019.

- The electronic filing deadline is January 31, 2019.

- FIRE Upload files will not be accepted after January 31, 2019.
**1099 Processing Overview**

1099 processing consists of five steps.

- The first is to review existing transactions for correct 1099 coding. This is accomplished by printing a 1099 Worksheet report. Review of the report allows users to determine if 1099 code adjustments are necessary.

- The second step is to correct existing transactions for 1099 code adjustments. The 1099 Edit module is used for this step.

- The third step is to print 1099s on preprinted forms.

- The fourth step is printing the 1099 Summary report.

- The fifth and final step is the creation of the IRS transmittal file.

**Printing a 1099 Worksheet Report**

- On the Start menu, select **Reports**.

- On the Submenu, select **Ledger Reports**.

- In the Report Group list, select **1099 Reports**.

- In the Report list, select **1099 Tax Worksheet – Detail/Edit** to display the following Report Parameters screen:

![Figure 1: 1099 Worksheet Report Parameters screen](image-url)
• The Report Date is optional, but if a date is selected, it prints in the Masthead of the report.

• If your production is multi-currency, then select USD in the Select Currency Code box (required entry). Select the appropriate Tax Year. The Tax Year list displays only those years that are relevant to the production. For instance, if the production began in 2014, the list will not include tax years prior to the production’s last start year.

• The system defaults to the correct Company and Project(s) values established for your production – do not change these values. All other fields serve as additional filters and are not required.

• On the Ribbon, select Run Report or press F5 to generate the following report:

![Figure 2: 1099 Worksheet Report](image)

Figure 2: 1099 Worksheet Report

Use the report to identify transaction line items that need 1099 code corrections. Then, continue to 1099 Edits in the following section.
**1099 Line Items Edits**

The 1099 Edit module provides users a means to correct 1099 coding on transaction line items entered during a particular Tax Year. Users may add, delete, or change 1099 codes on transaction line items. Additionally, the module provides a method to split transaction line amounts into multiple lines.

**About Distribution Lines**

The 1099 Edit grid will display the following distribution line item types:

- Distribution lines from posted Accounts Payable Invoices, Petty Cash (including Per Diem and Purchasing Card transactions), and Journal Entry transactions that match the filtering conditions established.

- Payroll Line items coded with a 1099 code will also display.
  - For those Payroll lines entered without a tax code that need to display, memo code changes can be entered. To do so, access the Journal Entry module, search for the appropriate transaction, and then enter 1099 codes on the desired line items. Upon saving the memo code change, return to the 1099 Edit module and reinitiate your Tax Year search; the line items will now display.

The 1099 Edit grid will **not** display:

- Distribution lines from non-posted transactions.
- Distribution lines from deleted transactions.
- Distribution lines from reversed transactions. A reversed transaction is a transaction that has been posted and then selected to receive a reversing transaction. The lines from the original transaction will not appear.
- Distribution lines from reversing transactions (this is the offset transaction generated when a transaction is reversed).
- Distribution lines from the original invoices and reversing invoices generated when the check that paid the original invoice is voided.
- Distribution Change transaction line items that have been subject to a Distribution Change.
- Distribution lines that are the offset (reversing line) for a distribution change.

**System Tax Year and Vendor Behavior**

- **Accounts Payable Invoices** – The system populates the Tax Year of the invoice based upon the system date when the invoice was created.

  Once the invoice is posted, the Tax Year on any of the invoice’s detail lines can be modified through the 1099 Edit module. If the Tax Year is changed on any detail line, the system will automatically change the tax year on all line items for all invoices that were paid by that particular check. This includes distribution change lines for any of the associated invoices.
• **Vendors** – The system prohibits changing the 1099 Vendor on Accounts Payable Line items. 1099 Vendors can be changed on Journal Entry and Petty Cash transactions.

### 1099 Edit Process Flow

- On the Start menu, select **Maintenance**.
- On the Submenu, select **1099 Edit**. The module shown in Figure 3 will display.

![Figure 3: 1099 Edit module](image)

- The 1099 Edit screen is divided into two sections. The top section allows you to select filter conditions that determine which transactions appear in the lower **Editing** section of the screen.
- Fill out the fields in the 1099 Edit module. Those that are required are marked as such below:
  - **Tax Year (REQUIRED):** Select the appropriate tax year. The Tax Year list displays only those years that have transaction activity. Only transactions entered within the selected Tax Year will appear on the grid.
  - **Currency (REQUIRED):** If this is a single currency production, this field will default to the currency established as the Base Currency in the system. Otherwise, select **USD** when processing 1099s.
  - **Document Number:** This non-required filtering field can be used to locate a particular transaction by its document number. As an example, you can use this field to locate an Accounts Payable Invoice by its Invoice Number. When used, the system will return only those transaction line items associated with the document number entered.
  - **1099 Coded Only:** This is an unrequired checkbox. When selected, the system will return only those transaction line items that already contain 1099 codes.
  - **Transaction Type:** This unrequired selection field allows you to filter by transaction type. When a transaction type is selected, only line items of that transaction type will appear on the grid.
Transaction Number: This unrequired entry field can be used to filter by a particular transaction number. Only line items associated with that transaction number will appear on the grid.

Vendor From/To Fields: These unrequired entry fields can be used to filter by a vendor or range of vendors. Only line items associated with the selected vendors appear on the grid. You can use the secondary list to sort vendors by Name, Code, or DBA.

- Once all desired filter conditions are entered, select the **Search** button on the Ribbon, or press **F3** to populate the editing grid.

**Editing a Line Item**

The following columns are editable: **1099 Code, Tax Year, Vendors** (excluding Accounts Payable line items), and **Work State**.

- To change any of these fields, simply navigate to the field, select the drop-down list, and select the desired value from the list.
- You can make as many line item modifications as you wish prior to saving your changes.
- Select **Save** or press **F6** to save your edits. Changes are immediate. Posting is not needed.

**Key Concept:** The system does not allow modification of existing line item amounts through the 1099 Edit module. Users must generate a distribution change or enter a correcting journal entry to accomplish this task.

**Create Tax Adjustment**

The Tax Adjustment screen provides a means for users to record tax adjustment amounts directly to vendors without having to create or modify Accounts Payable, Petty Cash, Journal Entry, or Payroll transactions.

**Key Concept:** The system utilizes the Tax Adjustment clearing account (established in the System Defaults) for creating the offsetting entry, as seen in Figure 4 below.

![Figure 4: Tax Adjustment screen with adjustment](image-url)
In the table above, the first line is the line entered by the user on the Tax Adjustment screen (see Figure 4). The second line is the system-generated line used to create a balanced, net-zero entry that has no impact on the production costs or balance sheet, only 1099 tax reporting.

Tax Adjustment Process Flow

- With the 1099 Edit module open, on the Ribbon, select Create Tax Adjustment.

- Enter or select the Vendor to receive the tax adjustment.

**NOTE:** Use the Vendor Type list next to the Vendor list to select the primary search means for a vendor. You can select from one of five selections: Vendor Name, Payee Name, Address 1, DBA, or Vendor Code.

- The Tax Year and Currency will be pre-populated with the appropriate values from the 1099 Edit screen.

- Press Tab to navigate to the distribution line item entry grid. If you established Tax Adjustment defaults in the System Defaults module, the appropriate columns will pre-populate with those values. If not, enter or select the:
  - Account – Enter the account for the tax adjustment.
- **Location** (this column will display only when Location codes are in use) – Enter the location for the tax adjustment.

- **Episode** (this column will display only when Episode codes are in use) – Enter the episode for the tax adjustment.

- **F1 through F4** (if instances of free field codes have been established and associated to a particular free field code column, then that particular free field column will display) – Enter the free field code(s) for the tax adjustment.

- **Description** – Enter the amount of the tax adjustment. This is the amount that will be coded to the 1099 code and reported to the government.

- **1099** – Enter the appropriate tax code.

- **Work State** – Enter the work state.

- **Select Save** or press **F6** to save the entry.

- To complete the process, the system will assign and display a GL transaction number for the tax adjustment.

**NOTE:** Tax Adjustment transactions are automatically posted upon save. To view the entire transaction (both user entered distribution lines and system created offsetting lines), run a GL Ledger List filtered for the specific transaction number.
Printing 1099 Forms

This module is used to print 1099s. The module includes the ability to set filter conditions that determine the inclusion of transactions and/or vendors meeting those filters conditions. The software validates for complete company information, complete individual vendor addresses, and social security numbers prior to printing. The module also provides a means to enter specific information that will print on 1099 forms.

![Figure 7: 1099 Form](image)

1099 Printing Process Flow

- On the Start menu, select **Maintenance**.
- On the Submenu, select **Print 1099 Forms**. The module shown in Figure 8 will display.

![Figure 8: Print 1099 Forms module](image)

The Print screen is divided into two sections. The top section allows you to select filter conditions that affect which vendors appear in the lower Selection section of the screen. You can also enter additional information that will print on the 1099 forms.
Fill out the fields in the 1099 Forms module. Those that are required are marked as such below:

- **Tax Year (REQUIRED):** Select the appropriate tax year. The Tax Year list displays only those years that have transaction activity. Only vendors who have transactions entered within the selected Tax Year will appear on the grid.

- **Location Code:** This unrequired entry field can be used to filter vendors for a given location.

- **Contact Name:** This unrequired entry field can be used to enter a contact person. This information will appear in the top margin of each 1099.

- **Contact Phone:** This unrequired entry field can be used to enter the contact person’s phone number. This information will appear below the Contact Name in the top margin of each 1099.

- **Federal Tax ID:** This field displays the Federal Tax Identifier number that is established on the Company Setup screen. If you need to modify the Federal Tax ID, see the Company header in the System Setup section.

- **Exclude 1099 Income Less Than $600:** When selected, only those vendors with total 1099 coded line items in excess of $600.00 will appear for selection.

- **Include DBA on 1099 Form:** When selected, if a vendor has DBA information recorded through the Vendor Maintenance module, then that information will print in the Recipients box on the 1099 form.

- **Corrected 1099 Form:** When selected, the system will mark the Corrected 1099 box on the 1099 form.

### Printing 1099s

After entering Header field information and selecting the appropriate options, click **Search**. The 1099 selection grid will populate.

- To print 1099s, click the **Selection** checkboxes on the left side of the grid to select vendors. Switch from **ADD** mode to **TAX ADJUSTMENT** mode by going to **File > Tax Adjustment**.

  **NOTE:** You can use the **Tag All** and **Untag All** buttons to quickly select or deselect vendors. You can also export to Excel.

- Load 1099 forms in your printer.

- Select the **Print** button on the Ribbon.

- 1099s will initially display in the Report Previewer. Select the **Print Report** button as shown in Figure 9 below:

  ![Figure 9: Print Previewer Toolbar](image-url)
• A Print dialog box will appear, as displayed in Figure 10.

![Print Dialog screen](image)

Figure 10: Print Dialog screen

• Select the number of copies you wish to print from this screen.

• Select the **Print** button.
1099 Summary Report

The 1099 Summary report provides a breakdown by Vendor, displaying 1099 totals by 1099 code. To run the report, follow the steps listed:

- On the Start menu, select Reports.
- On the Submenu, select Ledger Reports.
- In the Report Group list, select 1099 Reports.
- In the Report list, select 1099 Summary to display the following Report Parameters screen:

![Figure 11: 1099 Summary Report Parameter screen](image)

The system will default to the correct Project. Do not change this parameter.

- Enter the Tax Year you wish to report upon.
- You can select the Exclude 1099 Income Less than $600 option.
- On the Ribbon, select Run Report or press F5. The following report will generate:

![Figure 12: 1099 Summary Report](image)
IRS Transmittal Process

This process completes the 1099 cycle by generating a 1099 transmittal file. Several required fields must be completed prior to generating the file. Transmitter information includes all information pertaining to the entity responsible for creating the transmittal file. The Payer information includes information for the entity responsible for payment of 1099-dollar amounts. The Transmitter Control Code (TCC) is a code issued by the IRS. You should apply to the IRS for your own code.

IRS Transmittal Process Flow

- On the Start menu, select **Maintenance**.
- On the Submenu, select **IRS Transmittal**. The following module will display:

![IRS Transmittal Module]

- Fill out the fields in the File Information section of the IRS Transmittal module. Those that are required are marked as such below:
  - **Tax Year (REQUIRED)**: Select the appropriate tax year. Only vendors who have transactions entered within the selected Tax Year will appear on the grid.
  - **Transmitting Agent (REQUIRED)**: Type the name of the Transmitting Agent here. If your company is the transmitting agent, type your company name here.
Transmitter Control Code (REQUIRED): Type the TCC code of the Transmitting Agent here.

NOTE: A Transmitter Control Code (TCC) is obtained from the IRS.

Tax Identification Number (REQUIRED): Type the TIN for the Transmitting Agent here.

NOTE: A Tax Identification Number (TIN) is obtained from the IRS.

Transmittal File Type (REQUIRED): Defaults to Original. This field provides a list of the available transmittal file types:
- Original
- Correction

Exclude Vendors with Amounts Less Than $600: When selected, only those vendors with total 1099 coded line items in excess of $600.00 will appear for selection.

Transmitter is a Foreign Entity: If the transmitter is a foreign entity, this checkbox must be selected. If the Ease Entertainment Services, LLC TTC is used, this checkbox is disabled. The checkbox becomes enabled if the Ease Entertainment Services, LLC TTC is removed.

Payer is a Foreign Entity: Defaults to not selected. If the Payer is a foreign entity, users must select this checkbox.

Prior Tax Year: If the information contained on the IRS Transmittal reflects a tax year other than the current tax year, this checkbox must be selected.

Combined Federal/State Flag: By selecting this checkbox, a code will be generated on the transmittal file indicating that the file can be released by the IRS to qualifying states. The IRS publishes a list of which states qualify. There is also an IRS authorization form which must be signed by the users authorizing release of 1099 information to the qualifying states.

Fill out the Transmittal Information section in the Transmittal module. Those that are required are marked as such below:

Company Name (REQUIRED): Enter the name of the production company.

Company Mailing Address (REQUIRED): Enter Street 1 and Street 2 Address information for the Transmitter.

City (REQUIRED): Enter the City where the Transmitter is located.

State (REQUIRED): Enter the State information for the Transmitter.

Zip Code (REQUIRED): Enter the postal code information for the Transmitter.

Contact Name (REQUIRED): Enter the name of the person the IRS will contact for information pertaining to the IRS Transmittal File.

Contact Phone/Extension (REQUIRED): Enter the contact person’s phone number and extension.

Contact’s Email Address: Enter the contact person’s email address.
• Fill out the Transmittal Information section in the Transmittal module. Those that are required are marked as such below:

  o **Payer Name (REQUIRED):** Enter the name of the entity responsible for 1099 payments. This can be a production company name or a Studio name.

  o **Company Mailing Address (REQUIRED):** Enter the mailing address associated with the Payer Name. This field holds both Address 1 and Address 2 line information.

  o **City (REQUIRED):** Enter the City information for the Payer.

  o **State (REQUIRED):** Enter the State information for the Payer.

  o **Zip Code (REQUIRED):** Enter the postal code information for the Payer.

  o **Contact Phone/Extension (REQUIRED):** Enter a phone number and extension for the person the IRS will contact with questions concerning 1099 information reported on the Transmittal file.

  o **Payer’s Name Control:** Enter the Payer’s Name Control code the IRS has assigned.
## Sample Form 1096

This form is provided for informational purposes only. Copy A appears in red, similar to the official IRS form. Do not file copy A downloaded from this website. The official printed version of this IRS form is scanable, but the online version of it, printed from this website, is not. A penalty may be imposed for filing forms that can’t be scanned. See part O in the current General Instructions for Certain Information Returns for more information about penalties. To order official IRS forms, call 1-800-TAX-FORM (1.800.829.3676).

![Sample Form 1096](image)

**Instructions**

*Future developments.* For the latest information about developments related to Form 1096, such as legislation enacted after it was published, go to [www.irs.gov/Form1096](http://www.irs.gov/Form1096).

*Reminder.* The only acceptable method of electronically filing information returns filed on this form in box 6 with the IRS is through the FIRE system. See Pub. 1220.

*Purpose of form.* Use this form to transmit paper Forms 1097, 1098, 1099, 1252, 3921, 5498, and W-2G to the IRS. Use this form in place of the old Form 1096 to transmit those forms to the IRS.

*Caution.* If you are required to file 250 or more information returns of any one type, you must file electronically. If you are required to file electronically but fail to do so, and you do not have an approved waiver, you may be subject to a penalty. For more information, see part F in the General Instructions for Certain Information Returns.

*Forms 1099-Cl and 5498-QA can be filed on paper only, regardless of the number of returns.*

*Who must file.* Any person or entity who files any of the forms shown in line 6 above must file Form 1096 to transmit those forms to the IRS.

*Enter the filer’s name, address (including room, suite, or other unit number), and taxpayer identification number (TIN) in the spaces provided on the form. The name, address, and TIN of the filer on this form must be the same as those you enter in the upper left area of Forms 1097, 1098, 1099, 3921, 3922, or W-2G.*

For more information and the Privacy Act and Paperwork Reduction Act Notice, see the 2018 General Instructions for Certain Information Returns.
Independent Contractor Report (ICR)

ICR Overview

Because the filing requirement is “within 20 days,” Entertainment Partners recommends that you anticipate submitting a filing every two weeks.

To file reports/returns electronically, you must enroll to use EDD’s e-Services for Business and establish a username and password.

For more information, answers to questions, or forms, you can call the Employment Development Department (EDD) Tax Payer Assistant Center at 916.657.0529. Visit the website at www.edd.ca.gov.

The ICR program reports vendor payments as indicated in company and tax setup records. The ICR program includes vendors the first time that payments reach or exceed the amount indicated in company as the EDD Limit Amount. The vendor is reported once per annum, per state requirements.

How to Report to EDD

You are encouraged to report online using any of the options available with EDD’s e-Services for Business. Visit the EDD website at https://eddservices.edd.ca.gov to choose the option that is best for you.

EDD Transmission Process

This process is to generate the EDD file and Print the ICR DE 542. To have any information appear on the EDD file, the Vendor must have a Default Code of 07 and the Business Type should be Code IND – Sole Proprietor with SSN.

EDD Transmission Module

- On the Start menu, select Maintenance.
- On the Sub menu, select EDD Transmission.
- The following window will appear. To view the EDD information that needs to be processed, click on the Search icon on the top left hand corner.
• Once the information is populated, the **Print ICR (DE 542)** and **Generate** option will be enabled.

• In the State Filter, you have the option to view the EDD information by specific state.

• You will need to enter the EDD Account Number. If you do not have this account number, you will need to contact the EDD office.

• To print the ICR DE 542, click on the icon on the ribbon.
  
  o This report generates the DE 542 Report of Independent Contractors for the State of California – Employment Development Department.

• To create the EDD file, click on the **Generate** icon that is located on the ribbon.

• The system will prompt a window that will allow you to save the INDCONTR (EDD File) to any location on your computer.

• The INDCONTR is the file that you will need to upload to the EDD website.