



XII Reportable Payments

Federal (Internal Revenue Service) and State (Franchise Tax Board) tax laws require that certain payments for services made to certain types of vendors and individuals must be reported on annual tax returns for income tax collection purposes. These "reported" payments are referred to as "reportable payments". Agencies are individually responsible for reporting expenditures/disbursements to vendors for reportable payments. To assist agencies, CALSTARS allows for the identification and accumulation of reportable payments data. On behalf of all CALSTARS agencies, CALSTARS then forwards this data to the Franchise Tax Board (FTB) at the end of each Tax Year. The FTB uses the data provided to produce and distribute individual 1099 forms to agencies' vendors and forwards the reportable payment data to the Internal Revenue Service (IRS).

HOW REPORTABLE PAYMENTS ARE IDENTIFIED IN CALSTARS

Payment transactions require the use of an Object Detail and a Vendor Number. The Object Detail is used to lookup the 4-digit Reportable Payment Indicator information in the statewide D11 Object Detail Descriptor Table. The Vendor Number is used to lookup the Vendor Type, which is coded by the agency when the Vendor Number is established. The Reportable Payments Indicator and the Vendor Type are used by CALSTARS to identify and track reportable payments made to vendors.

Qualifying Conditions for Reportable Payments

There are two conditions that determine if a payment to a vendor is reportable. See Exhibit XII-1, the Reportable Payment Process Flow Diagram. Both of the following conditions must be met for a payment to be reportable:

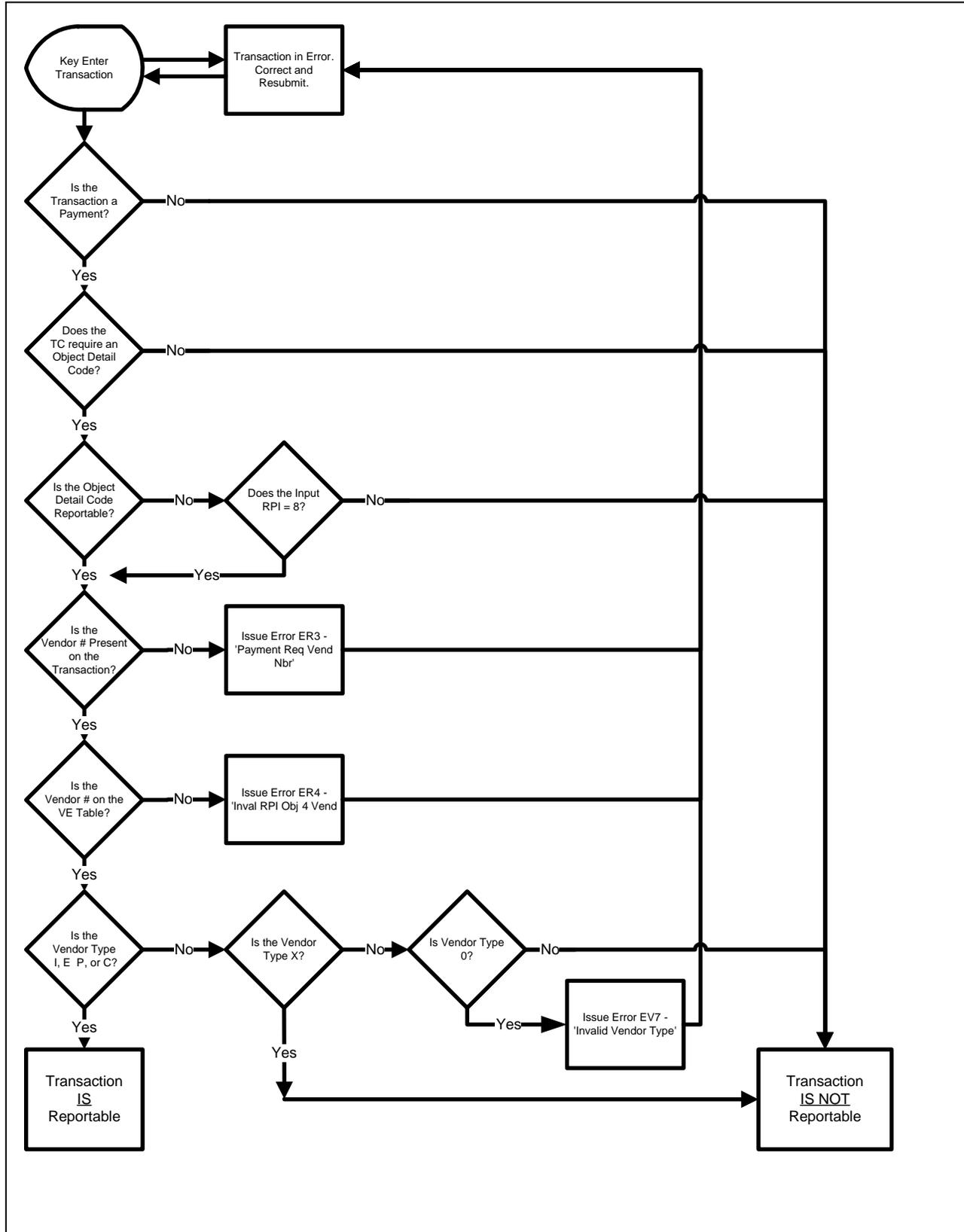
- ☛ Payment must be for UCM Object Detail codes listed as reportable in the UCM Object Chapter.

AND

- ☛ Payment must be to vendors with Vendor Types: Individual; Partnership; or Estate or Trust. In addition, payments to Corporations for Medical or Health Care Services and any attorney fees are also reportable.

Payments made to employees are reportable under another process. Payments to the federal government, other state agencies or local governments are not reportable. Payments made for goods are not reportable. Payments made to Exempt Corporations are not reportable. Beginning December 16, 2011, a new vendor type **X-Exempt Corporation** will be added to the Vendor Edit Table to differentiate exempt corporations and non-exempt corporations.

EXHIBIT XII-1
REPORTABLE PAYMENTS PROCESS



1099-Misc Report for Calendar Year *nnnn*

The **CFY200-1 1099-Misc Report for Calendar Year *nnnn*** (Exhibit XII-2) is a listing of all records in the RP File that support the amount reported to the FTB, the IRS and the vendor on the **1099 Miscellaneous** form. This report is produced and a 1099 form is issued when payments classified as "Miscellaneous" total \$600.00 or more for an FEIN/SSN for a Tax Year. Subtotals are by box number on the 1099 form and by FEIN/SSN. The report also displays the address to which the 1099 form was sent. For an FEIN/SSN with multiple payment addresses, the 1099 form is sent to the address of the **Vendor Number** contained in the **first** payment transaction posting to the RP File. (The sort key is FEIN/SSN, then Vendor Number/Suffix, then 1099 Form Box Number.)

CFY200-1 is not a requestable report. It is automatically produced and routed to either agency printer, dataset or microfiche when the reportable data is transmitted to the FTB. Receipt of the report indicates that the RP File for the Tax Year is closed and that soon, 1099 forms will be received by the agency's vendors. A copy of the report should be kept readily available for answering vendor inquiries.

1099-Int Report for Calendar Year *nnnn*

The **CFY200-2 1099-Int Report for Calendar Year *nnnn*** (Exhibit XII-2) is a listing of all records in the RP File that support the amount reported to the FTB, the IRS and the vendor on the **1099 Interest** form. This report is produced and a 1099 form is issued when payments classified as "Interest" total \$10.00 or more for an FEIN/SSN for a Tax Year. The report format is similar to the 1099-Misc report described above. It is also produced on microfiche and operates the same way.

1099-MISC/INT Exception Reports for Tax Year *nnnn*

The **CFY200-3 1099-MISC Exception Report for Tax Year *nnnn*** and **CFY200-4 1099-INT Exception Report for Tax Year 19XX** (both reports shown in Exhibit XII-3) are listings of records from the RP File that were **not** sent to the FTB on the announced date in late December because of errors. These reports show the detail records, net totals by 1099 Box, net total for the FEIN/SSN and the associated error message(s). Listed below are the error conditions appearing on these reports and the actions that agencies must take.

Error: FEIN or SSN is all 9's.

Action Required:

1. If the SSN/FEIN was used for a vendor record for receivable or other non-payment accounting activity, review the accuracy of transaction coding. The presence of the record on this report indicates a reportable payment was made.

EXHIBIT XII-2

CFY200-1 *****	DEPARTMENT OF AIR QUALITY		*****		ORG NUMBER:	9990
	CALSTARS	1099-MISC REPORT FOR TAX YEAR 2009			ORG PAGE:	1
12/16/09 (18.28) *****					RUN PAGE:	110

FEIN / SSN	VENDOR NO/SFX	BOX NO	*----- VENDOR NAME -----*										*----- VENDOR ADDRESS -----*		AMOUNT		
-----	BATCH ID	-----	DUP	CLAIM	TRANS	OBJ	D11	INPUT	VEND								
DATE	TYPE	NO	SEQ	IND	SCHEDULE	INVOICE	CODE	FM	FFY	DTL	RPT	RPI	TYPE				
02-0355555	8000007777-00	07			PINEAPPLE EXPRESS										225 S BROADWAY, SUITE 3200		
081222	08	337	00001	0	M981334	7243 & 7244	232	06	07	415	7		C	3,249.04			
081222	08	337	00002	0	M981334	C96.5014	231	06	07	415	7		C	0.00			
090302	08	036	00001	0	M981788	7606	232	09	07	415	7		C	4,559.66			
090312	08	220	00001	0	M981866	7410	232	09	07	415	7		C	26,933.00			
PINEAPPLE EXPRESS																	
1099 MAILED TO: 225 S BROADWAY, SUITE 3200																	
SAN DIEGO CA 92101																	
TOTAL OF E99:													\$34,741.70				

AMOUNTS BY BOX:	01 (RENTS)	02 (ROYALTIES)	03 (OTHER INCOME)	06 (MEDICAL)	07 (NON-EMPL COMP)	13 (ATTORNEY GROSS FEES)
	.00	.00	.00	.00	34,741.70	.00

CFY200-2 *****	DEPARTMENT OF AIR QUALITY		*****		ORG NUMBER:	9990
	CALSTARS	1099-INT REPORT FOR TAX YEAR 2009			ORG PAGE:	7
12/16/09 (18.28) *****					RUN PAGE:	190

FEIN / SSN	VENDOR NO/SFX	BOX NO	*----- VENDOR NAME -----*										*----- VENDOR ADDRESS -----*		AMOUNT		
-----	BATCH ID	-----	DUP	CLAIM	TRANS	OBJ	D11	INPUT	VEND								
DATE	TYPE	NO	SEQ	IND	SCHEDULE	INVOICE	CODE	FM	FFY	DTL	RPT	RPI	TYPE				
999-99-9999	4000007888-00	01			HDD										970 TUSKIN WAY, SUITE 200		
090322	04	437	00001	0	F981353	JAN09.PENALTY	231	09	08	545	5		I	259.04			
090602	04	436	00007	0	F981723	7606	231	12	08	545	5		I	59.66			
091213	04	520	00002	0	F981879	7410	231	06	09	545	5		I	333.00			
JOHN DOE																	
HDD																	
1099 MAILED TO: 970 TUSKIN WAY, SUITE 200																	
SACRAMENTO CA 95814																	
TOTAL OF E99:													\$651.70				

TOTAL OF BOX 01 (INTEREST)	.00	.00	.00	.00	34,741.70	.00
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should be requested in November. If necessary, 1099 forms may be purchased at local office supply stores.

SPECIAL PURPOSE TRANSACTION CODES FOR POSTING TO THE RP FILE

Two Transaction Codes (R01 and R02) are provided for manual adjustment/correction of the Reportable Payment File. **TC R01** creates a record in the RP File to decrease the net amount and the **TC R02** creates a record in the RP File to increase the net amount reportable for a vendor. These transaction codes post only to the RP, History and General Ledger Files. They must be used to record abatements in the RP File when necessary (normally TC R01 is used). These TCs can also be used to post the RP File for ORF Reportable Payments in claim schedules that use the **AAAAAAAAAA-nn** Vendor Number (ORF check) on the expenditure transactions. These TCs should be used in other situations only when the RP File is the only file requiring adjustment. Do not use these TCs if other files need to be adjusted for changes to Vendor Number or Object Detail.

Whenever these TCs are used, it is important to develop a full audit trail identifying the original payment or abatement transaction. These TCs are not used to record original accounting events. Their use represents an additional posting for an abatement transaction or an adjustment to correct a previous payment transaction. In either case, a clear explanation attached to the batch containing these TCs and a complete audit trail to the original entries is required to adequately respond to vendor inquiries.

When using these TCs, entries cannot be summarized across Object Detail codes. In addition to determining whether a payment is reportable, the Object Detail also determines in which box on the 1099 form to report the payment. Therefore, adjusting entries must be done at the Object Detail level.

The following is a description of each transaction code:

TC R01 Create Record Decreasing RP File Balance
DR 6243 Direct Post to Reportable Pmt File-Offset
CR 6242 Direct Post to Reportable Payment File

This TC has the same effect on the RP File as a Claim Schedule Credit Memo transaction (TC 470/471) or claim cut transaction (TC 253). It **reduces** the reportable amount on a 1099 form for a vendor.

TC R02 Create Record Increasing RP File Balance
DR 6242 Direct Post to Reportable Payment File
CR 6243 Direct Post to Reportable Pmt File-Offset

This TC has the same effect on the RP File as a Claim Schedule Payment transaction (TC 231/240). It **increases** the reportable amount on a 1099 form for a vendor.

GLANs 6242 and 6243 are displayed on the G01 and G03 reports (to Fund '0000' when ordered by fund). However, they are defined as budgetary accounts (nominal effect) and are **not** included on any year-end reports or rolled forward to the new fiscal year during the year-end close and open process. The normal balance is a **debit** for GLAN 6242 and a **credit** for GLAN 6243. The balance of these GLANs will **not necessarily equal the sum of the R01 and R02** transactions in the RP File because the General Ledger File is maintained on a Fiscal Year basis while the RP File is on a Tax Year basis.

When using TC R01 or R02 there are special coding requirements and edits applied to these transactions both on-line and in the nightly system update process. These transactions have the following coding requirements:

- ✪ Vendor Number is required and the Vendor Type must be **C, E, I** or **P**.
- ✪ An Object Detail Code is required and must be defined in the UCM as "Reportable".
- ✪ When the Vendor Type is **C** (Corporation) only Object Detail codes defined as payments to attorneys (Object Detail 415, 609 or 610) or medical payments are allowed.

If the above coding requirements are not followed, these transactions will receive one or more error codes.

RECORDING ABATEMENTS - RP FILE NOT AUTOMATICALLY POSTED

Abatements are receipts. Although they reduce expenditures, they are not recorded with claim schedule transaction codes. Therefore, abatement transactions are not automatically evaluated for posting to the RP File. If an abatement received from a vendor represents an adjustment for a previous payment (e.g., return of overpayment, reduction of a previous payment for vendor incentives or discounts, etc.) and the previous payment was posted to the RP File, the abatement should also be posted to the RP File so that only the net payment is reported on the 1099 form. To post the abatement to the RP file, use TC R01. Abatements should be posted to the RP File on a cash basis (i.e., when cash is received). If a receivable document is established in the Document File for the abatement, any necessary posting to the RP File should occur when a collection is made on the receivable.

The following criteria should be used to determine when it is necessary to record an abatement to the RP File:

- ✪ The abatement is from a vendor established in the VE Table with a Vendor Type of **E, I** or **P**; **and** the abatement is for a payment previously recorded with an Object Detail listed as reportable in the UCM Object Chapter or for a payment previously recorded with RPI code **8**.

OR

2. **Determine if the Vendor Number has been used in an accounting transaction.** Determine the 'Last Used Date' for the vendor record by viewing the VE record on the VE Entry screen. If the 'Last Used Date' displays **No Date**, the Vendor Type may be corrected with no further action and the VE Table record may be changed back to **Active**, if Step 1 was used. If the 'Last Used Date' contains a date, then the transactions processed need to be reviewed as described below.
3. **Identify payment transactions and choose a method of correction.** Review the U01 report(s) to determine if any claim schedule transactions have been processed with the Vendor Number. If there are no claim schedule transactions for the vendor, the Vendor Type may be corrected with no further action and the VE Table record may be changed back to **Active**. If there are claim schedule transactions for the vendor, go to Step 4.
4. **Recording correcting entries using one of the methods described below:**

There are two methods for making reportable payment corrections: reverse and re-enter the claim schedule transaction(s) **or** direct RP File posting. The best method to use is dependent on the number of transactions involved and the amount of cross-posting needed to readily respond to vendor inquiries regarding these payments.

 - a. **Reverse and Re-enter Claim Schedule Transactions to Correct Vendor Type.** If the method selected is the reversal and re-entry of previous claim schedule transactions, use the U01 report(s) to identify the claim schedule payments. The P01 report should be reviewed to determine if any Reportable Payments have been recorded for the vendor and, if so, to ensure that these transactions have been identified on the U01 Report. The Vendor Payment Shadow File may be used to identify the claim schedule transactions if all payments have been made within the last 90 days. Prepare and enter the reversing transactions using an **I** Modifier code since the VE Table vendor record should be set to Inactive. After all reversing transactions have posted, change the Vendor Type and the SSN/FEIN, if necessary, in the VE Table and set the vendor record to active. Re-enter the claim schedule transactions. Review the P01 Report to verify that records with incorrect Vendor Type now net to zero as a result of the correcting entries.

OR

 - b. **Direct Posting to RP File to Correct Vendor Type**

Direct RP File posting may increase the difficulty of recognizing actual payments on that file due to the TC R01 and R02 not appearing on the Vendor Payment File.

- 1) The first step is to evaluate the effect a Vendor Type change has on the determination of Reportable Payments. Some changes involve analyzing only entries in the RP File while other changes require the analysis of all claim schedule payment transactions. If the change to Vendor Type is one of the following, all claim schedule payment transactions must be reviewed to identify the adjustments necessary to the RP File:

- ✪ **Any numeric code change to any alpha code** - Since all payments to vendors with a numeric Vendor Type are not reportable, changing the Vendor Type to an alpha code requires that all previously recorded claim schedule transactions be evaluated to determine if they are now reportable.
- ✪ **C change to any other alpha code** - Since only Medical Services (RPI code 6) and payments to attorneys (Object Detail 415, 609 and 610) are reportable for Corporations, changing the Vendor Type to another alpha code requires that all other previously recorded claim schedule transactions be evaluated to determine if they are now reportable. Also, any Medical Service payments or payments to attorneys currently in the RP File need to be adjusted for the change in Vendor Type and for the change from an FEIN to SSN if the Vendor Type is changing to I.
- ✪ **X change to C** – Since all payments to Vendor Type X, Exempt Corporations are not reportable, changing the Vendor Type to C requires that all Medical Service payments or payments to attorneys (Object Detail 415, 609 and 610) previously made, be evaluated to determine if they are now reportable.

If the change to Vendor Type is one of the following, only the entries in the RP File need to be reviewed and adjusted:

- ✪ **Any alpha code change to any numeric code** - Since all payments to vendors with a numeric Vendor Type are not reportable, the RP File needs to be adjusted for any payments that were determined to be reportable with the incorrect Vendor Type.
- ✪ **C change to X** – Since all payments to Vendor Type X are not reportable, the RP File needs to be adjusted for any payments that were determined to be reportable with the incorrect Vendor Type.
- ✪ **P, E or I change to C** - Since only Medical Services and payments to attorneys (Object Detail 415, 609 and 610) are reportable for Non-Exempt Corporations, the RP File needs to be adjusted for any non-medical or non-attorney service payments. Also, an adjustment for any Medical Service payments or payments to attorneys is necessary to reflect the change in Vendor Type and for the change from a SSN to an FEIN taxpayer number if the Vendor Type is changing from I.

- ❖ **P or E change to I** - Even though there is no change in reportable payments, the RP File needs to be adjusted for the change in Vendor Type and the change in the taxpayer number from an FEIN to a SSN.
 - ❖ **I change to P or E** - Even though there is no change in reportable payments, the RP File needs to be adjusted for the change in Vendor Type and the change to the taxpayer number from a SSN to an FEIN.
- 2) **Adjusting entries required prior to changing Vendor Type** - Using a P01 report sorted by Vendor Number, prepare and enter TC R01 and/or TC R02 adjusting entries to adjust to zero any reportable payments in the RP File with the incorrect Vendor Type. For a discussion of using TCs R01 and R02 refer to the earlier *Special Purpose Transaction Codes For Posting To The RP File* Section of this chapter.
 - 3) **Correct Vendor Edit Table**. Correct the Vendor Type and, if necessary, the FEIN or SSN. Set the VE Table record back to **Active**.
 - 4) **Entries to Record the Reportable Payments with Correct Vendor Type**. Determine which transactions must be reviewed as explained above and identify those that are reportable using the criteria explained in the Section I of this procedure. Enter TC R01 and/or R02 transactions to record the reportable payments in the RP File. For a discussion of using TCs R01 and R02 refer to the earlier *Special Purpose Transaction Codes For Posting To The RP File* Section of this chapter.
 - 5) **Request P01 Report Sorted by Vendor Number**. Review a P01 Report requested after all adjusting entries have been processed. Verify that reportable payments with the incorrect Vendor Type, if any, now net to zero and that reportable payments with the correct Vendor Type are complete and correct.

Changing a vendor's FEIN or SSN in the VE Table

The FEIN or SSN contained in the VE Table is posted to the RP File for reportable payment transactions. In the RP File, the FEIN or SSN is the primary data on which reportable payments are accumulated for a vendor and reported on a 1099 form. If a vendor's FEIN or SSN is changed in the VE Table, adjustments are necessary in the RP File for any reportable payments that posted with the incorrect FEIN or SSN. If adjustments are not made when necessary, a 1099 form will be issued with the incorrect FEIN or SSN for reportable payments made prior to the correction to the VE Table. Agencies could be liable for fines and penalties imposed by the IRS for incorrect reporting. If the Vendor Type is changing in addition to the FEIN or SSN, use the correction process described above for changing the Vendor Type. If only the FEIN or SSN needs to be changed, the following process should be used for making necessary corrections:

1. **Set the Vendor Edit Table to *Inactive*.** This will prevent additional accounting transactions from posting to the RP File with the incorrect FEIN/SSN.
2. **Determine if Vendor Number has been used in an accounting transaction.** Determine the 'Last Used Date' for the vendor record by viewing it in the VE Entry screen. If the 'Last Used Date' displays **No Date** or has a date from a previous Tax Year, the FEIN/SSN may be corrected with no further action and the Vendor Edit Table record may be changed back to Active. It might be necessary to manually prepare a corrected 1099 form for the prior Tax Year if requested by the vendor. If the 'Last Used Date' is within the current Tax Year, the transactions processed need to be reviewed and adjusted as described below.
3. **Request a P01 Report sorted by Vendor Number.** Determine if there are Reportable Payments recorded with the incorrect SSN/FEIN. No entries with the incorrect FEIN/SSN for the vendor in the P01 report indicates that the transactions processed were not reportable. In this case, no adjustments are necessary in the RP File. The FEIN/SSN can be corrected and the VE Table record changed back to **Active**. If there are entries with the incorrect FEIN/SSN for the vendor, corrections to the RP File are necessary.
4. **Adjust reportable payments with Incorrect FEIN/SSN to zero.** Prepare and enter transactions using TC R01 and/or TC R02 to bring the sum of the entries with the incorrect FEIN/SSN to zero. For a discussion of using TCs R01 and R02 refer to the earlier *Special Purpose Transaction Codes For Posting To The RP File* Section of this chapter.
5. **Correct the Vendor Edit Table.** Correct the FEIN or SSN and set the VE Table record back to **Active**.
6. **Entry to record the reportable payments with correct FEIN/SSN.** Enter the exact same transactions that were entered above except code with a 'R' reverse code.
7. **Request another P01 Report sorted by Vendor Number.** Verify that the total amount reportable for the incorrect FEIN/SSN is now zero. The total for the correct FEIN/SSN should be the same amount as reported on the P01 report requested above before the correcting entries were processed.

REPORTABLE PAYMENTS MADE FROM THE OFFICE REVOLVING FUND

Reportable payments made from an agency's Office Revolving Fund (ORF) are not automatically identified and posted to the RP File. Agencies must use one of the two methods described below to identify Reportable Payments and record them in the RP File.

A. METHOD ONE: Manually Identify Reportable Payments; Post to the RP File.

Using the criteria described in the *How Reportable Payments are Identified in CALSTARS* section at the beginning of this chapter, identify those ORF payments that are reportable. Record any Reportable Payments in the RP File using TC R02.

-OR-

B. METHOD TWO: Code ORF Reimbursement Claim Schedules to Identify Reportable Payments.

Enter manual ORF reimbursement claim schedules with the vendor numbers of the actual vendors who received the ORF checks **instead of the ORF cashier** vendor number. By using the actual Vendor Number the reportable transactions are automatically identified and posted to the RP File. The following points need to be considered when using this method:

The claim schedule "face sheet" and remittance advice forms must be manually prepared using the ORF cashier vendor number since the actual vendors are entered on the claim schedule transactions. For this reason, manual claim schedule transaction codes must be used with this method.

- ✪ The Invoice field of the transactions in the ORF reimbursement claim schedule batches should be coded to indicate the schedule is reimbursing ORF, not making a payment to the vendor. This information will then be clearly displayed on the Vendor Payment Shadow File and on reports from the Vendor Payment File. While this information could alternatively be coded in the Current Document or Reference Document fields, the Invoice field is recommended since this field is also posted to the RP File and displayed on RP File reports. For agencies using CALSTARS ORF, activity in the Vendor Payment File for a vendor will contain both the entry in Fund 0998 for the ORF check as well as the entry in the ORF advancing fund for the claim schedule reimbursing ORF.
- ✪ Agencies using this method will likely want to schedule ORF reimbursements for employees in separate claim schedules from those for vendor payments since only vendor payments are evaluated for reportable payments. This would allow for normal coding and processing of ORF reimbursement claim schedules for ORF activity involving employees.
- ✪ If more than twelve vendors are included in an ORF Reimbursement Claim Schedule, multiple claims filed transactions (TC 360) are generated creating multiple claims filed documents in the Document File (i.e., system inserts A, B, etc., instead of zero, for the eighth digit of the claim schedule number). When recording the CD-102 received from the SCO, it is necessary to enter multiple TC 252 transactions or automated TC 362's generated to liquidate each document.

Regardless of the method used, procedures must ensure that reportable payments made from ORF are recorded in the RP File within the same Tax Year that the ORF check is issued to the vendor.

TRANSMITTING REPORTABLE INFORMATION TO THE FTB

On the announced late December date each year, after IEUP, the Reportable Payment File is closed for the current calendar year. This allows time for all claim schedules entered and printed prior to this date to reach the SCO and be paid in the current calendar year. This cut-off date also allows CALSTARS time to prepare a tape of the file in the format required by FTB. The FTB will produce the 1099 forms and mail them to the vendors before the January due date in the following calendar year. It is important that agencies have a review process that starts in November of each year covering the following items:

- ✦ Manual claim schedules submitted to the SCO for payment prior to the announced late December date **must** be entered in CALSTARS by this date.
- ✦ Automated claim schedules printed by CALSTARS prior to the announced late December date **must** be submitted to the SCO for processing immediately.
- ✦ Reportable payments made from ORF must be posted to the RP File by the announced late December date.
- ✦ Review the P01, P02 and X03 reports discussed in the earlier *Reports From The RP File And Vendor Edit Table* Section of this chapter. Any necessary corrections must be made prior to the announced late December date.
- ✦ On the announced date, request a P01 Report and retain it with the CFY200-1 and CFY200-2 reports for future reference. This will have all the information from the RP File for the calendar year. Because of the dollar limitations for preparing the 1099 forms, not all information on the P01 will be on the CFY200-1 and CFY200-2 reports that support the issued 1099 forms.

CORRECTING 1099 FORMS ISSUED TO VENDORS

Erroneous or incorrect 1099 forms issued based on data in the RP File must be corrected by filing a corrected 1099 form. The instructions for filing corrected returns and the 1099 forms can be obtained from the IRS by calling the IRS forms request telephone number listed in local telephone directories.

Causes for issuing incorrect 1099 forms can be grouped into two categories, incorrect data and timing:

- ✦ **Incorrect data** - This category includes such situations as payments recorded with incorrect information or the subsequent cancellation of a payment was not recorded in CALSTARS or recorded incorrectly. Examples

of these situations are incorrect identification of the vendor in the VE Table (e.g. FEIN/SSN incorrect or Vendor Type incorrect), selection of an inappropriate Object Detail and recording a subsequent claim cut or abatement incorrectly. Most incorrect 1099 forms will likely fall into this category. Issuing a corrected 1099 form is the only action necessary.

- ⊕ **Timing** - This category encompasses those situations where a transaction adjusting a previous payment occurs in the next Tax Year. An example is a claim cut issued after the announced late December date for a payment processed on or before that date. These situations will usually require adjustments in the RP File in addition to issuing a corrected 1099 form. In the example cited above, the RP File needs to be adjusted to 'zero out' the claim cut transaction in the new Tax Year since the related payment transaction was posted in the prior Tax Year.

The identification of reportable transactions in CALSTARS occurs prior to the actual issuance of a warrant by the SCO. To compensate for this timing difference, the announced late December date is established as the cut-off date for the Tax Year in CALSTARS. Due to the timing, there may be some rare instances of a vendor receiving a warrant dated just prior to or just after the Tax Year in which the 1099 form is issued that needs correction.