

1099 Pro CSTax Services

Regulatory Experts and Compliant Solutions Federal and State Regulatory Obligations

U.S. businesses that issue payments in the course of their trade or business are required by federal and state law to properly identify payees, track the payments, withhold federal and state taxes when required, file information returns and submit periodic reports as required by the various agencies.

Payment activity that occurs throughout your business – to both U.S. and foreign payees, must follow proper procedures to ensure that all regulatory requirements are satisfied. To comply with the federal and state regulatory requirements, the tax department, legal department, accounts payable, management and staff within your organization must have a thorough understanding of those requirements, the tools, and procedures that address all of the regulatory requirements. Federal and state regulations vary greatly depending on the type of payment, where the payee resides or receives the income, and the number of agencies within the federal and state regimes that require information reporting in accordance to specific requirements.

Compliance with federal and state regulations must begin with the processes and procedures that each business area has implemented. Various payment systems support the tracking of payments, and the ability to generate the annual IRS file, but do not capture all of the necessary data or have functionality to meet state reporting and B-Notice requirements. Failure to be in compliance with all federal and state regulations puts your organization at risk!

The effort to implement the necessary procedures, find a processing and reporting solution that can centralize reportable payments across your organization, and provide up-to-date tracking and reporting is a difficult task. So difficult in fact, that some organizations take the risk of not complying with certain regulations, assuming that the odds are that they will not get audited or caught. The IRS has renewed their scrutiny on issues related to regulatory compliance and is enforcing compliance on procedures for payments issued to US citizens, Non Resident Aliens, PCard transactions, withholding and state requirements. Intentional failure to comply can be a costly decision!



In addition to the regulations and scrutiny our government has placed on Sarbanes-Oxley compliance, the IRS has increased their focus and audits on 1099 and 1042-S reporting and withholding compliance. The IRS has determined that the "Tax Gap" that exists in our country today is due in part to the failure of U.S. companies to report all U.S. source income payments, properly identify reportable transactions and the failure of taxpayers to claim all payments considered to be income.

The IRS has taken several initiatives in the effort to reduce this Tax Gap and improve compliance with the regulations:

- Close scrutiny of abatement requests – in many cases now the IRS requires proof to support reasonable cause
- More than 400+ additional agents in place for focused audits on proper documentation, withholding and reporting of 1099 and 1042-S payments
- Organized specialized audit task forces
- Enacted legislation to require a mandatory 3% federal withholding on payments for goods or services issued by any government entity, including state and local divisions with spending of more than \$100 million annually
- Proposed that all Businesses be required to report all service payments issued to any corporation and apply regulatory procedures
- Incorporated 1042-S compliance in standard audits
- Incorporated a review for regulatory compliance for the use of PCards and Corporate Credit cards with regard to payee documentation, backup withholding and information returns
- Improved communication with state agencies
- Improved income matching of information returns to payee tax returns
- Enforcement of mandatory and backup withholding compliance

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The reality is, that if an organization is not properly complying with the regulations for payee certification, withholding and reporting, they can be held responsible for the amount of withholding that should have been implemented, plus penalties and interest. Under audit, the required proof of payee certification, withholding and reporting would not be just for one year. Three years would be examined and if the failure is significant, the IRS is entitled to review additional prior years. In addition to all of the interest and state penalties an organization may be liable for, there are penalties for failure to withhold, failure to deposit the withholding, failure to report to the payee, and failure to report to the IRS. If the amounts are significant, the penalties could impact the organization's financial statement and become a Sarbanes-Oxley issue.

To meet these requirements, many organizations commit valuable resources throughout the year – every year - to remain informed of regulatory developments and the annual changes related to information reporting. Locating and identifying the current regulations and ongoing changes every year for the IRS and states is time consuming and burdensome. Once obtained, this information must be analyzed to determine how those changes may impact their business areas and reporting capabilities. Additional costs are incurred throughout the year for IT charge backs and programming/vendor modifications. Implementing the required changes throughout the organization on an ongoing basis can be a very costly task and depending upon the reliability and expertise of the IT staff, the changes may or may not be complete.



Cost Effective Compliant Solutions

Complying with the federal and state regulatory and legislative changes is an increasing and ongoing challenge for any business. Organizations with a renewed commitment to focus on their core business, want to streamline internal operations, reduce related costs, reduce risk and seek viable cost effective alternatives. Successful organizations rely on subject matter experts to provide services on the ancillary regulatory functions that way the majority of the businesses resources got toward core business issues and employees can remain focused on business related tasks.

1099 Pro CSTax Services (CST) is That Solution

1099 Pro CSTax Services provides the filing community a comprehensive, Full Service solution for 1099/1042-S/W-2 information reporting. 1099 Pro CSTax Services will improve federal and state compliance for information reporting and withholding – while reducing the burden, penalty risks and costs associated with maintaining a compliant organization.



The CST Services solution is capable of supporting current and multiple prior tax years to track payments and report 1098, 1099, 5498, W-2G, W-2, 1042-S series forms and Puerto Rico information returns to all federal and state agencies. The CST solution supports payee and payment information tracking, payee TIN management, B-Notice and TIN Penalty processing, recipient statements and the creation and transmittals of federal and state returns.

With easy to use point and click functionality, users access the 1099 Pro ASP.net application and their secure payee and payment information directly from their laptops or desktop PC's via internet access. Your organizations may also choose an Intranet installation as an option.

Thanks to an intuitive design, users can navigate effortlessly through the application to enter or change payee and payment information, view transaction history, print reports, print payee statements for desktop or bulk printing, perform queries or export data files to internal systems. The software and service supports current year and as many prior tax years of payment data as the client deems necessary to access directly for corrections or late originals.

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In addition to providing a compliant hosted application, CST Services takes the responsibility for maintaining the software, importing payee and payment data on a periodic or annual basis. The payee and payment activity is balanced and reconciled at each step, to verify that we are in balance with the client's business area controls.

CST Services continually monitors the payment activity to determine if there is any responsibility to file State Independent Contractor reports, State Quarterly Returns, Annual Information Returns, Correction returns for current and prior years, B-Notice and TIN Penalty Notice Processing and the generation of payee statements. This service is designed to meet the needs of clients with number of payments ranging from two thousand to one hundred and fifty million returns or more.



The service is designed to provide clients with a scalable solution that can conform to the structure of your organization. Whether your organization is comprised of multiple business areas with one EIN (Federal ID's) or many EIN's, divisions, departments and products, the conversion of that hierarchy is easily represented and controlled with CST Services.

CST Services Delivers to the Filing Community – What Others Cannot.

At 1099 Pro our CST Services team is comprised of experts recognized for their knowledge on regulatory compliance with a broad range of background experience in regulatory requirements regarding foreign and domestic payments. While CST's

1099 PRO core focus is regulatory compliance in service and solutions they also have direct experience in IRS regulations, IRS practice, IRS audit, state requirements, abatement, appeals, procedures, banking, insurance, brokerage, finance, retail, manufacturing, gaming and most of all, the services industry.

At 1099 Pro, we rely on our experts to provide regulatory support to our clients, recognizing that clients want assistance from those who are knowledgeable of regulatory requirements and procedures as well as the application and service.

1099 Pro Compliance Services team is comprised of former IRS professionals, many with more than 27 years experience working at the IRS including previous positions such as; IRS Chief of Information Returns, IRS Chief of Interest and Penalties Section, and IRS Specialists in International Taxation, CPA's and industry experts in Tax and Information Reporting.



1099 Pro is committed to providing the best solutions for the filing community. We strive to deliver cost effective business solutions that meet your organization's needs with proven knowledge and integrity.

CSTax Services (CST), Regulatory Expertise, Experience and Premier Software – The Power of PRO™

CST Service is powered by 1099 Pro's ASP.net application that supports all form types including 1099, 1098, 5498, W-2G, W-2, 1042-S and Puerto Rico returns. CST Services performs the ongoing tasks associated with system installation, data conversion, testing, database and system maintenance and production for data imports, posting, balancing, and reporting throughout the year.

In addition, the CST Services team can assist clients with training, consultation, conversions, compliance reviews, abatement and appeals services, the development of processes and procedures, and many other consulting services related to regulatory compliance.

1099 Pro, Inc. Is The Proven Leader In Regulatory Reporting Software.

With more than 100,000 copies of 1099 Pro regulatory software products in use worldwide, and unsurpassed excellence in customer service and support – the power of 1099 Pro products delivers the intelligent solution for meeting your regulatory needs!

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Premier Services Processing and Reporting

These premier processing and reporting services can be tailored to meet your organization's needs. Whether all processes are needed, or just a few, CST can provide the solution. These services can be hosted at one of our SAS 70 Type II facilities, our secure hosting site, on your internal server, or at a third party hosting site of your choice. 1099 Pro can deliver the secure environment you require regardless of your hosting requirements or choice.



Listed below are just a few services that we can provide with regard to information returns:

- Federal Original and Correction Processing Information Returns-1098, 1099, 5498, 1042-S, W2-G, W-2, W-2C
- Annual Payee Statements - 1098, 1099, 5498, 1042-S, W2-G, W-2, W-2C
- State Information Returns
- Direct State
- Resident and Non-Resident Returns
- Current Year Quarterly Returns
- Independent Contractor
- Puerto Rico Returns and Statements
- Payment Card Tracking and Reporting
- TIN Management
- B-Notice and TIN Penalty Notice Processing
- Data Imports - Flexible imports, YTD payments, Transactional Payments can be processed and generate transaction audit of payment activity
- TIN Matching
- Balancing and Reconciliation
- Quarterly SUTA Reporting for State Unemployment Reports
- Management Reports
- Transaction Detail History – for each account, transaction audit trails record posting activity, user data entry and reporting activity
- Reasonable Cause Tracking

- Multi Year Processing
- Transmitter Services
- Guaranteed Compliance
- Compliance History Tracking
- Backup Withholding Status
- Form W9 certification
- Form W8 certification
- and much more...

Service Options

If your organization requires special attention on a particular issue, regulatory audits or if you require training for in-house staff on regulatory issues, we can help. 1099 Pro offers a wide range of consulting services to assist your organization. We are renowned for our experience in the area of information reporting requirements, regulatory issues, and servicing the filing community.

- Compliance Reviews
- Recommendations for internal processes and procedures to comply with federal and state requirements
- 1042-S reviews and consulting services
- Employment Tax consulting services
- Withholding, deposit and reconciliation services
- SUTA (State Unemployment Tax Reporting) Services
- Bulk TIN Matching services
- Penalty Abatement and Appeal Services
- Compliance Training

Your organization can rely on 1099 Pro's strengths and expertise offered with the CST Services. Your organization can look to 1099 Pro to provide the most complete and comprehensive solution available. 1099 Pro's CST Services experts know and understand how your business is impacted by the federal and state regulations for information returns.



CST Services stays abreast of new legislation to ensure that our services and applications meet state and federal requirements and assist our clients in understanding how those requirements may impact their business.

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