

A brief overview of state's involvement with 1099 forms and the role of *ftwilliam.com*:

Why are states involved with a form sent to the IRS?

On the 1099-R form, for example, there are fields for "State tax withheld", "State/Payer's state no", and "State distribution". For some states, the gross distribution – or a portion of it - is considered a taxable distribution. Those taxes are generally paid back to the state on a particular schedule (monthly, quarterly, etc. – normally depending on the amount of tax withheld in the previous year with payers withholding more tax being on a more frequent schedule). At the end of the year, these states want to *reconcile* these amounts to ensure that the proper amounts were calculated for "State distribution" and "State tax withheld". More importantly, they want to make sure they received all of the withheld tax due.

Some states participate in the IRS joint filing program. That is, the 1099-R information sent to the IRS is then made available to the states as indicated in the FIRE file. Other states, for various reasons, want an additional state tax withholding reconciliation form that typically has additional information not found on the 1099-R.

The role of ftwilliam.com

ftwilliam.com offers software and services to complete 1099 fulfillment including filing with the IRS, sending out payer and payee copies, and state 1099 tax withholding reconciliation. What our software does is look at the states entered into either line of box 13 for all payees included in a batch to determine if any of those states require 1099 tax withholding reconciliation. When our software finds an eligible state, we provide the means to fill out any relevant form on a per-Payer basis and auto-populate the information as best we can from fields 12, 13, and 14. We then require that any edit checks related to that form pass before you can select one of our fulfillment options that include state fulfillment. There are a couple of important things to note:

1. Some states require that a payer send all 1099 tax withholding reconciliation information only once. This means that all payees for that payer should be included in one batch if you are choosing a state fulfillment option. Our software will alert you if it detects one of those states in box 13 for any payee in a given batch.
2. Our software **does not** look at the payees address to determine which state should be fulfilled.
3. Due to the complexity involved, we do not offer corrective services for state 1099 tax withholding reconciliation.
4. We will do our best to answer any questions that you have, but we cannot offer any legal advice or counsel including whether or not a plan is in compliance for a given state's 1099 tax withholding reconciliation requirements.
5. Our state 1099 software looks at a Payer's TIN to distinguish a plan and will bundle separate Payers together as best it can if they share a TIN and are in the same batch. Please ensure that

if you have multiple Payers set up in our system with the same TIN that their information (address, etc.) are up to date and match.

6. Our software looks at field 13b to determine a Payer's state ID. Please make sure to gather that information from your clients and fill it out when completing boxes 12, 13, and 14 on a 1099-R.
7. The IRS will not automatically forward 1099 information to states that participate in the joint filing program because one of those states is in box 13. If you are relying on *ftwilliam.com* for state 1099 fulfillment, you must select one of the fulfillment options that explicitly include state 1099 fulfillment.
8. There are other state forms, such as the CT-945 for Connecticut, that are involved with state tax withholding and can include information regarding 1099 forms, but are not part of *ftwilliam.com*'s state 1099 fulfillment services because they involve tax withheld on W-2 and other forms that we do not offer. Also, note sometimes the electronically filed form is a replacement for a paper form with a different form name.
9. We don't offer **full** state tax withholding reconciliation because we don't deal with W-2s and other similar forms.

This may seem a bit complicated, but to date, we have never had an issue regarding our state 1099 fulfillment and you can count on the same *ftwilliam.com* phone and email support that you have come to rely on if you should have any questions or run into any problems.

NOTE: This document is intended for informational purposes only and does not constitute legal or tax advice.