

**December 29, 2009**

**To:** UW-Madison Divisional Business Representatives  
**From:** Jose A. Carus, Jr.  
Tax Compliance Manager  
**Subject:** Implementation of W-9 Compliance

### Implementation of the W-9 reporting process

1. The UW needs to have a signed legal document on file to support and document the tax information when we make a tax reportable payment. The required document is the IRS W-9 form. The W-9 captures **all** the required tax information for tax reporting. This includes (1) name, (2) business name, (3) type of entity, (3) exempt status, (4) address, (5) taxpayer identification number, and (6) signature. The W-9 can be found at the IRS web page at (<http://www.irs.gov/pub/irs-pdf/fw9.pdf?portlet=3>).
2. Effective **January 1, 2010** the UW will be requiring that a completed and signed form W-9 (or W-8BEN for NonResident Aliens <http://www.irs.gov/pub/irs-pdf/fw8ben.pdf>) be attached to **all** tax reportable payments requested on Payment to Individual Reports (PIR) and Direct Payments (DP), but not for payments made through PO's and ASSO. For PO's and ASSO, Business Services' Purchasing and Accounting Departments will be working together on obtaining appropriate W-9 information as part of the contracting processes. Tax reportable payment account codes are posted on the Accounting Services web page at (<http://www.bussvc.wisc.edu/acct/tax/1099tax.pdf>).
3. Business Services is working on establishing a designated field in WISDM where you will be able to see if we have a completed and signed form W-9 (or W-8BEN) on file. Thus once a W-9 is obtained for a vendor by any department on campus, other departments will not have to obtain new a W-9 (or W-8BEN). Until this field is functional and available for campus use please obtain a W-9 and attach it to **all** tax reportable payments requests as outlined in bullet #2 above.
4. **Important Note:** You do not need to obtain a new W-9 for each payment request. Once you obtain a completed and signed W-9 please keep a copy at the department level so that you can attach a copy to future payment requests.

### Current Inefficiencies relating to 1099-MISC reporting

#### 1. Inaccurate Required Tax Information

Currently, we obtain tax information by asking the recipient and manually putting this information on the payment request form (PIR, etc.). This procedure has caused many problems such as (1) the recipient unintentionally or intentionally providing the wrong or incorrect taxpayer identification number or registered name to the department, or (2) the department recording the information incorrectly on the payment forms (PIR, etc.).

Our current procedure is inefficient and does not provide accurate supporting documentation to provide accurate tax reporting information to the IRS, DOR, or other agencies in the event of an audit.

#### 2. IRS Vendor Mismatch

When the UW submits the UW System's 1099-Misc tax information to the IRS, the IRS sends back a list of vendors where the combination of our vendor name and taxpayer identification numbers (TIN) does not match up with the IRS's records. UW System (UWSA) gets about 250-300 of these mismatches each year and they must send out requests for W-9s for each of these vendors.

#### 3. Classification of Entities being paid

Tax reportable payments performed by an Individual, Sole Proprietorship, Partnership, or Limited Liability Company (LLC) must be reported on a 1099-MISC while payments to corporations are not reportable. When classifying vendors under our current process, we

cannot identify the classification of the payee which leads to misreporting. For example, if the entity is a corporation, but the UW can't document their status, then we must report this income in error.

#### **4. Possible Future Non-Compliance with Wisconsin Department of Administration (DOA) Requirements for Entities being paid**

Currently DOA requires all payments and transactions to have a completed and signed W-9 before a payment can be entered into their system for payment. In anticipation of this becoming a DOA mandate, we need to implement this process now.