

UNIVERSITY TAX SERVICES

STANDARD OPERATING PROCEDURE

TSOP NO:	4.1
SUBJECT:	Form W-9 Record Retention Requirements
SOURCE:	University Tax Services – Financial Management Services
ORIGINAL DATE OF ISSUE:	7/14/15
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RATIONALE:	To provide units/departments a guide to record retention and best practices for the Form W-9. Since the early 1990s, tax requirements and compliance have slowly adjusted to accommodate the influx of technology into accounting systems and recordkeeping efforts. This change has raised questions about extended record-keeping and special regulations regarding paper forms, etc. In light of this change, this document seeks to answer a few key questions as outlined below.
PROCEDURES:	<ol style="list-style-type: none">1) Common knowledge believes that W-9's are valid indefinitely during the length of the contract relationship. Is this true? What circumstances would necessitate a renewed W-9?<ul style="list-style-type: none">• There is no obligation to renew the Form W-9 on an annual basis, or more than once during the length of the contract with the vendor. The form only needs to be renewed if there is a change to any of the questions on the form: taxpayer ID (unlikely), citizenship (unlikely), requirement for backup withholding (unlikely).• NOTE – a change in address does not require a new Form W-9 but should be considered a best practice for document retention• Some sources on the topic suggest requiring a new form from each vendor each year, but that may be impractical for very large firms or for the University. As long as the information is current and correct, there should be no problem with the original Form. A solid recommendation for timing of renewing the Form is to require a new W-9 from all vendors every 3 years; the form is simple, not time-consuming, and this time frame would keep the University within reasonable compliance with the IRS.• Renewing a W-92) How long should paper copies of Form W-9 be retained once copied into an electronic system?<ul style="list-style-type: none">• There is limited guidance on this topic from the IRS. The quick answer is that once the paper copy has been properly imported into a valid and secure system as outlined by the IRS, the paper copy can be disposed. A better policy may be to hold the form for 30 days to confirm its integration into the record-keeping system. There is a limited push at the IRS to reduce paper and paper-processing so this could be used as guidance in the treatment of the paper Form W-9's.

	<p>3) The Internal Revenue Service allows electronic record-keeping with systems that meets its regulations. What are these regulations?</p> <p>General Requirements: (Rev. Proc. 97-22 Section 4)</p> <ul style="list-style-type: none"> • Reasonable controls to ensure the integrity, accuracy and reliability • Controls to prevent and detect the unauthorized creation of, addition to, alteration of, deletion of, or deterioration of electronic records • Inspection and quality assurance program evidenced by regular evaluations of the electronic storage system including periodic checks • Retrieval system that includes an indexing system • Ability to reproduce legible and readable hardcopies of electronically stored records. <p>4) Internal process controls are vital in complying with privacy standards and to prevent tampering with electronic documents. Are there any established rules for auditing of these types of tax documents?</p> <ul style="list-style-type: none"> • While there are no specific guidelines for auditing the readability and legibility of these documents, auditing internal controls is an integral part of ensuring data integrity. These forms are kept to determine tax relationships, unlike other forms which ensure correct tax payments. These forms should be tested for readability, legibility, and “printability.” An example of an audit practice would be to test a sampling of the W-9s on file for the current year. These forms should be tested on the metrics listed above. The test could be as simple as “readable” or “not readable.” While this does leave some subjectivity in the testing, it can ensure within a certain confidence level that the Form W-9s meet the requirements for the IRS electronic record-keeping methods. <p>5) What are the penalties for issuing a 1099-MISC that is using information from an incorrect W-9?</p> <ul style="list-style-type: none"> • The amount of the penalty is based on when you file the correct information return. The penalty is: <ul style="list-style-type: none"> • \$30 per return if you correctly file within 30 days; maximum penalty \$250,000 per year • \$60 per information return if you correctly file more than 30 days after the due date but by August 1; maximum penalty \$500,000 per year). • \$250 per information return if you file after August 1 or you do not file required information returns; maximum penalty \$1,500,000 per year (\$500,000 for small businesses).
<p>DEFINITIONS:</p>	<ul style="list-style-type: none"> • <u>Form W-9</u>: Request for Taxpayer Identification Number and Certification https://www.irs.gov/pub/irs-pdf/fw9.pdf, used for record keeping purposes only to generate applicable tax form(s) such as the Form 1099-MISC. • <u>Form 1099-MISC</u>: IRS form to report miscellaneous income paid https://www.irs.gov/pub/irs-pdf/f1099misc.pdf
<p>CROSS REFERENCES:</p>	