

Sonoma County Office of Education
Business Services

**EXTERNAL FISCAL SERVICES UPDATES
FINANCE USER GROUP MEETING: SEPTEMBER 6, 2017**

Reminders:

Independent Contractors vs Employees:

It is critical to correctly classify individuals when hired. If audited and determined an incorrect classification, employer may be held liable for employment taxes for that employee and there may be penalties.

The best test to determine if an individual is your employee, is if you as the employer can control what will be done and how it will be done, even if you give the employee freedom of action. What matters is that you have the right to control the details of how the services are performed, even if you never exercise the control. *Employees are subject to payroll taxes*

The general rule for determining an independent contractor is if you as the employer has the right to control or direct only the result of the work and not what will be done and how it will be done. *Independent Contractors are subject to self-employment taxes*

Resources: EDD's Employment Determination Guide (Forms DE38 and/or DE1870) or the IRS's Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding (Form SS-8). *These forms can be accessed through Escape's SCOE Resources Link.* Also see SCOE's Independent Consultant Checklist found on SCOE's website at www.scoe.org

CalSTRS Retirees Working as Independent Contractor:

CalSTRS retirees are subject to an earnings limit that includes earnings paid to the retiree as an independent contractor. When contracts for professional services are submitted, look-up their membership status in REAP. If membership status is "SR" for STRS Retired, complete SCOE's CalSTRS Retiree Earnings Paid Through Accounts Payable form and send it, along with a copy of the invoices to SCOE's retirement desk (Carol Mahan). The invoice amount(s) will be included on the next CalSTRS retirement report.

Also complete CalSTRS Form ES-732 Employer Certification of Independent Contractor Status and retain in Employee's File.

These forms can be accessed through Escape's SCOE Resources Link.

Foreign Vendors and California Nonresident Providing Service within the State:

Foreign vendors providing services within the US may be subject to federal tax withholding up to 30% on payments of \$1,500 or more. Both Foreign and non-resident vendors providing services within the state may be subject to 7% state income tax withholding on payments of \$1,500 or more. Special forms are required to be completed by the vendor and then provided to the vendor at calendar year-end. There

are also special filing requirements. See attached documentation for Foreign and California Nonresident Alien Vendors Providing Services in California and Escape set up recommendation regarding paying a Foreign Vendor. *These forms can be accessed through Escape's SCOE Resources Link.* See SCOE's Working as an Out-Of-State Vendor for SCOE letter found on SCOE's website at www.scoe.org.

Protocol for Accounts Payable Payments Over \$1mil:

LEAs anticipating a payment over \$1 million to a single vendor are required to use the wire transfer process in lieu of running payment through Escape's AP. Likewise, these should originate from the LEA's Chief Business Official. The Wire Transfer Request form has been revised to include certifying there are sufficient funds in the account to cover the wire. We have also added to include a Fiscal91 County Object Summary of cash in hand for the fund. *Wire Transfer Procedures and Request Form can be accessed through Escape's SCOE Resources link.*

Stop Payment and Cancel Commercial Warrants Process:

Please see attached documentation for Process to Stop Payment and Cancel Commercial Warrants. *This documentation can also be accessed through Escape's SCOE Resources Link.*

1099, Box 6-Medical and NPS:

Typically, NPSs (Non Public Schools) are corporations and are not reportable for 1099 purposes, unless the NPS breaks out what portion is for therapy, speech, behavioral, etc. When medical is broken out, report only that amount in Box 6, Medical. When medical is not broken out, do not report the NPS payments at all.

AP Payments with Credits:

When taking a credit on an invoice, there must be a payment to actually take the credit against since Escape does not create negative checks. Prior to taking the credit, verify the vendor's address is set up to combine payments and that the address used for both the invoice and the credit is the same.

County Treasury does not Honor Phone Payments:

It is against County policy for electronic submission of a check (phone payment). The County Treasury's bank accounts are set up to Block all ACH activity that isn't initiated at the County. They do not allow electronic debits from the bank accounts unless it's the payroll ACH's going through. Allowing this type of access would expose the County to potential fraud, and their paramount responsibility is to safe guard the assets of the County and the Pool Participants. Therefore, vendor checks written to a vendor are never to be converted to electronic submission. This is commonly known as a payment by phone. In the case when a vendor contacts you indicating they are unable to cash a check you have sent them, please do not authorize them to cash the check via electronic submission. Instead, get as much information from the vendor as to why they are unable to cash the check and contact me (Erin Graves) immediately so we can get this resolved in a timely manner. Our County Treasury will not honor these payments.

Upcoming AP Workshops:

SCOE is hosting two CASBO workshops this Fall for Accounts Payable Clerks:

- CASBO Accounts Payable Workshop 10/24, 9 - 4:30 in Redwood C:
Designed for entry and mid-level accounts payable clerks.
- CASBO 1099 Reporting Concepts Workshop 11/2, 9 - 4:30 in Oak Rooms D & E
Designed for new and seasoned accounting and purchasing personnel who work with vendor Forms W-9 and 1099.

SCOE is also hosting a *free* Use Tax Workshop put on by the California Department of Tax and Fee Administration (CDTFA) formally known as the Board of Equalization (BOE). The workshop will cover what Use Tax is, what are Taxable Items and how to eFile for Use Tax. Since SCOE hasn't previously hosted a Use Tax workshop, we encourage accounts payable users to attend as we anticipate this to be a valuable workshop. Fliers and registration information will be sent out at a later date:

- Use Tax Workshop 10/6, 9 -11 in Oak Room D & E