

## VISION Vendor Set up, W-9 Forms and Reportable Payment Processing – FAQs

1. **Question:** I have had multiple requests from Finance to obtain a W-9 from new vendors that I requested to be set up in VISION or existing vendors that I request changes to. What is this form, why is it important and what should I look for when I get one?

**Answer:** A Form W-9 is called “Request for Taxpayer Identification Number and Certification” and is issued by the IRS. The form is used by the State of Vermont to obtain the TIN of individuals and businesses and to obtain their federal tax classification.

The information on a W-9 is used by the State of Vermont to determine whether payments made to the individual or business (based on their federal tax classification) may be required by the IRS to be reported on a 1099-Misc form. The IRS requires that the State have on file the correct TIN for individuals and businesses whose payments are reported on a 1099-Misc. If the State reports incorrect information they may be subject to fines and penalties from the IRS.

You should have a W-9 on file for each new regular vendor that you request. Before you accept a W-9 from a vendor, you should check for the following things:

- The Name box cannot be left blank.
- The Name box must contain an individual name if the TIN is a social security number.
- The Name box can be an individual name or a business name if the TIN is an EIN.
- One and only one Federal Tax Classification box must be checked. (Exempt Payee is **not** a federal tax classification.)
- If LLC is checked, then the tax classification must be indicated on the line provided.
- If Other is checked, then type of entity must be indicated on the line provided.
- TIN must be either a Social Security or an Employer Identification Number. Both cannot be filled in.
- If TIN is a Social Security Number then the Federal Tax Classification must be Individual/sole proprietor.
- Form must be signed and dated with a current date (within the last 6 months).

Important notes about requesting a W-9 from a vendor:

- Departments should send the vendor the most current version of the form W-9 off the IRS website or point them directly to the website to get the most current form themselves.
- The form must be completed and signed by the individual or business owner/representative. This form is **not** to be completed by the requesting department nor should departments tell the vendor what specific information to put on the form.
- If vendors need help in filling out a W-9, the department should refer them to the detailed instructions of the form or have the vendor contact their accountant or tax preparer.
- If the department receives a W-9 that is improperly filled out, they must request a new form to be completed and signed by the vendor. The department cannot make corrections to the form on behalf of the vendor.

2. **Question:** Since I have a W-9 on file for the new vendor that I am requesting, should I just send it to Finance along with my vendor request to avoid a possible request for it in the future?

**Answer:** At this time Finance does not require departments to provide a W-9 for each of their new vendor requests unless they are specifically asked for it by Finance. The requirement at this time is only that Departments have one on file. However, Finance will gladly accept all W-9 forms if the department wants to send them with the request. As Finance continues to develop processes and procedures regarding vendor maintenance, submitting a W-9 with each new vendor request may become a requirement in the future.

3. **Question:** I need to pay this vendor for expense reimbursements only – why do I need a W-9 from the vendor when payment for expense reimbursement is not required to be reported on a 1099-Misc?

**Answer:** Vendors are set up globally in VISION. This means that all vendors are used by all departments. Your department may be paying the vendor for expense reimbursements now, but another department may pay this vendor for a reportable service in the future. It is important to set vendors up initially in VISION based on their potential to be paid for reportable services so that errors do not occur in the future.

4. **Question:** Is there ever a time when I do not need to obtain a W-9 from a new vendor?

**Answer:** If you are making a payment that is not reportable to the vendor and it is the only payment you foresee making to this vendor, you may request a one-time vendor be set up in VISION and you will not be required to provide a TIN or W-9 for the vendor. A one-time vendor will be available for use one time only and will be automatically inactivated by the system once a payment is made to it. Instances when it is appropriate to request a one-time vendor are the following:

- Making a onetime refund for an overpayment.
- Making a onetime expense reimbursement payment.
- Making a onetime non reportable payment to two parties.

5. **Question:** Finance uses the term “reportable vendor”. What are they talking about and how do they determine what vendors will be set up in VISION as “reportable?”

**Answer:** A “reportable vendor” is a vendor that is set up in VISION as withholding applicable. This means that payments made to these vendors will be reported on a form 1099-Misc unless the withholding check box is unchecked on the voucher invoice lines.

The following vendors are set up as “reportable” in VISION because of the potential for them to receive a reportable payment:

- Individuals, Sole Proprietors, Partnerships

All payments for services to individuals, sole proprietors and partnerships are required to be reported on a 1099-Misc. Therefore all regular vendors that are individuals, sole proprietors or partnerships are set up as reportable vendors in VISION.

- All Vendors Providing Medical Services (Including Veterinarians)

All payments for medical services including dental, counseling and veterinarian services are required to be reported on a 1099-Misc. Therefore all regular vendors which provide medical services are set up as reportable vendors in VISION. (With the exception of tax exempt hospitals and hospitals owned by a government entity – these are not set up as reportable.)

- All Vendors Providing Legal Services

All payments for legal services are required to be reported on a 1099-Misc. Therefore all regular vendors which provide legal services are set up as reportable vendors in VISION.

Please note that vendors that are Limited Liability Companies (LLC's) are set up in VISION based on their tax classification and follow the rules above.

6. **Question:** What if I make a non reportable payment to a vendor that is set up as “reportable” in VISION? Will it get reported on a 1099-Misc by mistake?

**Answer:** The payment will be reported on a 1099-Misc unless the withholding check box is unchecked on the voucher invoice lines.

It is the departments' responsibility when entering a voucher to determine if the payment being made is a reportable payment and to make sure that the withholding box, on the voucher invoice line, is checked or unchecked appropriately and that the withholding class is correct for all reportable invoice lines.

If a department finds that a voucher has not been processed correctly as reportable/non reportable or with the correct withholding class and the voucher has already been paid, the department must contact Finance and let them know about the error. Finance will make an adjustment prior to 1099-Misc forms being sent to vendors and the IRS.

7. **Question:** How do I know if the vendor that I need to pay is a “reportable” vendor or not and what am I supposed to do to ensure my payment is reported correctly?

**Answer:** When a voucher is entered to a reportable vendor, a blue [Withholding](#) link (Transfer to Withholding Detail) will be available on the Invoice Information page of the voucher.

When this blue [Withholding](#) link is available, the user must determine if the payment being made is a reportable payment. If the payment or any part of the payment is **not** reportable, the user must separate the reportable and non reportable amounts onto separate voucher invoice lines. They must then click on the blue [Withholding](#) link and uncheck the Withholding Applicable check box for each invoice line that is not reportable.

When making a reportable payment, the user must also determine if the withholding class listed on the Withholding Information Page is correct for the payment being made. If the withholding class is not correct, it must be changed to the one applicable to the payment being made.

8. **Question:** What exactly is considered reportable and non reportable payments and what is the correct withholding class for reportable payments?

**Answer:** The following types of payments are reportable to the vendor on a 1099-Misc with the indicated withholding class:

<b>Payment Type:</b>	<b>Being Paid To:</b>	<b>Withholding Class:</b>
Services (except medical) Per Diem	Individuals Sole Proprietors Partnerships	07
Witness Fees Expert Testimony	Individuals Sole Proprietors Partnerships	07
Medical and Health Care Services <ul style="list-style-type: none"> <li>• includes Dental, Counseling and Veterinarian Services</li> <li>• does not include medical supplies or pharmaceuticals</li> </ul>	All vendors (with the exception of tax exempt hospitals or hospitals owned by a government entity)	06
Attorney Fees / Legal Services	Attorneys Law Firms Other providers of legal services	07
Gross Proceeds paid in connection with legal services	Attorneys Law Firms Other providers of legal services	14
Prizes and Awards to non-employees	Individuals Sole Proprietors Partnerships	03
Punitive Damages	Individuals Sole Proprietors Partnerships	03
Rental of Space or Building	Individuals Sole Proprietors Partnerships	01
Rental of Equipment without an operator	Individuals Sole Proprietors Partnerships	01
Rental of Equipment with an operator – invoice bills equipment and operator separately	Individuals Sole Proprietors Partnerships	Equipment portion = 01 Operator portion = 07
Rental of Equipment with an operator – invoice bills as one price for both	Individuals Sole Proprietors Partnerships	07
Grants - if paid in conjunction with the vendor providing a service	Individuals Sole Proprietors Partnerships	07

The following payments are **not reportable** to the vendor on a 1099-Misc:

<b>Payment Type:</b>	<b>Being Paid To:</b>
All Payments	Tax exempt organizations Government Entities
Services (except medical and legal)	Corporations
Bonuses Awards	Corporations
Punitive Damages	Corporations
Rents of any kind	Corporations
Medical and Health Care Services (includes Dental Services and Counseling Services)	Tax exempt hospitals Hospitals owned by a government entity
Refunds	All vendors
Reimbursements for meals, lodging, mileage or other expenses	All vendors
State Benefits (i.e. fostercare, state assistance)	All vendors
Purchases of Merchandise (including medical supplies and pharmaceuticals) Telegrams Telephone services Freight	All vendors
Grants – paid as reimbursements	All vendors
Grants – state aid	All vendors
Grants – Scholarship or Fellowship	All vendors

Please note that the lists above are not all inclusive – if you are making a payment and are not clear as to whether the payment is reportable on a 1099-Misc or not, please contact Financial Operations for clarification.

9. **Question:** I separated my voucher, for payment of reportable service and expense reimbursement, into separate lines, but the entire payment was still reported to the vendor on a 1099-Misc. What could I have done wrong?

**Answer:** There is a good chance that you separated your payment into separate distribution lines but not separate invoice lines. The reportable and non reportable amounts must be on separate **invoice** lines so that you can uncheck the withholding box on the invoice line for the non reportable amount.

10. **Question:** I have been getting calls from Finance asking me what my payments are for. Many of these have been for expense reimbursements that I have correctly unchecked the withholding box on. I have processed these correctly so why are they questioning me and how can I get them to stop?

**Answer:** Finance does multiple reviews each month to make sure that payments are being correctly coded as reportable or non reportable. Many times Finance cannot determine what is being paid to the

vendor based on the account code used or other information on the voucher. In these cases Finance contacts the department for an explanation to verify that the payment has been coded correctly.

Finance has begun asking departments to **include the word “refund” or “reimb” in the invoice line description** on the voucher for all invoice lines for refunds and reimbursement of expenses. The use of these words on the invoice line has significantly reduced the amount of questions going out to departments and the time that Finance must spend in analyzing the data.

11. **Question:** Since January 2012, I have attempted to pay a vendor that I have paid in the past only to find that the vendor has been inactivated. Why is this happening and how do I get my vendor paid?

**Answer:** Finance has been implementing various procedures over the last year to ensure the accuracy of the vendor data in VISION. One of these procedures is to inactivate vendors that have not been used in 24 months. Many changes occur over time including name changes, federal tax classification changes and buying and selling of businesses that result in the vendor data in VISION being inaccurate. Best practices for maintaining vendor data in accounting systems recommend that vendors be inactivated or purged from systems after 18 – 24 months of nonuse.

A new vendor must be requested by the department for any vendor that does not have an approved vendor ID in the VISION system. A W-9 must be obtained from the vendor to ensure that accurate and current information is used when requesting the new vendor ID. Once Finance creates the new vendor, the department can use the new vendor ID to make the payment.