

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-20 One-Time Notification	Centers for Medicare & Medicaid Services (CMS)
Transmittal 498	Date: May 29, 2009
	Change Request 6466

SUBJECT: Reporting Gross Payments on IRS Form-1099

I. SUMMARY OF CHANGES: The purpose of this CR is to instruct FISS, MCS and VMS to make necessary programming changes to their respective shared system to ensure that the required IRS Form 1099's are generated correctly in reference to the "Grossing of Payment" rules per current IRS rules and regulations.

New / Revised Material

Effective Date: October 1, 2009

Implementation Date: October 5, 2009

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-*Only One Per Row.*

R/N/D	Chapter / Section / Subsection / Title
N/A	

III. FUNDING:

SECTION A: For Fiscal Intermediaries and Carriers:

No additional funding will be provided by CMS; Contractor activities are to be carried out within their operating budgets.

SECTION B: For Medicare Administrative Contractors (MACs): N/A

IV. ATTACHMENTS:

One-Time Notification

**Unless otherwise specified, the effective date is the date of service.*

Attachment – One-Time Notification

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SUBJECT: Reporting Gross Payments on IRS Form-1099

Effective Date: October 1, 2009

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I. GENERAL INFORMATION

A. Background: Reporting Requirements for Federal Agencies

The reporting requirements of section 6041A states that any service-recipient engaged in a trade or business that pays in the course of such trade or business during any calendar year remuneration for such services in the aggregate of \$600 or more, must file an information return. The \$600 or more paid by a Federal executive agency to a corporation is also subject to the information reporting requirements per section 6041A(d)(3). However, contracts between Federal agencies and corporations that qualify as classified or confidential (i.e., for national security reasons) are exempt under Internal Revenue Code sections 6050M (e) and 6050M.

Centers for Medicare & Medicaid Services, HHS C.F.R 42 400.202 – Definitions specific to Medicare:

“*Services* means medical care or services and items, such as medical diagnosis and treatment, drugs and biological, supplies, appliances, and equipment, medical social services, and use of hospital, CAH, or SNF facilities.”

Internal Revenue Service (IRS) – Special Rules:

Payments reportable to Corporations: Payments by federal agencies to corporations are not exempt from the filing requirements. Internal Revenue Code section 6041A(d)(3) provides that payments made for services performed by a corporation are subject to information reporting requirements when the remuneration has been paid to the corporation by a Federal executive agency.

IRS Specific Instructions for Form-1099-MISC

States in part – File IRS Form 1099-MISC, Miscellaneous Income, for each person to whom you have paid during the year:

At least \$600 in rents, services (including parts and materials), prizes and awards, other income payments, medical and health care payments.

Treasury Regulations, Subchapter A, Section 1.6041-1

(f) Amount to be reported when fees, expenses or commissions are deducted – (1) In general, The amount to be reported as paid to a payee is the amount includible in the gross income of the payee (which in many cases will be the gross amount of the payment or payments before fees, commissions, expenses, or other amounts owed by the payee to another person have been deducted), whether the payment is made jointly or separately to the payee and another person.

(h) When payment deemed made. For purposes of a return of information, an amount is deemed to have been paid when it is credited or set apart to a person without any substantial limitation or restriction as to the time or manner of payment or condition upon which payment is to be made, and is made available to him so that it may be drawn at any time, and its receipt brought within his own control and disposition.

Example: Company X submitted Medicare claims of \$1,000 for payment. The claims were processed and approved for payment, however there is a prior year amount due the program of \$300. The \$300 amount is offset against the \$1,000 due the provider, and a payment of \$700 is authorized. Since the provider received benefit of \$1,000 (\$700 in cash and \$300 reduction of a liability to CMS) the amount of payment that is required to be reported to the IRS on IRS Form-1099 is \$1,000.

If the Shared Systems reports \$1,000 as paid by CMS on the IRS Form-1099, no system changes are required in reference to the “Netting” issue. If the Shared System reports \$700 on the IRS Form-1099, this is considered “Netting” and system changes must be made to comply with the reporting of “Gross” payments.

These reporting requirements are not intended to be a cash payment system or a cash reconciliation system. The reporting requirements follow the rules of accrual accounting.

This CR does emphasize our concern of CMS compliance with reporting of “Gross” payments, however it is not our intent to limit the review of the systems to this issue in reference to CMS’s compliance to all IRS Reporting Rules and Regulations.

NOTE: The necessary changes to correct the netting/grossing issues have been made to the HIGLAS System under a separate HCR.

B. Policy: Under IRS Section 6041(A)(d)(3), CMS shall follow all IRS reporting rules and regulations.

II. BUSINESS REQUIREMENTS TABLE

Use “Shall” to denote a mandatory requirement

Number	Requirement	Responsibility (place an “X” in each applicable column)								
		A / B M A C	D M E M A C	F I I E R	C A R R I E R	R H H I	Shared-System Maintainers			
						F I S S	M C S	V M S	C W F	
6466.1	FISS, MCS and VMS shall make all necessary changes to their respective shared system to correct any netting procedures which do not comply with current IRS reporting rules under IRS Regulations.						X	X	X	
6466.2	FISS, MCS and VMS shall comply with Form 1099 rules, regulations, procedures and instructions in reference to computing “Gross Payment” as published at www.irs.gov .						X	X	X	
6466.3	FISS, MCS and VMS shall make all necessary programming changes to their respective shared system to ensure that the required IRS Form 1099’s are generated correctly in reference to the “Grossing” rules per current IRS rules and regulations.						X	X	X	

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B M A C	D M E M A C	F I	C A R R I E R	R H H I	Shared-System Maintainers				OTHER
							F I S S	M C S	V M S	C W F	
	None.										

IV. SUPPORTING INFORMATION

A. For any recommendations and supporting information associated with listed requirements, use the box below:

Use "Should" to denote a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information
	N/A

B. For all other recommendations and supporting information, use this space: N/A

V. CONTACTS

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VI. FUNDING

A. For Fiscal Intermediaries and Carriers, use the following statements:

No additional funding will be provided by CMS; Contractor activities are to be carried out within their operating budgets.

B. For Medicare Administrative Contractors (MACs), use the following statement: N/A