*Original Article*

# Electronic Filing of 1099 Forms Using Oracle Fusion Payables

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*Abstract - Form 1099 is used to report various types of income such as freelance earnings, interest, dividends, rent, royalties and similar other non-employee compensations to the IRS. While Form 1099 can be filed in physical form, the adoption of electronic filing of IRS Form 1099 has significantly transformed the landscape of tax reporting for businesses and individuals alike. As organizations expand in size and require processing a large volume of data for 1099 filings, there is an increasing trend towards electronic filing. This method offers significant benefits such as improved accuracy, timely submissions, prevention of data loss, which may occur in paper filing during in-transit, enhanced tracking capabilities, efficient management of post-filing corrections, and more. Consequently, there is a demand for a software application or tool that facilitates electronic filing of 1099 forms seamlessly integrated with the enterprise's payables application. There are various software applications available in the market offering 1099 reporting and filing functionality. Oracle fusion payables clouds is one of the leading software applications offering this functionality. Oracle fusion payables are a prominent choice of many organizations ranging from medium scale organizations to large scale enterprises. This article examines the process of electronic filing of 1099 forms using the Oracle fusion payables cloud application. Furthermore, the article delves into the key offerings related to 1099 reporting functionality in the fusion payables cloud, best practices and key challenges.*

*Keywords - 1099 electronic filing, 1099 forms, 1099-MISC, 1099-NEC, IRS 1099 forms, Oracle fusion payables.*

## 1. Introduction

Organizations making various non-payroll types of payments to suppliers are required to file 1099 Forms to the IRS every year as part of the year-end tax filing process. 1099 Forms can be filed physically in IRS specified paper format, or they can be electronically from IRS applications such as FIRE (Filling Information Returned Electronically). Electronic filing of 1099 forms offers numerous advantages over traditional paper-based methods, including increased efficiency, reduced processing times, and enhanced accuracy. These benefits have led to widespread adoption among businesses and tax professionals seeking to streamline their reporting processes and minimize errors. Electronic filing especially beneficial for large scale enterprises with numerous payments are made across different categories of vendors. It helps reduce the overall time and effort of 1099 form filings, enhances record keeping helps the environment by reducing paper usage.

Many software application vendors offer 1099 Forms electronic filing functionality. This article focuses on the offerings available from Oracle fusion payables cloud [5]. Oracle fusion payables offer the following versions of 1099 forms for electronic filings.

**Table 1. Supported 1099 form types**

| Form Type | Purpose |
|---|---|
| 1099-MISC [1][2] | Miscellaneous information file |
| 1099-NEC [3][4] | Non-Employee Compensation file |

Oracle fusion payables facilitates the generation of 1099 Forms electronic data files as per specifications of IRS Publication 1220 [6] in plain text format. The file can be uploaded on the IRS' FIRE [7] (Filling Information Returned Electronically) application to file 1099 electronically.

## 2. Key Features and Configurations

1099 Forms electronic file generation functionality is part of the Oracle fusion payables module. Oracle fusion payables maintains Accounts Payables (AP) invoices and their payments associated with 1099 eligible vendors. 1099 Forms electronic file can be generated using an Enterprise Scheduled Services (ESS) Job called US 1099 Electronic Media Report [8] [9].

The file generation process primarily involves two key aspects: 1099 Forms Specific Configurations and Pre-requisite Data Clean Up. 1099 Forms Specific Configurations is a one-time setup step, and Data Clean Up needs to be done every reporting year.
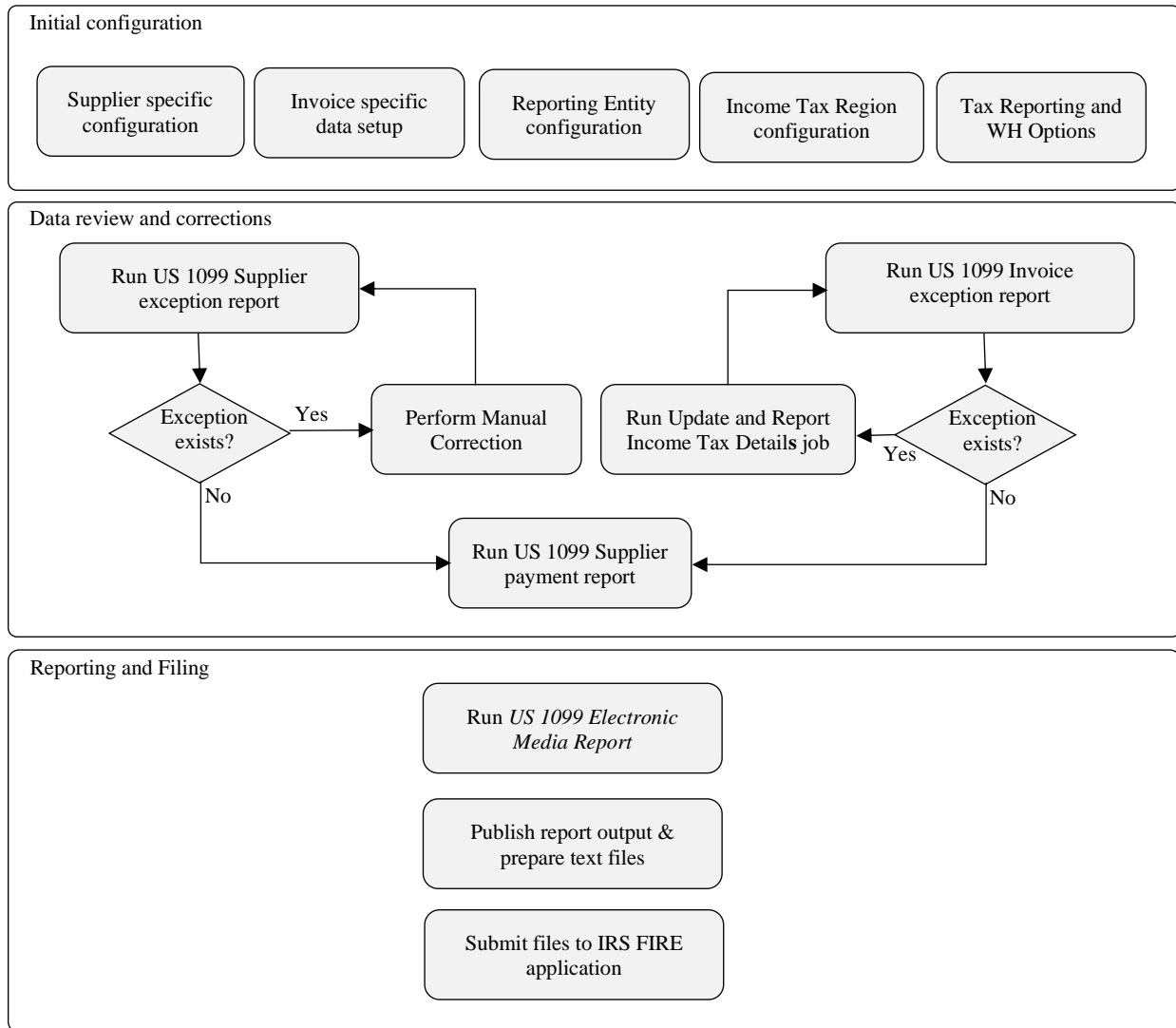
**Fig. 1 1099 Electronic filing process at a glance**

## 3. 1099 Forms Specific Configurations

### 3.1. Supplier Specific Configuration [10]

At the Supplier profile level following configurations should be in place in the Income Tax region;

- Federal reportable should be checked
- Taxpayer ID should be set with a valid value
- Federal income tax type should be set with a valid

At the supplier site level following configurations should be in place;

- In the general region, the Income Tax reporting site flag should be checked. This should be checked for one and only one supplier site per Business Unit (BU)
- For the Income Tax reporting site, in the site assignment region, site assignment should be created for the bill to BU as invoicing BU

### 3.2. Invoice Specific Data Setup [10]

At the payables invoice distribution level, the Income Tax type should be set with an appropriate value. If the Combined Federal and State Filing (CFSF) functionality is used, then the Income Tax Region should be set with an appropriate value. Both these fields are also available at the invoice line level. The value set at the invoice line level will automatically be set at its distribution level. By default, the Income Tax type value will be set on the invoice line based on the supplier profile.

### 3.3. Reporting Entity Configuration [11]

An appropriate reporting entity should be created using the setup task manage reporting entities, which can be accessed from setup and maintenance. The reporting entity is associated with BU and can hold one or more Balancing Segment Values (BSV) pertaining to the balancing segment

of the chart of account. Multiple reporting entities can be defined for one BU.

### 3.4. Income Tax Region Configuration

This configuration is required for Combined Federal and State Filing (CFSF) functionality [12]. This can be accessed by managing the Income Tax region task from Setup and maintenance. The income Tax region configuration will store the mapping of each US state with a 2-digit numeric state code suggested by the IRS. Records should be created for each state participating in CFSF. This should be as per specification from IRS publication 1220.

### 3.5. Tax Reporting and Withholding Tax Options

If CFSF functionality is used, then use combined filing program must be checked in tax reporting and withholding tax options. This can be accessed from task tax reporting and withholding tax options in setup and maintenance.

## 4. Pre-Requisite Data Clean Up

ESS report job US 1099 Electronic media report selects data from accounts, payables invoices and payments based on input parameters supplied by the user. In order to generate the 1099 Forms electronic file accurately, it is important to perform supplier specific configuration and invoice specific data setup correctly. Oracle fusion payables have provided a report to verify these configurations for users to review and correct it. If mass correction of invoice specific data setup is required, there is an ESS process available for that purpose. After necessary data corrections are performed, the user can review details of supplier 1099 reportable payments across various income tax type categories for each supplier using an appropriate report. The table below shows the list of such reports;

**Table 2. Data review and correction jobs**

| ESS Process | Purpose |
|---|---|
| US 1099 Supplier Exception Report | Review exceptions in supplier specific configurations. |
| US 1099 Invoice Exception Report | Review exceptions in invoice specific data setup. |
| US 1099 Supplier Payment Report | Review details of the 1099 reportable amount per supplier. |
| Update and Report Income Tax Details Report | Mass correction of invoice specific data setup. |

## 5. Electronic 1099 Forms Data Generation and Filing

ESS process US 1099 Electronic media report will produce two output files, the 1099-MISC report and the 1099-NEC report. Upon completion of the US 1099 Electronic media report job, the user needs to publish the outputs into RTF format, select and copy the entire file content and paste it into a plain text editor such as notepad and save the file as a plain text file with .txt file extension [13]. Users will have to login to the IRS FIRE application and submit these files electronically. Currently, the functionality of automatically filing 1099 electronically directly on the FIRE application from Oracle fusion payables does not exist. Once 1099 electronic filings are completed, they can be tracked online from the IRS FIRE portal. If there is a failed response received from the IRS, necessary data correction should be made in Oracle Fusion payables and process US 1099 Electronic media report should be run in correction mode followed by re-filing to the IRS.

## 6. Best Practices

IRS periodically introduces changes related to 1099 filing as part of revisions. Oracle fusion also implements these changes in the 1099 reporting functionality. Oracle publishes updated KM notes every year with details of such updates. It is recommended to review this note prior to the generation of the 1099 Forms electronic file.

It is recommended to run the US 1099 supplier exception report and US 1099 invoice exception report as part of the pre-requisite of 1099 reporting, to view any exceptions well in advance. Those exceptions must be addressed completely before submitting the US 1099 Electronic Media Report.

It is recommended to start the 1099 reporting process about a month before the year-end period close. During the review of supplier payments, if any missing supplier payment is found, it can be entered within the current calendar year in order to report into 1099 for the current year.

It is recommended to generate a 1099 electronic file in test mode and submit it on the test FIRE application. This is to ensure any errors are addressed well in advance before submitting the actual 1099 electronic file into the IRS FIRE application. It takes up to 2-4 business days before receiving the response to the 1099 electronic file processing from the FIRE application.

## 7. Conclusion

Timely and accurate reporting of 1099 Forms can be a challenging task, especially for large enterprises dealing with thousands of vendors and potentially hundreds of thousands of payables invoices and payment transactions every year. Electronic filing of 1099 Forms data offers a greater level of flexibility, efficiency and accuracy. Oracle fusion payables cloud offers functionality to complete this process seamlessly. By utilizing 1099 reporting and filing functionalities, organizations can not only enhance accuracy and efficiency but also achieve reduced manual efforts and impact on the global environmental footprint.

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