



Office of the State Controller

OFFICIAL MEMORANDUM

To: Chief Financial Officers, NCAS Fiscal Contacts

From: Anne Godwin, Deputy State Controller

Date: November 12, 2020

Subject: Annual 1099 Processing for the North Carolina Accounting System

The final 1099 processing for the North Carolina Accounting System (NCAS) begins in early December. **The deadline for submitting the 2020 1099 electronic file is January 31, 2021.** The Office of the State Controller (OSC) will electronically file the IRS 1099 file for all NCAS agencies the week of January 25, 2021.

The North Carolina Department of Revenue (NCDOR) 2020 1099 electronic file **will not** be filed by OSC due to an automatic waiver issued by NCDOR for the benefit of state agencies. Individual state agencies will be responsible for filing their own 1099 information to the NCDOR. For details regarding this waiver and when to file any required 1099s to NCDOR please see the NCDOR website. <https://www.ncdor.gov/taxes-forms/withholding-tax>

For calendar year 2020, the Internal Revenue Service (IRS) has issued a new 1099 form, **1099-NEC**, for payments for non-employee compensation. Invoice lines paid to vendors with an **M7** 1099 code in NCAS will print that total M7 payment amount on the **1099-NEC** form. In the past, the M7 code printed on the **1099-MISC** form in box 7 for non-employee compensation. Vendors may receive more than one type of 1099 form from state agencies due to IRS changes.

Agencies are responsible for printing the 1099 forms utilizing the Department of Information Technology (DIT) reporting software tool, NCXCloud. Also, agencies are responsible for procuring supplies and mailing the 2020 1099 forms to recipients by **January 31, 2021**. OSC **will not** supply envelopes or blank 1099 forms to the agencies. Agencies can purchase envelopes and forms from any office supply store. Blank 1099 forms also can be ordered from the IRS free of charge. The website to order free blank 1099 forms is <https://www.irs.gov/businesses/online-ordering-for-information-returns-and-employer-returns>. Please note, agencies need to request or purchase additional scannable 1099 forms to report any changes to the IRS related to calendar year 2020. The IRS will not accept printed 1099 forms for IRS filing. Instructions for using the NCXCloud software to print 1099s is located on OSC's website <https://www.osc.nc.gov/documents/printing-instructions-calendar-year-2020-1099s>.

During the calendar year 2021, the Taxpayer First Act – IRS Modernization has reduced the threshold for electronic filing. To meet this requirement, OSC has developed a program to generate a 1099 change file to report 1099 changes to the IRS. OSC requires that NCAS agencies record all 1099 changes in NCAS after the initial 1099 file has been generated in early January for calendar year 2020. A 1099 change file will run weekly to test this process.



Office of the State Controller
Official Memorandum

Agencies will need to continue manually preparing and mailing the corrected 1099 forms and the 1096 forms prior to tax year 2021.

Beginning tax year 2021, OSC will generate the electronic 1099 change file and will submit those changes along with the 1096 to the IRS for NCAS agencies. Each year the 1099 change file will be run and submitted weekly up to the Friday before the April 15th filing date required by the IRS. After this deadline, the agencies will be responsible for notifying the IRS of any 1099 changes.

Attached are the schedule and procedures for NCAS 1099 processing. Please review the schedule for specific 1099 deadlines. To aid agencies in 1099 verification, reports are available in XPTR and NCXCloud. These reports are titled **1099-1 AP 1099 Reports**, **1099 Compare List** and **1099 Compare List Excel**. Additional information about these reports can be found in attachment 2.

Due to the centralization of the 1099 reporting process, it is critical that all reports and NCAS 1099 data are reviewed by your agency for accuracy by the requested deadlines so that the central data file for OSC transmission to the IRS can be created.

If you have any questions or require assistance with NCAS 1099 activities, please contact OSC Support Services at (919) 707-0795 or osc.support.services@osc.nc.gov.

Thank you.

Attachments

NO. SAD 21-4