International Journal of Science and Research (IJSR)
ISSN: 2319-7064
Impact Factor 2024: 7.101

Best Practices for Filling Form 1099 Timely and Accurately using Oracle Fusion Payables

Dhavalkumar Patel

Independent Researcher, NC, USA
Email: *dhavalkr.patel[at]gmail.com*

Abstract: ***1099 Forms are one of the important tax forms used to report various non-employee (i.e. non-payroll) payments made to an individual or an entity. The forms need to be reported to tax authorities in the United States and also be sent to the recipient of such payments. Multiple types of 1099 forms are available depending on the type of payment they report. Two of the most commonly used forms that deal with supplier payments are Form 1099-NEC and Form 1099-MISC. These forms can be generated from Oracle Fusion Payables. Fusion Payables is part of Oracle Fusion ERP cloud, a choice of many enterprises globally. Because these forms are government reportable, accuracy and timely reporting are paramount. This article outlines best practices for ensuring timely and accurate filing of Form 1099 using Oracle Fusion Payables. It focuses on critical steps involved in generating these forms, such as pre-requisite steps like data cleaning and data review and key business decisions involving 1099 Forms, which define key application configurations. It also describes in detail the aspects such as performance considerations, onboarding yearly updates, timing considerations for reporting, and also discusses about unique business cases and their solutions.***

Keywords: 1099 reporting, 1099 tax forms, 1099-MISC, 1099-NEC, tax reporting, non-employee compensation

1. Introduction

Form 1099 is a tax document used to report certain types of income to the US Government Tax authority, i.e. IRS [1]. It is primarily used to report income received by suppliers like independent contractors, freelancers, etc. for the services they have rendered to their customers. The document is also used for reporting other types of income, such as rent, royalties, and certain prizes and awards. The form is issued by payer (i.e. customer organization) to payee (i.e. supplier) and the same will be also sent to IRS directly by the payer. There are multiple types of 1099 forms available depending upon the type of income they represent. Oracle Fusion Payables Cloud [2] (to be referred to as *Fusion Payables* throughout this article) primarily supports 1099-MISC [3] and 1099-NEC [4]. Form 1099-NEC is used to report non-employee compensations, e.g. payment made to independent contractors or freelancers for their services. Form 1099-MISC is used to report other miscellaneous payments made to suppliers. Both the forms also report federal tax withheld by the payer.

Apart from the 1099 Forms mentioned above, Fusion Payables also support reporting of Form 1099-G [5] , which is issued by federal, state, or local governments if they made payments such as:

- Unemployment compensation
- State or local income tax refunds, credits, or offsets.
- Reemployment trade adjustment assistance (RTAA) payments.
- Taxable grants.
- Agricultural payments.

The forms need reporting to IRS and dispatching to payee on yearly basis, typically at the beginning of the year. The reporting is time-bound as mandated by IRS and failing to report on time may incur penalties. Therefore, it is very critical to generate and report 1099 Forms within stipulated timeline. Though IRS does allow filing corrected 1099 forms in case there is an error observed after filling 1099 form originally, large enterprises dealing with high number of suppliers would typically strive to generate accurate reporting for the first time in order to prevent hassle and additional efforts needed for re-filing for large number of suppliers.

2. Process of filling Form 1099

Process of filing 1099 broadly comprises of two steps, Generation of 1099 form from Fusion Payables and Filing it to IRS, which can be done either thru paper filing or electronic filing. This article concentrates primarily on process of generating 1099 Form accurately and timely manner.

2.1 Generation of 1099 Forms

In Fusion Payables, the process of generating 1099 Forms comprised of steps such as, 1099 reporting related configurations, data cleaning, data review and running 1099 reports. 1099 related configurations are a one-time setup to be performed based on business requirements. Data cleaning involves clean-up of supplier data (master data) and payables invoice data (transactional data). Data review involves review of 1099 reportable amount for eligible suppliers before actually generating 1099 Forms. In Fusion Payables 1099 Forms can be generated using reporting capability through Enterprise Scheduler Service (ESS) jobs [6]. Above topics will be discussed in more details in later sections in this article.

In order to generate 1099 reports from Fusion Payables following ESS Jobs will be used.

International Journal of Science and Research (IJSR)
ISSN: 2319-7064
Impact Factor 2024: 7.101

Table 1: ESS jobs to generate 1099 forms

Job Name	Purpose	Template	Output format
US 1099 Report [7]	Copy B sent to supplier Copy A sent to IRA for physical filing	NEC Copy A NEC Copy B MISC Copy A MISC Copy B	rtf pdf rtf pdf
US 1096 Report [8]	To be sent along with 1099 Copy A	MISC NEC	rtf rtf
US 1099 Electronic Media Report [9]	To be used for electronic filing to IRS	MISC NEC	rtf rtf

The output of ESS job "US 1099 Report" using templates 1099-MISC Copy-B and 1099-NEC Copy-B, published in pdf format, will be sent to suppliers via mail. This should be printed in plain blank paper. In case of physical filing to IRS, the output of ESS Job "US 1099 Report" using templates 1099-MISC Copy-A and 1099-NEC Copy-B, published in rtf will be put together and sent along with respective copy of US 1096 Form published in rtf format. US 1096 Form will act as a cover page for set of 1099 Forms. Both the 1099 Copy-A (i.e. MISC and NEC) and 1096 Forms (MISC and NEC) will be printed on pre-printed form [10] procured from IRS.

Important: It is recommended to procure pre-printed stationaries directly from IRS in order to ensure accurate printing of the form. IRS requires mandatory electronic filing in case number of 1099 issued are more than specific threshold limit. The limit is subject to change. it is recommended to refer to IRS website for latest information.

In case of electronic filing to IRS, rtf output of ESS Job “US 1099 Electronic Media Report” (template "MISC" and "NEC") will be used. 1099-MISC and 1099-NEC files will be generated in Publication 1220 specifications [11]. The format will be plain text (.txt) with fixed width format.

3. Key Business Decisions

In order to file 1099 Forms timely and accurately customer organization (i.e. payer) need to review and finalize some of the key business requirements as mentioned below;

3.1 Paper filling vs. electronic Filing

Filing to the vendor is always in paper format. Organization needs to decide on whether filing to IRS will be paper based or electronic filing Payables. In case of paper filing ensure appropriate pre-printed forms to be procured from IRS on timely manner. In case of electronic filing, ensure the organization has account setup on IRS's FIRE [12] (Filing Information Return Electronically) application and the account is fully operations. Attempt to login to IRS test site [13] and any technical issues to be resolved on timely manner.

3.2 Data Feed to third Party application

Customer organization may choose to make use of third-party vendor application to generate 1099 report data keeping fusion payables as source system feeding the data. In that case ESS job "US Forms Report (Comma Delimited Format)" can be used which will generate 1099 data (combined for MISC and NEC) in comma delimited format (i.e. csv). In this case the ESS job output to be published in excel format.

Important: Even though the report name suggest comma delimited format, the output of this report job must be published in either excel of pdf format, where excel format is recommended.

Table 2: ESS jobs for third-party data feed

Job Name	Purpose	Template	Output format
US 1099 Forms Report (Comma Delimited Format) [14]	To be used send 1099 data to third-party application	common	excel pdf

3.3 Combined Federal and State Filing

Fusion Payables supports Combined Federal and State Filing (CF/CF) [15] [16] when filing electronically. If customer organization choose to make use of this functionality, following configuration should be enabled.

a) Use Manage Reporting and Withholding Tax option "Use combined filling program". This is a Business Unit level configuration and to be performance for each business unit.
b) Use Manage Tax Regions task. This configuration maintains 2-digit state code identified by IRA as per 1220 publication specifications. you can also set minimum reporting requirement for each state and also enable or disable combined filling for each state.

Though these configurations can be performed later in the year, it is recommended to perform at the beginning of the year to maintain accurate data in the application throughout the year.

3.4 Reporting entity setup and usage of Balancing segment Source

Reporting Entity represents 1099 Data reporting entity from customer's organization. A Reporting entity typically carries a unique Tax Identification number of its own. Reporting Entity should be created within a Business Unit and it contains one of more Balancing Segment Values (BSVs) which is associated with organization's chart of accounts. Fusion Payables allows configuring more than one reporting entities per business units. It is important to put appropriate design consideration when defining Reporting entity based on your financial and reporting structure. The Tax Identification Number and Reporting Entity name which are defined at Reporting Entity level will be reported to IRS as payer information. The ESS Jobs for 1099 reports have input parameter for Reporting Entity name and Balancing segment source. Reporting entity configuration along with balancing segment source value plays important role in selection of Payable invoices in 1099 reporting. When parameter Balancing segment source is selected as "Invoices", the report will select invoice distributions having BSVs matching with BSVs listed in specific Reporting Entity configuration. When parameter Balancing segment source is selected as "Payments", the report will select invoices which are paid with bank accounts having Cash account BSV matching with BSVs listed in specific Reporting Entity configuration. Special consideration must be put in place for the organizations using shared service model, where invoicing organization is different than payment organization. Though reporting entity configuration can be done towards the end of the year and before generating 1099 report, it is advisable to complete key decision-making process at the beginning of the year.

3.5 Reporting of Federal Income Tax Withheld

The reporting of Federal Tax withheld is treated differently in Fusion Payables compared to all other Income Tax types reportable in 1099 form. In order to report Federal Income Tax withheld, the organization must implement Withholding Tax in payables module. The reporting of Reporting of Federal Income Tax Withheld can be enabled from Tax Reporting and Withholding Tax Option, Include withholding distributions in income tax reports. if this option is enabled, fusion Payables will assignee Income Tax type as MISC4 to withholding tax distribution of all the invoices.

Important: Income tax type "Federal Income Tax Withheld" can be reported in both, 1099 MISC and 1099 NEC. For a given payables invoice, withholding tax amount to be reported in which of these forms will be determined by income tax type classification of associated item line distributions. If it is MISC7 (non-employee compensation) then it will be reported in 1099-NEC, otherwise it will be reported in 1099-MISC.

Business decision related to Reporting of Federal Income Tax Withheld can be carried out towards the end of the year as Fusion Payables will update withholding Tax distributions when option "Include withholding distributions in income tax reports" is enabled.

4. Data Cleansing

Data cleansing in one of the most important but also often a time-consuming process for 1099 reporting. In order to generate 1099 report accurately it is crucial to have clean and accurate data maintained in the Fusion Payables application. In fusion Payables, broadly two entities play important role in 1099 report generation; Supplier and Payables Invoice. Income classification for 1099 reporting is driven by field "Income Tax Type". The field is maintained at Supplier profile in Fusion Procurement and on Payables invoice at line level and distribution level. In order to enable 1099 Reporting a supplier must be flagged as Federal reportable using a flag maintained at supplier profile level. You can set "Income Tax Type" only for the federal reportable supplier. Income Tax Type value set at supplier profile level will be defaulted to invoice line when Payables invoice is created for that supplier. The same will be copied over to invoice distribution when invoice distributions will be generated. In case of Purchase order (PO) matched invoice, supplier income tax type will be defaulted to purchase order line and from purchase order line to invoice line level.

Important: Copying of Income Tax Type from Payables invoice line to distribution will only occur during first time the distribution is created. If Income Tax Type is changed at line level later on, it must be updated manually at invoice distribution level. Fusion Payables take into account 1099 reporting amount based on Income Tax Type at invoice distribution level and not at invoice line level.

To maintain clean reference data for 1099 reporting and enhance reporting accuracy Fusion Payables offers below mentioned ESS jobs to report data discrepancy related issues.

4.1 Supplier data clean up job

Table 3: Supplier Data clean up job

Job Name	Purpose	Output format
US 1099 Supplier Exception Report	To report data discrepancy related issues with Suppliers	excel pdf

4.2 Invoice Data clean up job

Table 4: Invoice data clean up job

Job Name	Purpose	Output format
US 1099 Invoice Exception Report	To report data discrepancy related issues with Invoices	excel pdf

It is advisable to run both the reports in tandem to review data discrepancy issues and address them appropriately by performing necessary updates at either Supplier level or at Payables invoice level. Small number of updates can be performed manually from the application. Updates for large data volume can be carried out using appropriate REST API. Customer organizations often come across a situation when it was discovered that some of the suppliers were missed flagging Federal reportable at the earlier stage. For such suppliers, flagging them Federal reportable now and assigning Income Tax Type at supplier level, will not update Income Tax Type at invoice distributions. In order to address such situation oracle fusion is offering ESS Job "Run Report and Update Income Tax type". This job will update Income Tax Type on invoice distribution based on the value maintained at supplier profile level. It is advisable to run this report first in Review mode, and after verifying eligible updates it should be run in update mode. US 1099 Supplier Exception Report, US 1099 Invoice Exception Report and Run Report and Update Income Tax type may need to run in multiple Iterative loops until all data discrepancy issues are addressed.

5. Data Review

Fusion Payables offers reporting functionality to review 1099 data before actually generating 1099 report. In order to review 1099 supplier and their payment data ESS Job "1099 Payments Report" can be used. The report will provide details of Supplier, supplier address, details of 1099 reportable invoices and payments. The report can be generated for specific business unit or for all business units for a specific ledger.

Important: In previous versions of Fusion Payables, the report must be generated separately for each business unit. however, the report has been enhanced to run once for all business units under a ledger preventing need to run it separately for each business units.

1099 Payment report can be generated in two modes, Summary and detail. When generated in Summary mode, the report will show total of 1099 reportable amount per Income tax type for each supplier. This view is similar to the data reported in US 1099 Report (i.e. 1099 MISC and 1099-NEC). However, it will not show the details of Payables invoices which are constituting to the total amount. In order to review details of individual Payables invoices, the report needs to be generated in Detail mode. Reporting mode is driven by ESS Job parameter "Reporting Method". It is important to note than US 1099 Payment report when ran in Summary mode, will not display suppliers with resultant 1099 reportable amount is 0. For example, a supplier has a set of Payables invoice and Payables Credit memo with same amount and same Income Tax Type value assigned, because the total of both will be zero, the supplier will not be included in the report output. However, in such cases the report ran in Detail mode will show both, Invoice and Credit Memo. Apart from Ledger and Business unit, ESS Job parameters like Accounting Date range, Reporting Entity and Balancing segment source are used to form main filtering conditions for the report data. These foundational parameters are also available in ESS jobs which are used to generate 1099 data (i.e. US 1099 Report, US 1099 Electronic Media Report, US 1099 Forms Report (Comma Delimited Format)). It is important to run US 1099 Payment report after data cleansing process is completed and before generating 1099 report. If there are any additional changes performed in later stage, US 1099 Payment report should be re-run. It is also crucial to run US 1099 Payment report and 1099 Reports (i.e. US 1099 Report, US 1099 Electronic Media Report and US 1099 Forms Report (Comma Delimited format)) with same set of foundational parameters as mentioned above in order to review data accurately.

6. Performance Considerations

1099 Reports are typically dealing with huge data volume. Actual data volume depends upon the size of organization, number of suppliers, number of Payables invoices and distribution of Payables invoices across Reporting Entities. Medium to large sized organizations and corporate enterprises dealing with large volume payables invoices eligible for 1099 report should account for performance considerations for 1099 reporting.

While all primary 1099 reports extract data at summary level, 1099 Payment Report, if submitted in detail mode, will extract data at invoice level and hence it may subject to performance issues. It is advisable to take into consideration performance aspect of the report when planning for 1099 data review process phase.

Followings are some of remedial approaches which can be used to deal with performance issue of 1099 Payment report.

- Run report separately for Business unit instead of running once for entire ledger
- Run report smaller accounting date range, i.e. instead of running for entire year, run it for half year or quarter year period
- Check if running report in Summary mode is sufficient instead of running in Detail mode
- Extend default report time-out settings to allow report to complete successfully even if it takes longer time.

7. Obtaining yearly reporting updates

Because 1099 reporting requirements are primarily driven by guidelines and specifications published by IRS and IRS publishes changes in reporting guidelines on yearly basis, Fusion Payables too releases appropriate updates on 1099 reports in order to comply with updated guidelines. It is important to review details of 1099 reporting changes for current year and process to obtain yearly updated in fusion payables. it is advisable to proactively refer to appropriate release note and other Oracle Knowledge Management articles to get these details. Such information can also be obtained by creating a Service Request with oracle support team. Many times the process of obtaining 1099 report involves applying Cumulative weekly bundle (CWB) or application upgrade, it is important to plan them in advance in order to ensure business users have sufficient time to perform 1099 reporting process after obtaining necessary reporting updates.

8. Timing consideration

1099 reporting deadline is set by IRS and it is fixed every year as mentioned in the table below.

Table 5: 1099 Reporting deadline

Type	Paper Filing	Electronic Filing
1099 NEC	Jan 31st	Jan 31st
1099 MISC	Feb 28th	March 31st

Considering overall efforts involved in activities like Data cleansing, Data review, Performance considerations, obtaining yearly updates etc., it is highly advisable to initiate 1099 reporting pre-requisite process well in advance. The time require to complete all the processes varies vastly depending upon volume of supplier and invoice data, number of business units and reporting entities, mode of filing (paper filing vs electronic filing), special business cases involved etc. However, it is recommended to initiate the processing latest by the month of November for each year, it could be earlier depending upon the factors mentioned above. It is also suggested to perform 1099 reporting activities in one of the non-production environments before performing them into production environment.

9. Special business cases

This section outlines some of the uncommon business cases and options to address them.

9.2 Migrating prior legacy supplier balances

In case the Payables process implementation on Fusion Payables occurred during middle of the year, and historical invoice transactions are not migrated in Fusion Payables but 1099 form should reflect payment made for entire year, customer organization may use alternate solution to include prior legacy invoice amount into current year 1099 form. In this case, a pair of dummy standard invocie and credit memo need to be created in Fusion Payables with the amount matching with payment made in legacy application for each supplier. Appropriate Income Tax Type value to be populated

Paper ID: SR25131085024 DOI: https://dx.doi.org/10.21275/SR25131085024

on standard invoice distribution while it should be left blank on credit memo. Both, the invoice and credit memo then should be paid together using Process Payment Request resulting as net zero payment and should be accounted as well. In this case dummy invoice amount will be considered for 1099 report, while credit memo amount will not be considered. Important to complete this step in same financial year as reporting year otherwise period needs to be re-opened.

9.3 Generating corrected 1099 form

In the event of any mistake identified during original reporting of paper based 1099 form, a corrected 1099 form needs to be issued with corrected checkbox checked. Currently correction of 1099 report is not supported in Fusion Payables and the check box should be checked manually.

9.4 Reporting of state tax withheld

Reporting of State tax withheld is currently not supported in Fusion Payables as of now. As an alternate solution the form needs to be generate manually or appropriate customization should be implemented in order to achieve this functionality.

9.5 Parent-child supplier relationship

Because of many reasons it is required to merge two supplier records in Fusion procurement. While both suppliers will carry same Tax Identification Number, there will be different set of invoices belong to both the suppliers. In this case organization may want to generate one 1099 form covering invoices for both supplier records. As of now this functionality is not supported by Fusion Payables and manual intervention will be required to address such cases.

Conflicts of Interest
The author(s) declare(s) that there is no conflict of interest regarding the publication of this paper.

References

[1] https://www.irs.gov/
[2] https://www.oracle.com/erp/financials/#payables-and-expenses
[3] https://www.irs.gov/forms-pubs/about-form-1099-misc
[4] https://www.irs.gov/forms-pubs/about-form-1099-nec
[5] https://www.irs.gov/forms-pubs/about-form-1099-g
[6] https://docs.oracle.com/en/cloud/saas/industries/facgi/understand-enterprise-scheduler-service-ess-jobs.html
[7] https://docs.oracle.com/en/cloud/saas/financials/25a/fappp/us-1099-report.html
[8] https://docs.oracle.com/en/cloud/saas/financials/25a/fappp/us-1096-report.html
[9] https://docs.oracle.com/en/cloud/saas/financials/25a/fappp/us-1099-electronic-media-report.html
[10] https://www.irs.gov/forms-pubs/order-products
[11] https://www.irs.gov/pub/irs-pdf/p1220.pdf
[12] https://www.irs.gov/e-file-providers/filing-information-returns-electronically-fire
[13] https://fire.test.irs.gov/
[14] https://docs.oracle.com/en/cloud/saas/financials/25a/fappp/us-1099-forms-comma-delimited-format-explained.html
[15] https://www.irs.gov/taxtopics/tc804
[16] https://www.irs.gov/e-file-providers/combined-federal-state-filing-cfsf-program-state-coordinator-information-faqs