

# CIRCULAR

## STATE OF NEW JERSEY

### DEPARTMENT OF THE TREASURY

NO.: 18-09-OMB	ORIGINATING AGENCY : OFFICE OF MANAGEMENT AND BUDGET	PAGE 1 OF 7
EFFECTIVE DATE: 01-01-18	EXPIRATION DATE: INDEFINITE	SUPERSEDES : 16-04-OMB
SUBJECT: GUIDELINES FOR BACKUP WITHHOLDING		
ATTENTION : DIRECTORS OF ADMINISTRATION AND CHIEF FISCAL OFFICERS		
FOR INFORMATION CONTACT: LESLIE A. NOTOR		PHONE: (609) 292-5040

#### I. PURPOSE

To ensure Agencies that use Agency-specific disbursement systems or third party contractors to issue payments understand and comply with Internal Revenue Service (IRS) regulations requiring backup withholding. IRS regulations can be found at <http://www.irs.gov/pub/irs-pdf/p1281.pdf>.

#### II. BACKGROUND

A Taxpayer Identification Number (TIN) is included on the information return submitted by the Agency to the IRS for processing. The IRS compares the name/TIN combination on each information return to tax returns filed by the payee. If the name/TIN information does not match, either because the TIN is incorrect or missing, the IRS creates a listing of all mismatches that are sent to the Agency.

Specific procedures must be followed by the Agency with respect to how the information contained in the listing is reviewed and the actions that must be taken. If, after appropriate action is taken, the proper TIN is not obtained from the payee, the Agency will be subject to rules that require income tax withholding on payments. Amounts required to be withheld must be deposited with the IRS on a semi-weekly, monthly, or annual basis and Form 945 must be filed annually to report the amounts subject to withholding. Agencies that fail to comply with these requirements may be liable for the amounts that should have been withheld and for associated penalties.

#### III. DEFINITIONS

- A. **Backup withholding** - Backup withholding is a type of tax withholding required on 1099 income for federal tax purposes. Effective January 1, 2018, the rate is 24%.
- B. **Taxpayer Identification Number (TIN)** - A TIN is a Social Security Number (SSN) issued by the Social Security Administration (SSA) or an Employer Identification Number (EIN) or Individual Taxpayer Identification Number (ITIN) issued by the IRS. A TIN is a unique sequence of only nine numbers, and therefore cannot have more or less than nine numbers nor can it have letters.
- C. **CP2100 or CP2100A Notice** – This is an annual notice from the IRS that includes a listing(s) of the information returns filed by the Agency that contained a missing, incorrect, and/or not currently issued TIN(s). The list is used to compare to the Agency's records to determine the required actions the Agency must take.
- D. **"B" Notice** - A "B" Notice is a backup withholding notice. The purpose of sending out "B" notices is to obtain or verify missing TINs. "B" Notices must include specific language informing the recipient of new procedures for certifying their TIN. (See IRS Publication 1281 for language, and refer below for a notice.)

#### IV. POLICY

Agencies that use Agency-specific disbursement systems or third party contractors to issue payments are not to use the State TIN (216000928) when issuing 1099s. Agencies must obtain a unique TIN from the IRS. Instructions on obtaining a TIN are at <https://www.irs.gov/individuals/international-taxpayers/taxpayer-identification-numbers-tin>.

Agencies are to comply with the IRS rules regarding the sending of "B" notices, backup withholding, making timely deposits with the IRS and filing the annual Form 945. See IRS Publication 1281, *Backup Withholding on Missing and Incorrect TINs*, available at <http://www.irs.gov/pub/irs-pdf/p1281.pdf>.

#### V. PROCEDURES

##### A. New Vendors/Payees

At the time that a vendor/payee is added, the Agency is required to solicit a TIN from the vendor/payee through a Form W-9 ("initial solicitation"). Each Agency should have policies and procedures for: (i) adding a vendor, (ii) making the initial solicitations for the TIN, (iii) reviewing certifications and supporting documentation received from such solicitations, and (iv) ensuring the TIN is properly recorded into the respective system. A TIN verification is required before adding a vendor.

##### B. Quarterly or Annual Check

Agencies are highly recommended to utilize the IRS TIN Matching Program during the year to identify mismatches before the IRS notifies the Agency, and to correct names/TIN combinations prior to issuing Form 1099s. Implementing these procedures will decrease receipt of CP2100s and backup withholding.

###### a. How Does the Agency Register for TIN Matching?

An individual employee must register as an E-services user with the IRS at <https://la1.www4.irs.gov/e-services/Registration/index.htm>. Personal information is required to apply for the service.

###### b. Using the TIN Matching System

Users can access Interactive TIN Matching or Bulk TIN Matching.

- Interactive TIN Matching allows up to 25 name/TIN combinations per session.
- Bulk TIN Matching allows up to 100,000 name/TIN matching combinations. Bulk TIN matches are uploaded to the IRS website using a specified file format. Results are returned within 24 hours.

##### C. Receipt of CP2100 or CP2100A Notice — Processing and Responding to B-Notices

After the annual submission of Form 1099 information returns, the IRS will send Agencies a CP2100 or a CP2100A Notice which includes a listing(s) of the information returns the Agency has filed that had missing, incorrect, and/or not currently issued TIN(s).

Once received, the Agency should compare the listing(s) to its records to determine if the mismatch was due to (1) a missing TIN or (2) an incorrect TIN. Although no official response to the IRS is required as a result of the notification, specific procedures must be followed by the Agency with respect to how the information contained in the listing is reviewed and the actions that must be taken. See Flow Charts below for additional guidance.

###### a. Missing TIN(s)

The IRS considers a TIN to be missing if it is not provided, has more or less than nine numbers, or it has an alpha character as one of the nine positions.

As stated above in Section V.A., New Vendors/Payees, a TIN verification is required before adding a new vendor. However, if the Agency inadvertently did not include the TIN on the information return, include the

TIN on the future information returns filed. For all other missing TIN(s), **make sure backup withholding has begun** and continue backup withholding until the Agency receives a TIN. If you have not begun backup withholding, generally you must:

1. Begin backup withholding on the next payment the Agency will make and continue backup withholding until the Agency receives a TIN.
2. A first or second "B" Notice in response to the CP2100 or CP2100A Notice is not necessary. However, in order to avoid a penalty for filing an information return that omitted the payee's TIN, specific solicitation procedures are required.
  - The Agency must make a **first annual solicitation** for the TIN (generally by December 31 of the year in which the account is opened);
  - If a TIN is still not received, the Agency must make a **second annual solicitation** by December 31 of the following year.
  - In total, there should be an initial, first annual, and second annual solicitation to avoid penalties for failure to include the correct TIN on an information return.
  - No annual solicitations are required in the years in which no reported payments are made.
3. **Refer to Part D below under backup withholding procedures.**

b. **Incorrect Name/TIN Combinations**

A name/TIN combination is incorrect if, though the name/TIN combination is in the proper format, the combination does not match or cannot be found on IRS or SSA files.

The Agency must follow different procedures depending on whether information on the listing(s) agrees or disagrees with your Agency's records. Compare the listing(s) with the Agency's records and take the following actions:

i. **For Payee Information that Does Not Agree to the Agency's Records**

Check to see if:

- (i) the Agency put the incorrect information on the return,

If the Agency reported the incorrect information on the return (*i.e.* a transposition), correct the Agency's records and include that information on any future information returns the Agency will file. Do not send a "B" Notice to the payee. Do not send the correction to the IRS.

- (ii) the information changed after the Agency filed the return, or

If the information changed after the Agency filed the return (*i.e.* the payee has provided new certification), include that information on any future information returns the Agency will file. Do not send a "B" Notice to the payee. Do not send the correction to the IRS.

- (iii) the IRS misprinted the information when processing the return.

If the IRS misprinted the information, make a note of it in the Agency's records and do not take any action. Do not send the correction to the IRS.

ii. **For Payee Information that Does Agree to the Agency's Records**

Determine whether this is the first or second time, within three calendar years, that the IRS notified the Agency about this particular incorrect Name/TIN combination. Different procedures are required depending on whether this is the first or second TIN mismatch. The CP2100 does not indicate if this is the first or second notification. Therefore, **procedures must be in place** that allow the Agency to

determine whether this is the first or the second notification, as the procedures differ.

### **First Notification**

If this is the first notification of name/TIN mismatch received by the Agency with respect to the payee during the past three years, Agencies will send the first notification, known as the First "B" Notice. The "B" Notice informs the payee that the name/TIN combination furnished to the Agency does not match IRS records and describes steps the payee must take to stop or prevent backup withholding from payments made after receipt of the "B" Notice.

#### **1. First "B" Notice Procedures**

- 1) Send the First "B" Notice and Form W-9 to the payee within 15 business days from the date of the CP2100/CP2100A Notice or the date the Agency received it (whichever is later). The "B" Notice response date should be no later than 30 business days after the date of the CP2100/CP2100A Notice or the date the Agency received it (whichever is later).
- 2) The outer mailing envelope must be clearly marked:  
  
"IMPORTANT TAX INFORMATION ENCLOSED" or "IMPORTANT TAX RETURN DOCUMENT ENCLOSED."
- 3) The Agency should use the language provided in Publication 1281 to instruct payees. The First "B" Notice is included below.
- 4) Make sure that necessary information such as the date, account number, and backup withholding rate are on the "B" Notice before mailing it to the payee. Inform payee of how to respond (i.e. fax, email, phone).
- 5) Allow the payee 30 days to provide a newly signed Form W-9.

#### **2. If Received Form W-9/Response to the First "B" Notice**

If the new information is received from the payee, update the Agency's records with the corrected information and include it on any future information returns the Agency will file. Do not send the signed Form W-9 to the IRS. Keep the Form W-9 for record purposes.

#### **3. If No Form W-9/Response Received**

If the payees do not return a signed Form W-9 in response to the First "B" Notice, **begin backup withholding on payments** made to the payees no later than 30 business days after the date of the CP2100/CP2100A Notice or the date the Agency received it (whichever is later). However, the Agency may begin backup withholding the day after the date the Agency received the CP2100 Notice. **Refer to Part D below under backup withholding procedures.**

#### **4. If Form W-9/Response Subsequently Received After Backup Withholding**

Stop backup withholding no later than 30 calendar days after the Agency receives the signed Form W-9 from the payee. The Agency may stop backup withholding any time within that 30 calendar day period. Dollars withheld cannot be refunded.

### **Second Notification ("Two in Three Rule")**

If the same payee TIN appears for the second time within three calendar years on the listing, a second

notification, known as the Second "B" Notice, is required. **It is thus imperative for the Agency to maintain records that show if a payee was subject to a prior "B" Notice within the last three calendar years.**

1. Second "B" Notice Procedures

- 1) Send the Second "B" Notice to the payee within 15 business days after the date of the CP2100/CP2100A Notice or the date the Agency received it (whichever is later). The "B" Notice response date should be no later than 30 business days after the date of the CP2100/CP2100A Notice or the date the Agency received it (whichever is later).
- 2) The outer mailing envelope must be clearly marked:  
  
"IMPORTANT TAX INFORMATION ENCLOSED" or "IMPORTANT TAX RETURN DOCUMENT ENCLOSED."
- 3) The Agency should use the language provided in Publication 1281 to instruct payees. The Second "B" Notice is included below. **Remember, the text of the Second "B" Notice is different from the First "B" Notice.**
- 4) Unlike the first "B" Notice, do not send a Form W-9. The Second "B" Notice will require the individual payee to provide the Agency with a copy of a Social Security card (or a Letter 147C for a non-individual) with his or her correct name and SSN.

2. If Received a SSN/Response to the Second "B" Notice

Allow 30 business days after the date of the Second "B" Notice to receive a copy of a Social Security card or Letter 147C from the payee.

The Agency may rely upon a Social Security card as being correct only if the name and SSN combination appearing on the card differ from the name and SSN combination appearing on the Second "B" Notice, or if there is a date appearing on the Social Security card that is no earlier than six months prior to the date of the Second "B" Notice. If the TIN is an EIN, the payee must contact the IRS to get his or her employer identification number validated on the IRS Letter 147C. Note a TIN certified on a Form W-9 is **not sufficient** to stop or prevent backup withholding after a Second "B" Notice is sent.

If received, the Agency must use the name and SSN combination provided on future information returns and statements.

3. If No SSN/Response Received

If a copy of a Social Security card or Letter 147C was not received after the 30 business days upon the date of the Second "B" Notice, **begin backup withholding on the payments** by the 30th day. The Agency may begin backup withholding anytime during the 30 business day period. The Agency must continue to backup withhold until the Agency receives the proper validation. **Refer to Part D below under backup withholding procedures.**

4. If SSN/Response Subsequently Received After Backup Withholding

Stop backup withholding no later than 30 calendar days after the Agency receives the proper validation. The Agency may stop backup withholding any time within that 30 calendar day period. Dollars withheld cannot be refunded.

**Third and Subsequent Notices**

Generally, the Agency may ignore a third or subsequent notice from the IRS of missing or incorrect TIN(s) if the Agency completed the actions for the First and Second "B" Notices above and the incorrect payee name and TIN combination and account number remain the same.

However, if the CP2100/CP2100A Notice and listing(s) relate to the same payee, but with a different Name/TIN combination than on the "first" and "second" notice, the Agency must treat the notice as a "first" notice.

**Other Important Notes**

Do not file a corrected Information Return unless the Agency is also making a change to the dollar amount reported on a Form 1099.

It is the Agency's responsibility to send the appropriate "B" Notice to the payee, when required, to obtain the correct Name/TIN. This information may not be solicited by telephone. In the case of a first "B" notice, the Agency needs a TIN that the payee certifies as correct either on the Form W-9 in order to stop current backup withholding or prevent backup withholding from starting. In the case of a second "B" notice, the Agency needs a copy of a social security card or a 147C letter from the IRS confirming the TIN in order to stop backup withholding or prevent backup withholding from starting.

Some payees may be exempt from backup withholding, such as tax-exempt organizations and government agencies. These are listed in the "Instructions for the Requester of Form W-9."

Sending a "B" notice to a payee in response to a CP2100 or CP2100A satisfies the annual solicitation requirements in order to avoid a penalty for filing an information return with an incorrect TIN.

**"B" Notice Cycle is 30 Business Days**

As a helpful guide as to the timing:

- Fifteen (15) business days to mail notices from the later of the date of the notice or the date received.
- Thirty (30) business days for the payee to respond from the later of the date of the notice or the date received.
- If payee fails to respond by the end of the 30th business day, begin backup withholding.

**D. Backup Withholding, Deposits, and Reporting****a. Implementing Backup Withholding**

Policies and procedures need to be in place to backup withhold 24% on the payment. This can either be done (i) manually, (ii) through the processing system currently being used, or (iii) through a third-party provider.

**b. Remitting/Depositing Backup Withholding**

It is the Agency's responsibility to deposit backup withholding to the IRS. Once funds are withheld, the Agency must deposit the money using the same rules as those used for employment taxes. See the general instructions for information on when the taxes must be deposited (IRS Circular E (Section 11 of Pub. 15) or IRS Forms 941 or 945).

The timing of the deposits will vary from quarterly to semi-weekly depending on size of the deposit to be made. In making this determination, the Agency must look to amounts reported on line 3 of Form 945, Annual Return of Withheld Federal Income Tax, for the second calendar year preceding the current calendar year. For example, the look-back period for 2015 for a Form 945 filer is calendar year 2013. There are two deposit schedules—monthly or semiweekly—for determining when the Agency must deposit withheld federal income tax. These schedules tell an Agency when a deposit is due after a tax liability arises (that is, the Agency

**IMPORTANT TAX NOTICE ACTION IS REQUIRED**

**Backup Withholding Warning!**

**WE NEED A FORM W-9 FROM YOU BEFORE: \_\_\_\_\_.** Otherwise; backup withholding will begin on: \_\_\_\_\_.

Account Number:

Current Name on Account:

Current TIN on Account:

The Internal Revenue Service (IRS) has notified us that the taxpayer identification number (TIN) on your account with us does not match its records. The IRS considers a TIN as incorrect if either the name or number shown on an account does not match a name and number combination in their files or the files of the Social Security Administration (SSA). If you do not take appropriate action to help us correct this problem before the date shown above, the law requires us to backup withhold on interest, dividends, and certain other payments that we make to your account. The backup withholding rate is: \_\_ [set forth rates/dates] In addition to backup withholding; you may be subject to a \$50 penalty by the IRS for failing to give us your correct Name/ TIN combination. This notice tells you how to help us make your account records accurate and how to avoid backup withholding and the penalty.

**Why Your TIN May Be Considered As Incorrect.**

An individual's TIN is his or her social security number (SSN). Often a TIN does not match IRS records because a name has changed through marriage, divorce, adoption, etc., and the change has not been reported to SSA, so it has not been recorded in SSA's files. Sometimes an account or transaction may not contain the correct SSN of the actual owner. For example, an account in a child's name may reflect a parent's SSN. (An account should be in the name and SSN of the actual owner.)

**What You Need To Do for Individuals**

If you have never been assigned a social security number (or if you lost your social security card and do not know your SSN), call your local SSA office and find out how to obtain an original (or a replacement) social security card. Then apply for it. If you already have a social security number: Compare the name and SSN on your account with us (shown at the beginning of this notice) with the name and SSN shown on your social security card. Then use the chart on the next page to decide what action to take.

Once you have resolved what your correct name and TIN combination is, you must provide this information to us (and all your other payors) for all of your accounts to avoid a problem in the future. If you are required to visit an SSA office, take this notice, your social security card, and any other related documents with you. Information regarding what documentation is needed to update information with the Social Security Administration is available at [ssa.gov](http://ssa.gov).

IF	Then
<p>1. The last name and SSN on your account agree with the last name and SSN on your social security card.</p>	<p>1. Contact your local SSA office to ascertain whether the information on SSA's records is different from that on your social security card, and to resolve any problem. Also, put your name and SSN on the enclosed Form W-9 following the instructions on the form. Sign the Form W-9 and send it to us.</p>
<p>2. The SSN on your account is different from the SSN on your social security card, but the last name is the same.</p>	<p>2. Put your name and SSN, as shown on your social security card, on the enclosed Form W-9, following the instructions on the form, sign it, and send it to us. You do not need to contact SSA.</p>
<p>3. The last name on your account is different from the last name on your social security card, but the SSN is the same on both.</p>	<p>3. Take one of the following steps (but not both): (a) If the last name on your account is correct, contact SSA to correct the name on your social security card. Put your SSN and name shown on your account on the enclosed Form W-9 following the instructions on the form, sign it, and send it to us. However, if you are not able to contact SSA at this time, you can provide us with both last names. Put your SSN and the name shown on your social security card plus the last name shown on your account (in that order) on the enclosed Form W-9 following the instructions on the form, sign it, and return it to us. For example, if your social security card lists your maiden name, give us your SSN and your name in the following order: First/maiden/ married name. Please note, however, that you should contact SSA as soon as possible so they can correct their records. (b) If the last name on your social security card is correct, put that name and your SSN on the enclosed Form W-9 following the instructions on the form. Sign it, and return it to us. You do not need to contact SSA.</p>
<p>4. Both the last name and SSN on your account are different from the last name and SSN on your social security card.</p>	<p>4. (a) If the last name and SSN on your social security card are correct, put that name and SSN on the enclosed Form W-9 following the instructions on the form. Sign it, and send it to us. You do not need to contact SSA. (b) If the last name on your account and the SSN on your social security card are correct, follow the procedure in section 3(a) above. Be sure to put the name shown on your account and the name on your social security card on the Form W-9.</p>



## **Instructions for Non-individuals and Certain Sole Proprietors**

For most **non-individuals** (such as trusts, estates, partnerships, and similar entities), the TIN is the employer identification number (EIN). The EIN on your account may be incorrect because it does not contain the number of the actual owner of the account. For example, an account of an investment club or bowling league should reflect the organization's own EIN and name, rather than the SSN of a member. Please put the name and EIN on the enclosed Form W-9, sign it, and send it to us.

A **sole proprietor** must furnish his or her individual name and either his or her SSN or the EIN for his or her sole proprietorship. In addition to his or her individual name, the sole proprietor may also furnish the business name for the sole proprietorship, provided his or her individual name is listed before the business name. A sole proprietor must not furnish only the business name. Please put the individual name and SSN or EIN on the enclosed Form W-9, sign it, and send it to us.

### **Important Reminder!**

**You must send us a signed IRS Form W-9 before the due date of this notice** even if the name and number (SSN or EIN) on your account with us match the name and number (SSN or EIN) on your social security card or the document issuing you an EIN. If we do not receive your Form W-9, and any other documents that we need to change the name or TIN (or both) on your account before the date of this notice, we are required by law to backup withhold on any reportable payment that we pay to your account until we receive the necessary documents. A Form W-9 is enclosed for your convenience, as well as any additional documents allowing us to change the Name/TIN combination on your account.

**Second "B" Notice (Publication 1218, Revised 12/2014)**

**IMPORTANT TAX NOTICE ACTION IS REQUIRED**

**Second Backup Withholding Warning!**

**YOU MUST HAVE THE IRS OR SSA VALIDATE YOUR TAXPAYER IDENTIFICATION NUMBER AND RETURN IT TO US BY: \_\_\_\_\_.** Otherwise, backup withholding will begin.

Account Number:

Current Name on Account:

Current TIN on Account:

We have received notice from the Internal Revenue Service (IRS) twice within 3 years stating that the combination of the name and taxpayer identification number (Name/TIN combination) on your account with us is incorrect. (Your account number, current name on the account, and current taxpayer identification number (TIN) on the account are shown above.) A Name/TIN combination is incorrect if it does not match a Name/TIN combination shown on the records of the Social Security Administration (SSA) or the IRS.

You should follow the instructions below to correct this problem and send the corrected information to us before the date shown above. If we do not have the correct information before that date, the law requires us to backup withhold on interest, dividends, and certain other payments that we make to your account. The backup withholding rate is: \_\_ [set forth rates/dates]

Section 3406 of the Internal Revenue Code requires that we withhold a predetermined percent in tax, called backup withholding, when you do not give us your correct Name/TIN combination. Because of the notices we received from the IRS, we are now required to disregard any future Name/TIN combinations you furnish us for your account (whether or not you certify your TIN under penalties of perjury) unless SSA (or, in the case of an incorrect employer identification number, the IRS) validates your Name/TIN combination. Also, the IRS may charge you a \$50 penalty for failing to provide us with your correct Name/TIN combination.

**What You Need To Do**

Follow the instructions below to correct your account record to avoid backup withholding on your account (or to stop it once it has begun) and to avoid the penalty.

**Individuals**

**Instructions for Incorrect Social Security Numbers**

If the incorrect TIN you furnished us is a social security number, you must:

1. Provide us with a copy of your Social Security card. The social security card must show your correct name/SSN combination that differs from the name and SSN combination appearing on this notice or it must show a date of issuance that is no earlier than six months prior to the date on this notice. Send the copy directly to us with a copy of this notice attached.
2. If you do not have a card meeting the requirement in item 1, you must apply for a Social Security card by submitting SSA Form SS-5 to the SSA in person or by mail. That form and further information regarding application for a Social Security card is available at [ssa.gov](http://ssa.gov).
3. In addition to the required identifying information for obtaining a Social Security card, give a copy of this notice to the SSA.
4. Allow 7-10 business days for receipt of your Social Security card.
5. Once you receive your Social Security card, make a copy of the card and send the copy directly to us with a copy of this notice attached.

## **Non- Individuals or Certain Sole Proprietors**

### **Instructions for Incorrect Employer Identification Numbers**

If the incorrect TIN you furnished is an employer identification number, you must:

1. Write the Internal Revenue Service Center where you file your income tax return, and ask the IRS to send you a Letter 147C;
2. Enclose a copy of this notice in your letter to the Internal Revenue Service Center; and
3. When the IRS sends you the Letter 147C, send it to us with a copy of this notice attached.

**SAMPLE**

**Self-Assessment of Internal Controls**

**Compliance With IRS Backup Withholding Requirements**

**Control Policies and Procedures**

Agency \_\_\_\_\_

Year-End \_\_\_\_\_

**A. Documentation**

Yes No N/A

- \_\_\_\_ 1. Is there a formal plan of organization under which responsibilities are assigned for identifying payees and payments subject to Backup Withholding?
- Name of person responsible: \_\_\_\_\_
- Title: \_\_\_\_\_
- \_\_\_\_ 2. Does the agency have written instructions available for responsible agency personnel to use as a guide for consistent, accurate, preparation of all IRS Forms required for Backup Withholding?
- \_\_\_\_ 3. Does the formal plan identify the specific individuals responsible for determining if the notice received from the IRS is the first or second notification?
- \_\_\_\_ 4. Does the formal schedule have target dates for completing tasks associated with Backup Withholding within the time periods required by the IRS?

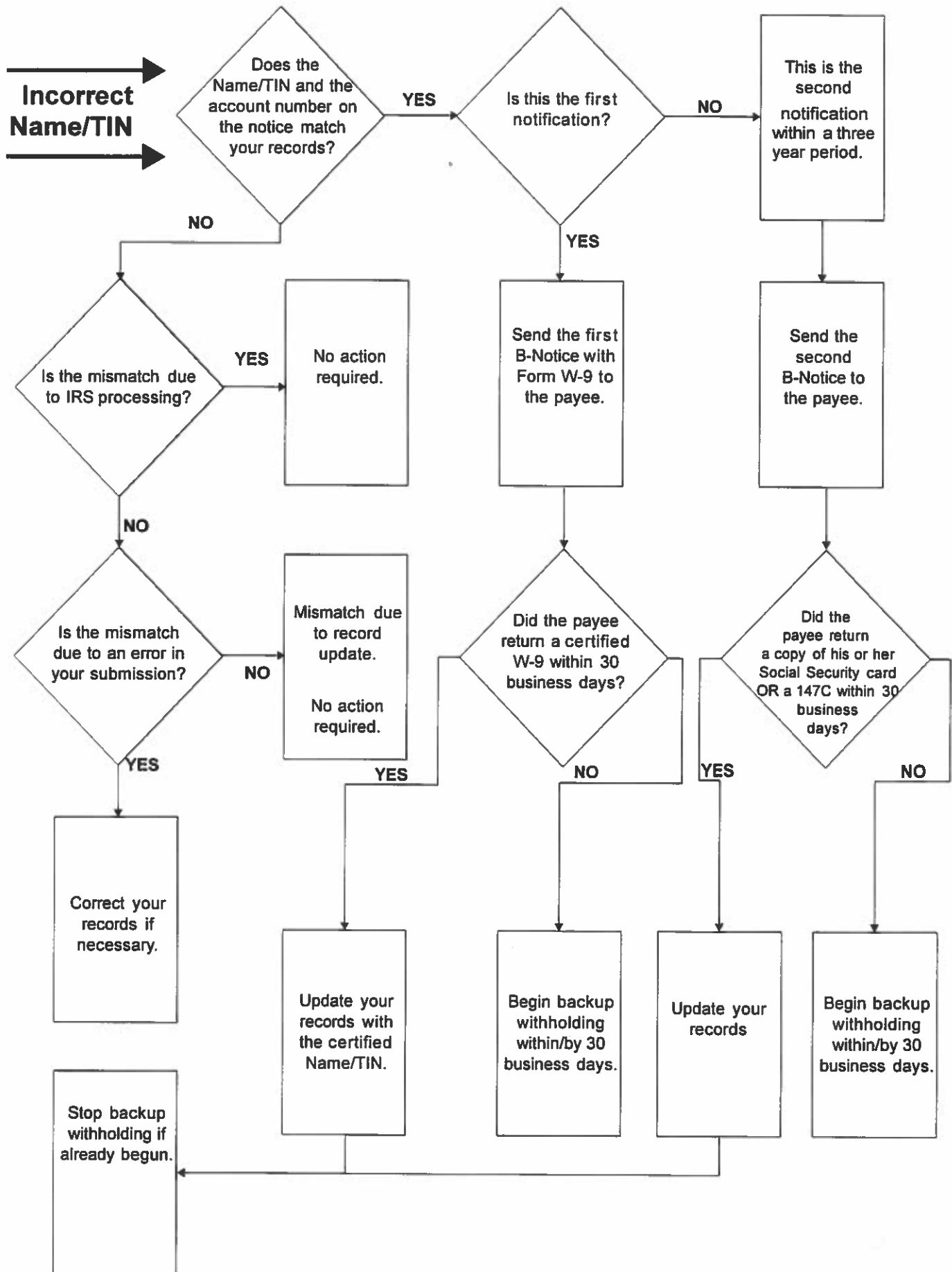
**B. Recording and Execution of Transaction and Events**

Yes No N/A

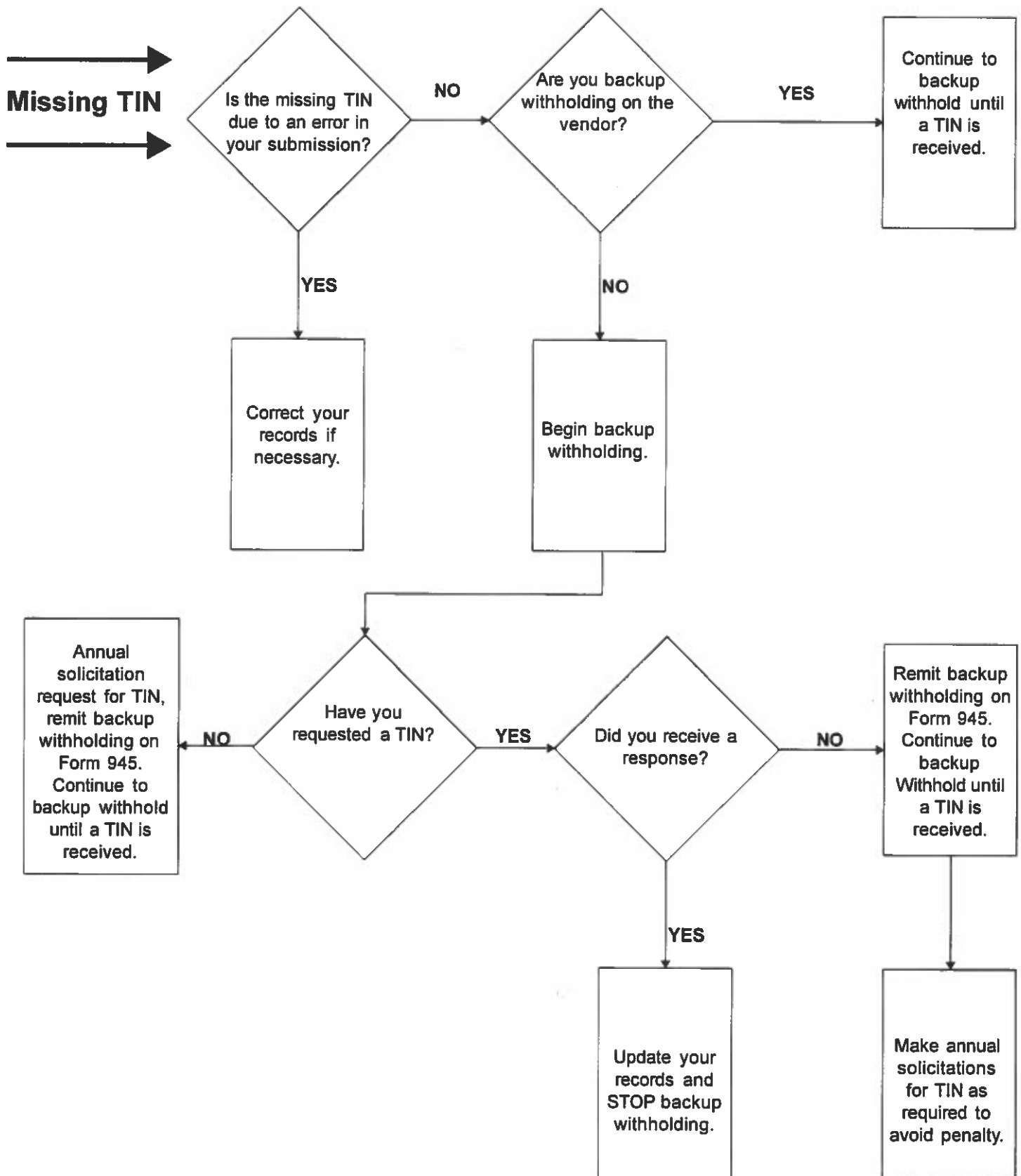
- \_\_\_\_ 5. Has the agency received CP2100 Notices for prior years information returns that contained missing, incorrect and/or currently not issued taxpayer identification numbers?
- \_\_\_\_ 6. Has the Agency compared its records with the information furnished by the IRS?
- \_\_\_\_ 7. If the payee information does not agree to agency records, has the agency checked to see if:
- \_\_\_\_ a. The correct information was given on the return?
- \_\_\_\_ b. The information changed after the return was filed?
- \_\_\_\_ c. The IRS changed the information when processing the return?
- \_\_\_\_ 8. If the correct information was not given on the return, has the agency corrected its records and included that information on future information returns that may be filed?

- \_\_\_ \_\_\_ \_\_\_ 9. If the correct information changed after the return was filed, has the agency included that information on future information returns that may be filed?
- \_\_\_ \_\_\_ \_\_\_ 10. If the IRS changed the information when processing the return, has the agency corrected their records?
- \_\_\_ \_\_\_ \_\_\_ 11. If the payee information does agree to agency records, has the agency determined if it is the first or second notice within three calendar years?
- \_\_\_ \_\_\_ \_\_\_ 12. If the CP2100 is the first notice received, has the agency in all cases:
- \_\_\_ \_\_\_ \_\_\_ a. Sent the first "B" notice, a copy of Form W-9, and an optional reply envelope to the vendor within 15 business days from the CP2100 Notice or date received by agency?
- \_\_\_ \_\_\_ \_\_\_ b. Is the "B" Notice dated no later than 30 business days from the date of the CP2100 notice or the date received by the agency?
- \_\_\_ \_\_\_ \_\_\_ c. Is the outer envelope clearly marked "IMPORTANT TAX INFORMATION ENCLOSED" or "IMPORTANT TAX RETURN DOCUMENT ENCLOSED"?
- \_\_\_ \_\_\_ \_\_\_ d. Allowed the payee 30 calendar days to provide a newly signed Form W-9?
- \_\_\_ \_\_\_ \_\_\_ e. Kept the newly signed Form W-9 for the agency's records and updated records with the corrected information received from the vendor?
- \_\_\_ \_\_\_ \_\_\_ f. Begun backup withholding on payments made to vendors who did not respond within 30 business days from the date of the CP2100?
- \_\_\_ \_\_\_ \_\_\_ 13. If the CP2100 is the second notice received, has the agency:
- \_\_\_ \_\_\_ \_\_\_ a. Sent the second "B" notice and an optional reply envelope to the vendor within 15 business days from the CP2100 Notice or date received by agency?
- \_\_\_ \_\_\_ \_\_\_ b. Is the "B" Notice dated no later than 30 business days from the date of the CP2100 notice or the date received by the agency?
- \_\_\_ \_\_\_ \_\_\_ c. Is the outer envelope clearly marked "IMPORTANT TAX INFORMATION ENCLOSED" or "IMPORTANT TAX RETURN DOCUMENT ENCLOSED"?
- \_\_\_ \_\_\_ \_\_\_ d. Allowed the payee 30 business days from the date of the agency request to receive either a copy of the SS card or a copy of IRS Letter 147C from the vendor?
- \_\_\_ \_\_\_ \_\_\_ e. Begun backup withholding on payments made to payees if SS card or IRS Letter 147C was not received within 30 business days?
- \_\_\_ \_\_\_ \_\_\_ 14. Has the agency deposited funds withheld using the same rules as those used for employment taxes (IRS Circular E or IRS Forms 941) in the proper frequency?
- \_\_\_ \_\_\_ \_\_\_ 15. Has the agency filed IRS Form 945 Annual Return of Withheld Federal Income Tax, by January 31 of the following year?

## FLOWCHARTING for INCORRECT NAME/TINs



## FLOWCHARTING for MISSING TINs



makes a payment subject to federal income tax withholding, including backup withholding):

- If the total tax reported for 2013 was \$50,000 or less, the Agency is only required to make monthly deposits.
- If the total tax reported for 2013 was greater than \$50,000, then the Agency must make deposits on a semi-weekly basis.
- However, if the Agency is making monthly deposits and accumulates a \$100,000 liability or more on any one day during the calendar month, the Agency must begin making semi-weekly deposits on the next day for the remainder of the current year as well as the following year.
- **If the Agency is a new depositor, the Agency will be designated as a monthly depositor.**

The Agency must determine its deposit frequency each year based on this look-back analysis, or the Agency may elect to make deposits on a semi-weekly or daily basis irrespective of the amounts that are deposited.

Most deposit situations will require that a deposit be made by the fifteenth day of the following month in which backup withholding occurred.

Withheld taxes are deposited in a federal reserve bank using a Form 8109, Federal Tax Deposit Coupon.

**c. Reporting backup withholding - Form 945, *Annual Return of Withheld Federal Income Tax***

If the Agency has withheld and deposited the withholding amount, the Agency must also report its tax liability, as well as its deposits activity to the IRS on Form 945, Annual Return or Withheld Federal Income Tax. Agencies who are semi-weekly or daily depositors also must complete and attach Form 945-A, Annual Record of Federal Tax Liability, to report their daily tax liabilities for the year.

File Form 945 by February 10 if the Agency has made all deposits timely during the year. Otherwise, file Form 945 by January 31.



David Ridolfino  
Acting Director