***For the purpose of this document, a vendor is defined as any individual or business paid via the payables system, and excludes employees or students of the College. The Purchasing Department requires IRS Form W-9, issued within the past year, for all new vendors prior to setup in the vendor file or when a vendor is making a change to their vendor name or Taxpayer Identification Number (TIN). The College should not accept a W-9 from a new vendor if it is dated more than one year prior to the request for a vendor profile in our vendor management system. Note: This should not be construed to mean that the College requires a payee to submit a new W-9 every year.***

***This document is designed to assist personnel in the Purchasing Department by providing background information and guidance on the proper review of W-9 Forms and placement of system flags specific to the College’s 1099 reporting requirements. It is not the responsibility of the College personnel to assist vendors with the completion of a W-9 Form. Vendors that are uncertain about how to properly complete their W-9 Form should contact their legal or tax advisor.***

A completed and signed IRS W-9 Form is required from any vendor that receives a payment from the College that may be 1099 reportable. The College must have the correct TIN and other related information in order to report accurate tax information to the Internal Revenue Service (IRS) and determine if a vendor should receive a 1099 Form. Absent the receipt of a W-9 Form, the College is subject to penalties for failure to provide correct vendor/payee statements to the IRS. Further, the College is not liable for false information provided by a vendor on a W-9 Form. Any vendor refusing to provide the College with an adequately completed W-9 Form has the option not to do business with the College. In this case, the Director of Purchasing should be notified.

PURPOSE OF IRS FORM W-9

THE BIGGEST MISCONCEPTION REGARDING THE IRS FORM W-9 IS THAT THE COLLEGE’S REQUEST FOR, AND RECEIPT OF, THE COMPLETED FORM WILL AUTOMATICALLY RESULT IN 1099 REPORTING FOR THE VENDOR. The W-9 Form merely verifies the vendor’s legal name, primary address, taxpayer identification number (i.e. Social Security Number or Federal Employer Id Number), and federal tax classification (i.e. individual, partnership, corporation, LLC, tax exempt organization, etc.). In general terms, the 1099 reporting process is governed by various factors, such as transaction type, cumulative payment amount per tax year, and business designation of the vendor. This reporting process is completed by the Accounts Payable Department at the beginning of each calendar year.

* W-9s indicating that the vendor is an individual, sole proprietor, or Limited Liability Company (LLC) designated as a Disregarded Entity should provide a Social Security Number as the taxpayer identification number (i.e. XXX-XX-XXXX).
* W-9s indicating that the vendor is a business such as a corporation, partnership, exempt organization, or other designations of LLCs should provide a Federal Employer Identification Number (i.e. XX-XXXXXXX)
* The W-9 information includes a “business name” or “doing business as” name; however, the legal name that is indicated for tax return purposes must be indicated on the “Name” line of the W-9 and must match the taxpayer identification number provided. If these do not match and the College is notified by the IRS of such, withholding taxes on subsequent payments may be a requirement.
* As a general rule, W-9 Forms that indicate a business type of “Corporation” should include “Corporation, Corp., or Inc.” as part of their legal name. The absence of such notation however does not by itself represent a misclassification. In these instances, Purchasing should follow up with the vendor and/or the Secretary of State website which provides for corporation searches.
* If it is suspected that a vendor is a foreign entity (i.e. they are not a U.S. citizen, resident alien, or business created/organized in the U.S.), then an IRS W-8 Form will apply rather than a W-9. See below for further guidance on foreign vendors.

**Definitions of the various business designations on the W-9 Form are included as an Appendix to this document.**

VERIFICATION OF PROPER 1099 INDICATOR

As part of the 1099 reporting requirements, the College must be able to identify all vendors that may have had 1099 reportable amounts paid to them during a given tax year. The Accounts Payable Department identifies vendors who have received payments (subject to amount thresholds established by the IRS) for transactions such as:

* Royalties
* Rents
* Services
* Prizes and awards
* Other income payments
* Medical and health care payments
* Gross proceeds paid to an attorney

*In general, only vendors that are incorporated or tax-exempt are excluded from the 1099 reporting requirements promulgated by the Federal government.* In order to ensure compliance with these reporting requirements, the College will verify the 1099 reportable status of all new vendors in accordance with information provided on their completed W-9 Forms and confirm the accuracy of the system’s “1099 (Y/N)” field as follows:

|  |  |
| --- | --- |
| Federal Tax Classification per W-9 Form | 1099 Flag (Y or N) |
| Individual / Sole Proprietor | Y |
| C Corporation **(1)** | N |
| S Corporation **(1)** | N |
| Partnership | Y |
| Trust / Estate | Y |
| LLC – C Corporation designation | N |
| LLC – S Corporation designation | N |
| LLC – Partnership designation | Y |
| Other **(2)** | N |
| Exempt Payee **(3)** | N |

**Notes:**

1. Payments to corporations for legal services (attorneys) and medical or health care services are 1099 reportable. However, unless Purchasing obtains information upon vendor registration that the vendor provides either of these specific services, the flag should be set to “N”.
2. The “Other” classification will likely represent exempt payees and both boxes of the W-9 Form will be checked. If not the case, please contact the Director of Purchasing for guidance.
3. Generally associated with “Other” classification. If not the case, please contact the Director of Purchasing for guidance.

FOREIGN VENDORS

A foreign vendor is:

1. An individual who is a citizen of a foreign country and is not:
   * A dual citizen with the U.S.
   * A holder of a U.S, “green card”
   * A U.S. resident alien

2) An entity that has no permanent place of business in the U.S.

Most of the time, foreign vendors can complete an IRS Form W-8Ben and be assigned a vendor number by the Purchasing Department. While foreign vendors do not apply to 1099 reporting requirements, there may be other tax reporting or withholding requirements in connection with subsequent payment activity. Accordingly, copies of all W-8Ben Forms received pursuant to the addition of new vendors should be forwarded to the Controller’s Office for follow-up, as needed.

Possible indicators that a vendor might be a foreign entity include the following:

* Vendor’s address is foreign
* Vendor’s financial institution for electronic payment purposes is foreign
* Vendor mentions that:
  + They do not have a U.S. Federal I.D., or
  + Their U.S. Federal I.D. begins with “98” (i.e. 98-XXXXXXX).

These indicators are some examples that might help identify them, but never hesitate to contact the Director of Purchasing if you have questions.

**ADDENDUM I - Definitions for Form W-9 Business Designations / Federal Tax Classification)**

**C Corporation** – A legal entity that is separate and distinct from its owner or owners and is taxed as a separate entity under Subchapter C of Chapter 1 of the Internal Revenue Code.

**S Corporation** – A corporation that has elected to receive tax treatment similar to that of a partnership and the income or losses are passed to the shareholders. If S Corporation is selected, you will need to know if 80% or more of the S Corporation is owned by a government entity, a tax exempt entity or a foreign government.

**Not for Profit** – Any non-profit organization formed under the laws of any U.S. state or territory and is exempt from income tax.

**Partnership** – An unincorporated business or investment organization having two or more owners and the income or losses are passed to the owners. If Partnership is selected, you will need to know if 80% or more of the Partnership is owned by a government entity, a tax exempt entity or a foreign government.

**Trust or Estate** – A separate, taxable entity that holds property to be managed, protected and distributed to others.

**Individual** – A person that has transactions with the College that are not associated with a business. A Social Security Number is used to receive payments in this case.

**Sole Proprietor** – An individual who runs a trade or business that is not organized as a Corporation, Limited Liability Company, Partnership or a Trust.

**Non-corporate Rental Agent** – A rental agency that is not a corporation that rents goods or services.

**Government Entity** – A governmental entity is the Federal government; a State or local government or instrumentality, agency, or subdivision thereof; or a foreign government.

**Indian Tribal Government** – An Indian Tribe or its political subdivisions.

**Foreign Corporation** – An entity formed under the laws of a country other than the U.S. that does not earn income in the U.S. from the operation of a business in the U.S.

**Nonresident Alien** – An individual temporarily in the U.S. who is not a U.S. citizen or resident and does not earn income in the U.S. from the operation of a business in the U.S.

**Limited Liability Company** – An entity that is authorized by state statute and whose owners have limited liability. This entity may be taxed as a:

* **Disregarded Entity** – A single member LLC that files as an individual on a

Federal Form 1040 Schedule C.

* **C Corporation** – An LLC that files a Federal Form 1120 (and is treated as a Corporation).
* **S Corporation** – An LLC that files a Federal Form 1120S. If S Corporation is selected, you will need to know if 80% or more of the S Corporation is owned by a government entity, a tax exempt entity or a foreign government.
* **Partnership** – An LLC that files a Federal Form 1065. If Partnership is selected, you will need to know if 80% or more of the Partnership is owned by a government entity, a tax exempt entity or a foreign government.

**ADDENDUM II – QUICK REFERENCE GUIDE FOR 1099 FLAGS**

*In general, only vendors that are incorporated or tax-exempt are excluded from the 1099 reporting requirements promulgated by the Federal government.*

|  |  |
| --- | --- |
| Federal Tax Classification per W-9 Form | 1099 Flag (Y or N) |
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| S Corporation **(1)** | N |
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| Trust / Estate | Y |
| LLC – C Corporation designation | N |
| LLC – S Corporation designation | N |
| LLC – Partnership designation | Y |
| Other **(2)** | N |
| Exempt Payee **(3)** | N |

**Notes:**

1. Payments to corporations for legal services (attorneys) and medical or health care services are 1099 reportable. However, unless Purchasing obtains information upon vendor registration that the vendor provides either of these specific services, the flag should be set to “N”.
2. The “Other” classification will likely represent exempt payees and both boxes of the W-9 Form will be checked. If not the case, please contact the Director of Purchasing for guidance.
3. Generally associated with “Other” classification. If not the case, please contact the Director of Purchasing for guidance.