1099 – Reporting Year 2023

User Manual

Energy Software

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1099 User Guide

Overview

AP, Revenue and Land related payments made to Business Associates ("BAs") who have been identified through configurations and are eligible to receive a 1099 for a given tax year will be included in an Excel file that is generated in a format to be imported into 1099 Pro, a 3rd party software. Multiple types of 1099 forms are available. The type of 1099 generated for a given BA and which boxes on the 1099 are populated depends on type of remittance for individual payments made to the BA, any override configurations made at either the BA or Chart of Accounts GL account level, and the configurable dollar threshold established for inclusion.

W Setup

BA and Role setups

The setting for whether a BA receives a 1099 is a checkbox within the system itself on the Global Setup > Roles screen within the main Role tab for the BA, labelled "Send 1099":



This can also be set in the BA Template loader on the Roles tab by setting the "Send 1099" column to "YES", "Y" or "1". Multiple roles within a BA may be set to true (checked), and they will all "roll up" to the BA level, so that only one 1099 form is generated for the BA.

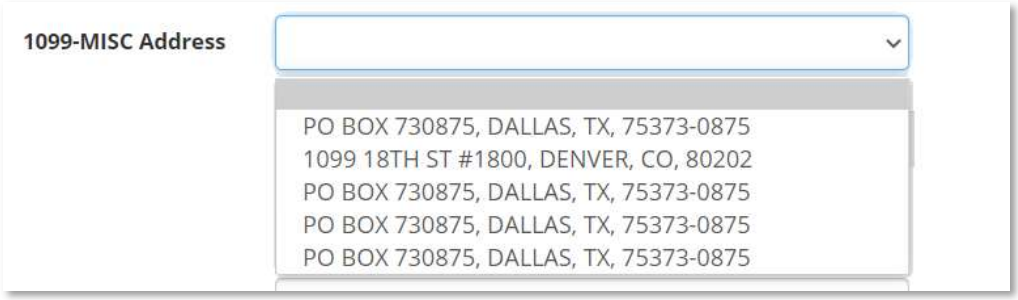


Multiple roles within a BA may be set to true (checked/YES), and they will all "roll up" to the BA level, so that only one 1099 form is generated for the BA.

A mailing address to be printed on the 1099s *must* be chosen from the Global Setup > Business Associate screen on the "Business Associate" tab in the "1099-MISC Address" dropdown. W Energy can assist with loading 1099 addresses, as this option is not currently available on the upload template. If multiple BA roles with different addresses have their "Send 1099" box checked, multiple address options

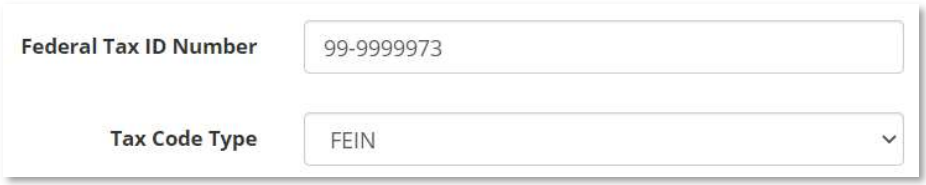
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will be available to choose from:



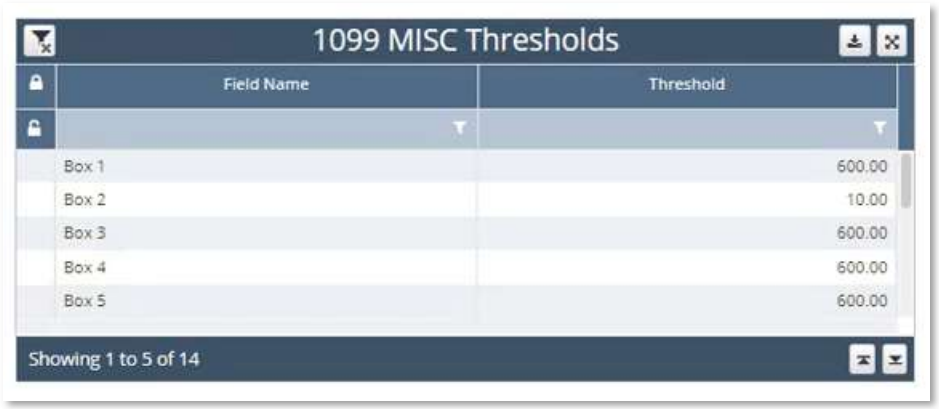
Note that if none of the role addresses are appropriate for mailing a 1099 to, you may create a new role for the BA (called, for example, "1099") which contains the appropriate address, and select that address from the dropdown menu. This link must be in place in order for the name and address to output correctly on the export file.

The tax ID number should also be filled out, as this information is printed on the 1099 forms:



1099 Configuration

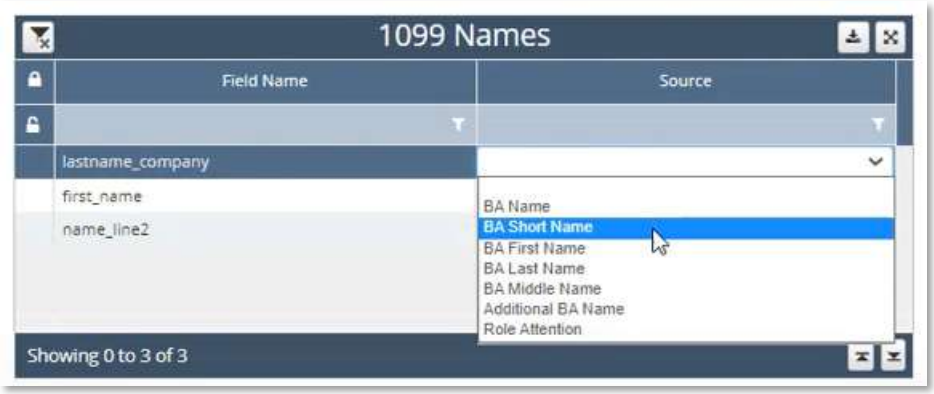
Various dollar thresholds for each box on the available 1099 forms (MISC, NEC, S and INT) can be set in the Global Setup > 1099 Configuration screen. Each box in each grid maps to a box on the printed 1099 forms, and the amounts keyed in there indicate what the minimum amount must be, for an amount to be printed. Leaving a threshold blank effectively sets it to the default of $0. Setting the threshold to $0 indicates that any amount greater than $0 will be printed:



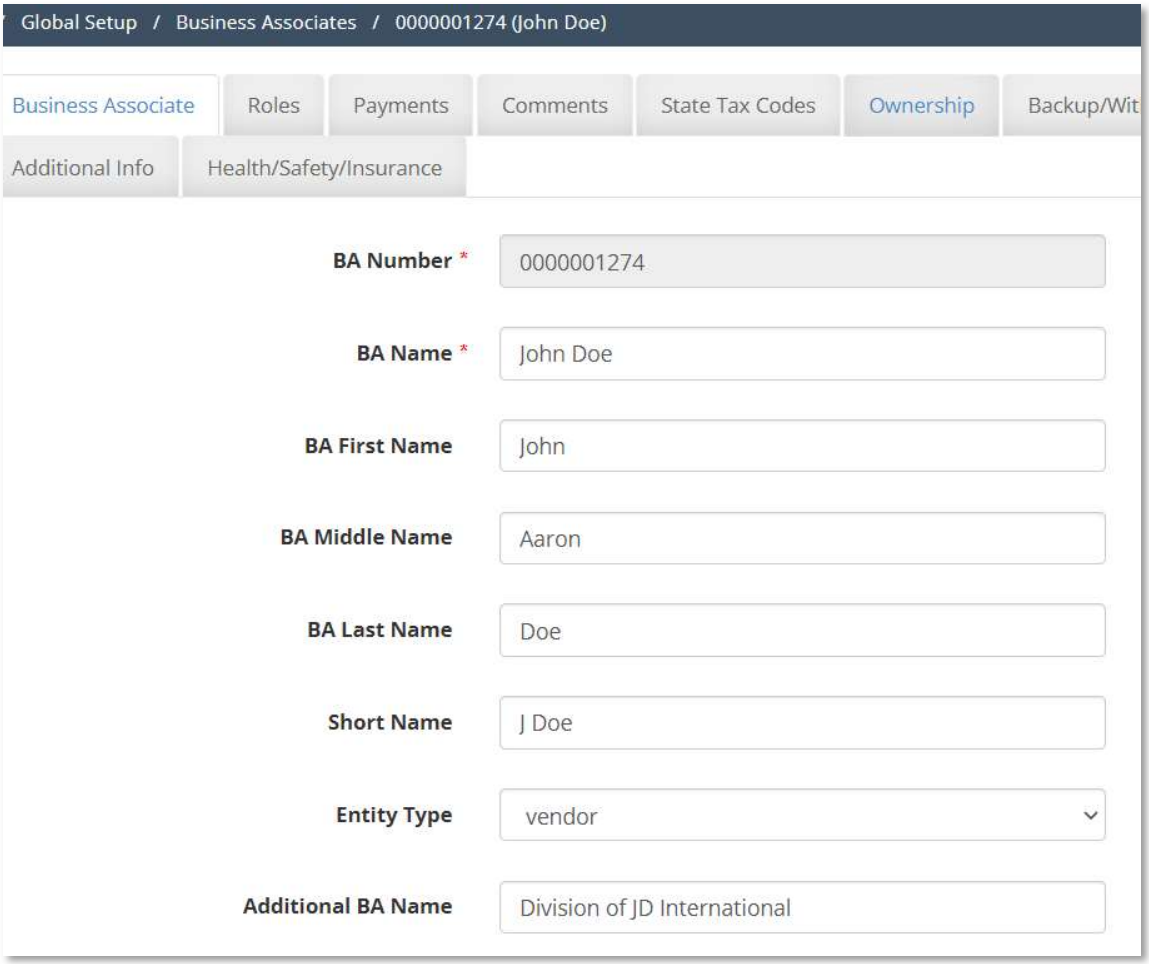
Please review the IRS website for guidance on appropriate thresholds to use.

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In addition, the name which is to be printed on the 1099 form can be selected in a grid titled “1099 Names” on the same 1099 configuration page:



The “Source” column dropdown will provide various BA fields to choose from for identifying a company or last name, a first name and an additional name field. These fields are pulled from the Global Setup > Business Associates screen on the “Business Associate” tab:



The taxpayer’s name and TIN can be different than the record title owner.

Remittance Types and Overrides

The remittance type associated with the invoices being paid (and hence the amount to potentially be included in a 1099) will drive which 1099 form the amounts should be reported on, along with which boxes on the form that amount should appear in.

Beginning in 2020, payment amounts will be reported in these locations *by default*:

Module	1099 Form	Box
Accounts Payable	NEC	1
Land	MISC	1
Revenue - Working Interest	NEC	1
Federal taxes withheld (based on owner amounts)	NEC	4
State taxes withheld	NEC	5
State income	NEC	7
Revenue - Royalty interest	MISC	2
Federal taxes withheld	MISC	4
State taxes withheld	MISC	17
State income	MISC	18

It's important to note that remittance types are dependent upon the module from which the payment originated – whether that is within the Financials module directly in AP, flowing from Land to AP or flowing from Revenue to AP.

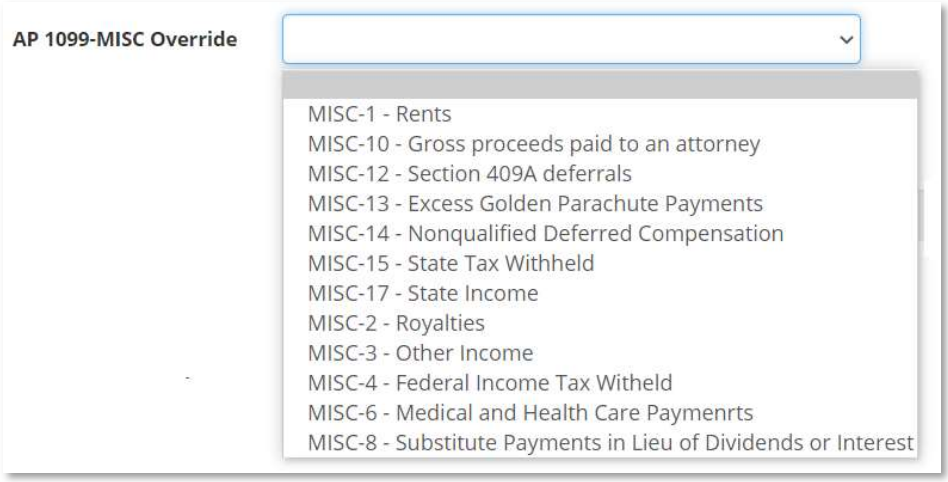
If you are not using either Revenue or Land Modules and instead are processing those types of payments directly in the Financials modules as AP type invoices, this will result in different data captured from what is described in the table above (for example: Land payments being processed by AP rather than coming from the Land module would default to form 1099-NEC in Box 1, which is not appropriate) and so overrides may be necessary to segregate information into the correct/appropriate 1099 forms and boxes. See the following paragraphs about overrides.

Each of these default locations for reporting costs may be overridden in one of two ways:

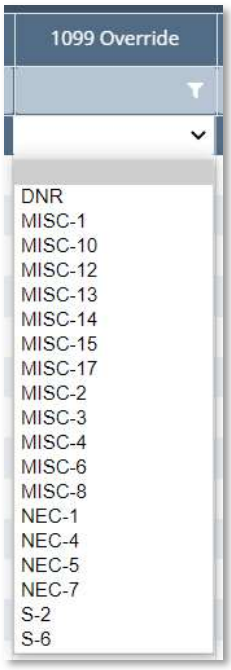
- Within an individual BA, Global Setup > Business Associates, on the primary "Business Associates" tab, the AP 1099-MISC Override dropdown will provide options of where to report *all* costs for the given BA, regardless of the default behavior described above. This is commonly

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seen for attorney payments (the second option shown below):



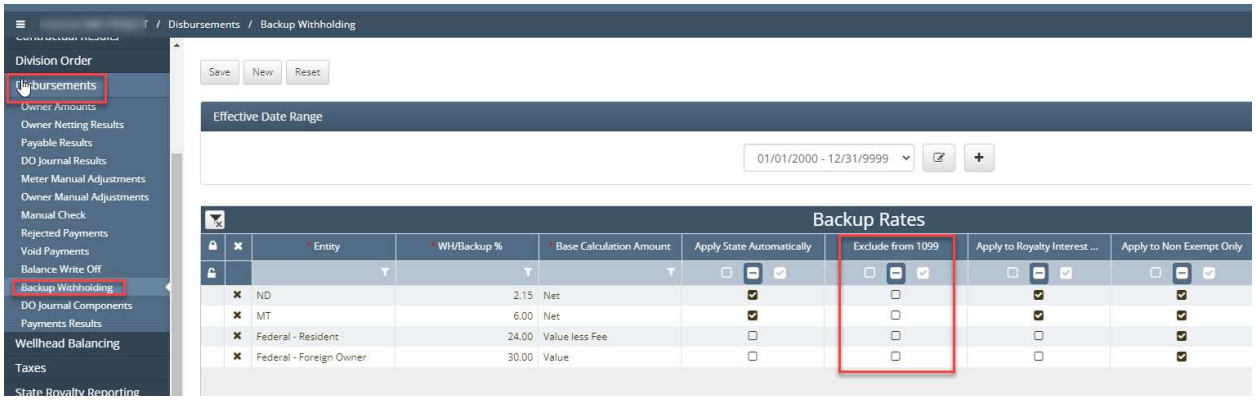
- Global Setup > Chart of Accounts, the 1099 Override column will allow all costs for the specific GL account to be reported on a specific form/box, regardless of the default behavior above.



If both overrides are in place on a particular invoice payment for a qualified BA, the Chart of Accounts override takes precedence in determining which form and box the amount will appear in.

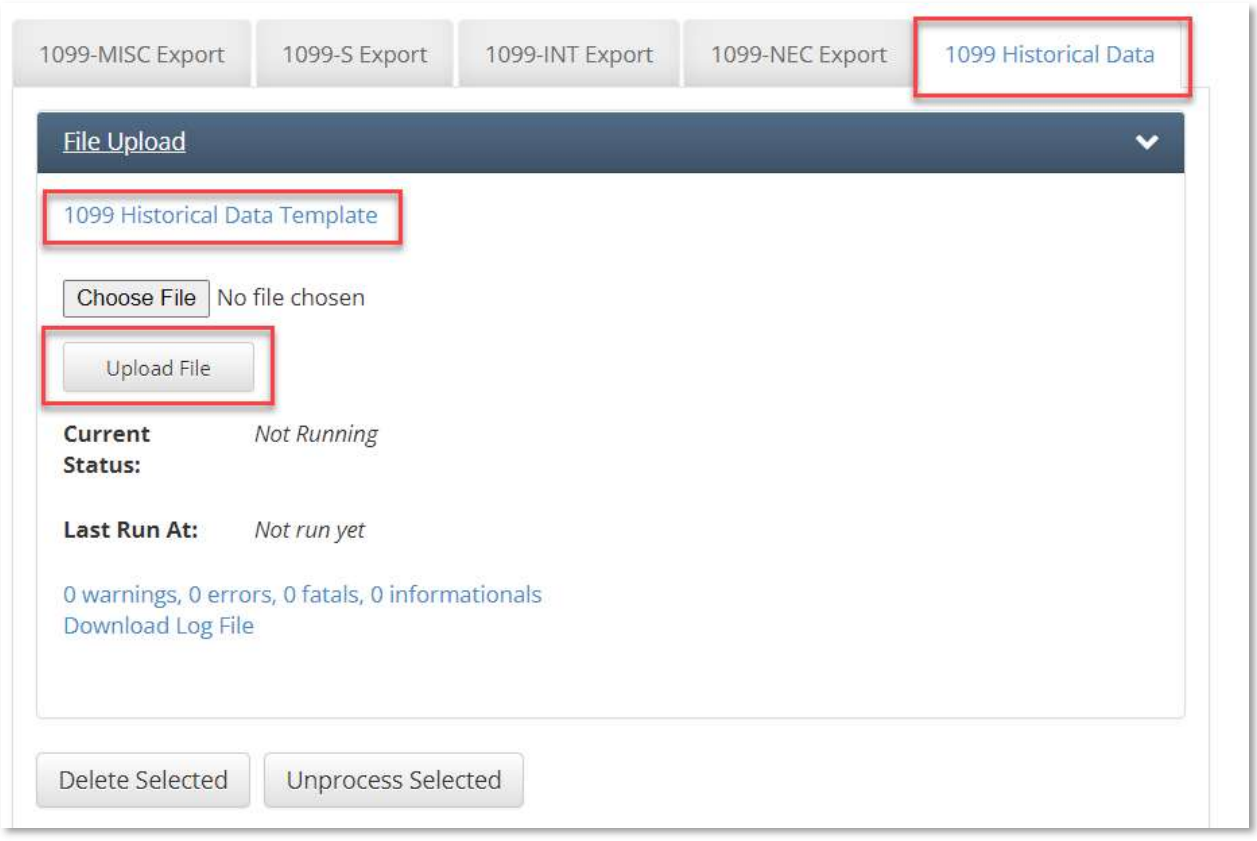
- If a specific Revenue deduction should be excluded from 1099, an update can be made to Disbursements>Backup Withholding, by checking the exclude from 1099 box. All default to be included.

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Historical 1099 data

If you have begun using W Energy in the middle of a tax year, and have a partial year of 1099 data available from a prior system, the 1099 balances associated with that partial tax year can be imported through use of the 1099 Historical Data Template on the Accounts Payable > 1099 Exports "1099 Historical Data" tab:



Once the historical data is uploaded, it will appear in the grid at the bottom of the screen, "1099 Historical Data":

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These partial-year historical amounts will then be combined with eligible amounts captured directly within the W Energy ERP for the remainder of the tax year being reported, and a single 1099 file will be generated for the BA, as a result. If incorrect amounts have been loaded or should not otherwise be included in the cumulative 1099 amounts for the year, those individual imported lines can be Unprocessed (excluded) and Deleted with the appropriate buttons.

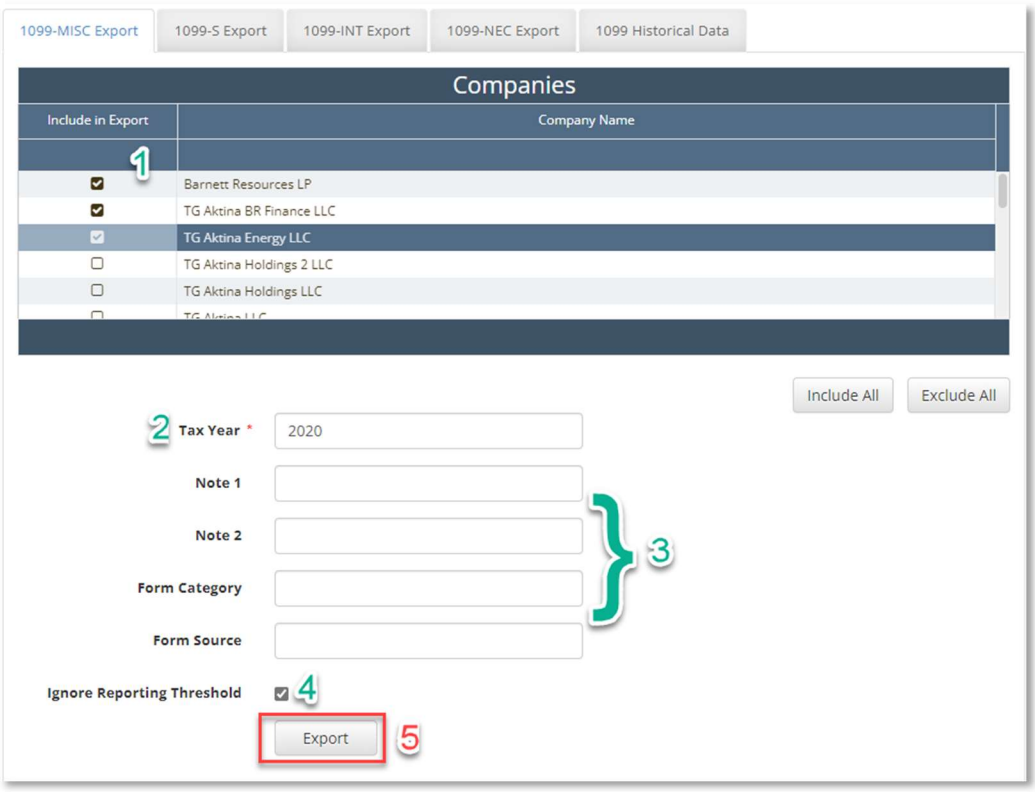
Generating the 1099 export file

The 1099 file to be exported is generated under Accounts Payable > 1099 Exports. Each form (MISC, NEC, INT, S) is exported separately, so the steps below need to be executed for each tab to generate the export files needed.



For each of the form tabs:

1. Select which companies at the top you want to include, by either choosing the checkboxes next to them, or using the “Include All” button to choose all at once. The “Exclude All” button will clear all checkbox selections at once.
2. Type the tax year to generate the forms
3. Note 1, Note 2, Form Category and Form Source are free-form fields which do not drive any calculations or presentation, and are used as data tags within the 1099 Pro software
4. Checking the “Ignore Reporting Threshold” box will generate all amounts for all boxes on the form, regardless of whether the amount meets the minimum threshold set up in the 1099 Configuration screen
5. Once the options have been chosen, click the Export button.



This process can take a while, depending on how many transactions match the criteria for inclusion in the export process. After the export is complete, an Excel file will be listed in the Exported Files grid immediately below. This process may be repeated and re-run as many times as is needed, and each time the Excel file will be recreated. Once exported, the Excel file can be manually edited, prior to importing it into 1099 Pro.



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If there were historical transactions combined with the current year data, those historical transactions will now be labeled “Processed” and the Processed box will need to be checked in the top of the grid to see data.



If it’s determined that any of these historical amounts should NOT have been included in the Exported data:

1. Select their checkbox
2. Click “Unprocess Selected”
3. Remove the checkmark in “Processed”
4. Select their checkbox (they have been moved from Processed to unprocessed and can still be picked up the next time the Export is run)
5. Click “Delete Selected”
6. Re-run Export on the relevant 1099 form tabs

Additional export file information

This section will cover information on the columns added for Gross Tax and Gross Fees. It also includes how to reconcile standard payments for AP, Revenue and Land.

Gross Fees and Gross Taxes columns

Information related to gross taxes and gross fees has been added to help tie out an owner’s payments for the year. The information will be shown on both NEC and MISC based on the owner’s interest type.

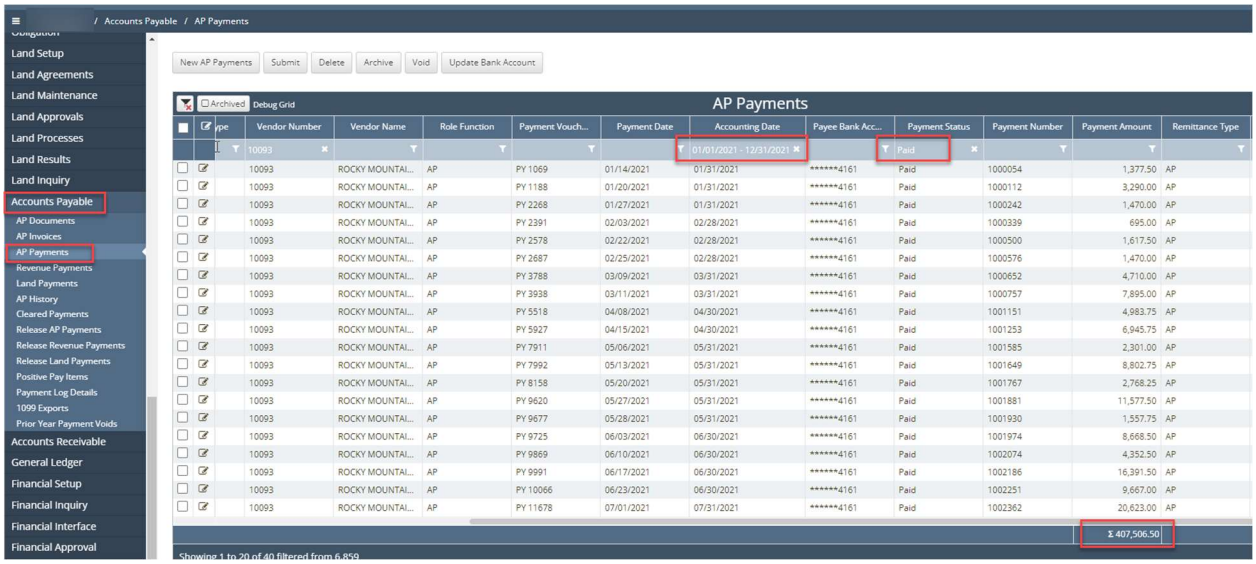
- Gross Tax is displayed in the column labeled Opt Rcp Text Line 1.
- Gross Fees is displayed in the column labeled Opt Rcp Text Line 2.

Reconcile AP Payments

1. Pull vendor number from the RCP Account column on the 1099NEC download.

L	N	O	P
Rcp Account	2nd TIN Notice	FATCA Checkbox	Box 1 Amount
10056			1,280.51
10093			407,506.50
10123			1,103,028.20
10133			18,999.55
10222			1,836,598.33
10267			5,562.89
10340			1,486.65

2. Navigate to Accounts Payable>AP Payment.
3. Apply the following filters:
    a. Company
    b. Vendor Number
    c. Accounting Month – Use a range for the tax year reporting
    d. Status = Paid



4. If the totals do not match, there are two additional items to check to see if there are setups that alter the behavior of the system.
    a. Global Setup>Chart of Accounts – 1099 Override Column



    b. Global Setup>Business Association – 1099 Override



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Reconcile Revenue payments

The below calculations are for standard upstream setup. There could be some variation depending upon client configuration setups.

Working interest owner

1. Pull owner number from NEC download.

L	O	Q	R	S	T	U	V	W
Rcp Account	Box 1 Amount	Box 4 Amount	Box 5 Amount	Box 6 ID Number	Box 6 State	Box 7 Amount	Opt Rcp Text Line 1	Opt Rcp Text Line 2
8900805	19.78	4.48			ND	19.78	19.78	8.07

2. Navigate to Disbursements>Owner Amounts
3. Apply the following filters to check NEC box 1 and export to Excel to pivot for totals.
    a. Accounting Date
    b. Owner Number
    c. Status = Paid
    d. Interest Class = WI
    e. Revenue Type = Product
    f. Source = Revenue
    g. Total the Value column

A	B
Accounting Date	(Multiple Items)
Owner Number	8900805
Revenue Type	Product
Source	Revenue
Status	Paid
Row Labels	**Sum of Net**
WI	19.78
Grand Total	**19.78**

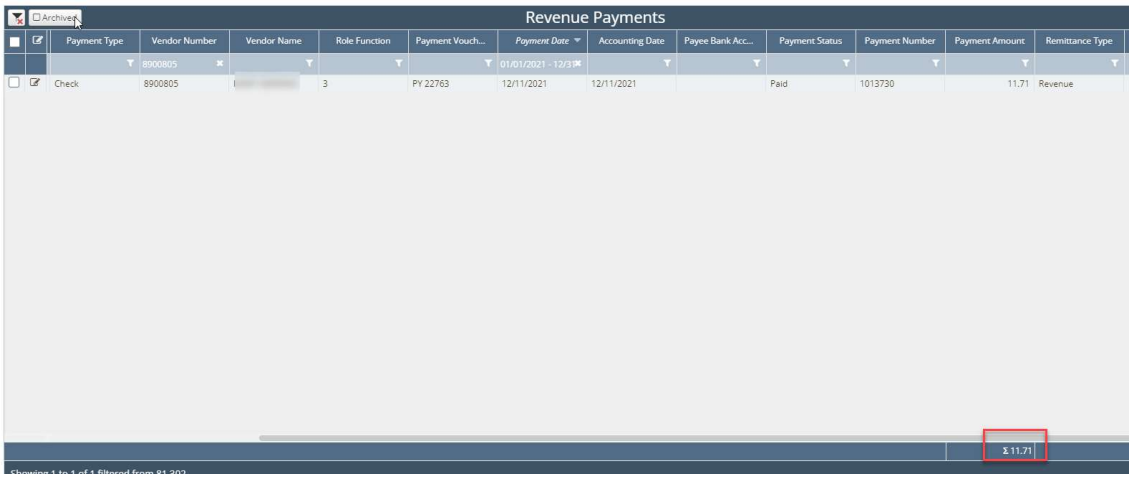
4. In Excel, apply the following filters to the pivot to check NEC box 4 using owner amounts.
    a. Accounting Date
    b. Owner Number
    c. Interest Class = WI
    d. Source = Backup/Withholding
    e. Government Entity = Federal - Resident
    f. Total the net column

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Accounting Date	(Multiple Items)
Owner Number	8900805
Revenue Type	(All)
Source	Backup/Withholding
Status	Paid
Government Entity	Federal - Resident
Row Labels	**Sum of Net**
WI	-4.48
Grand Total	**-4.48**

5. Apply the following filters to check NEC box 5 using owner amounts.
    a. Accounting Date
    b. Owner Number
    c. Interest Class = WI
    d. Source = Backup/Withholding
    e. Government Entity = Null or Tax State
    f. Total the net column

6. Owner Payment Amounts (Column V – Column W)
    a. Navigate to Accounts Payable>Revenue Payments
    b. Filter on Payment Date



All non-working interest owners

The following filters can be used to tie out boxes using the owner amounts screen.

1. Pull owner number from MISC download.

2. Navigate to Disbursements>Owner Amounts
3. Apply the following filters to check MISC box 2
    a. Accounting Date
    b. Owner Number
    c. Status = Paid
    d. Interest Class = not WI
    e. Revenue Type = Product
    f. Source = Revenue
    g. Owner Function = REV
    h. Total the Value column
4. Apply the following filters to check MISC box 4 using owner amounts.
    a. Accounting Date
    b. Owner Number
    c. Interest Class = not WI
    d. Status = Paid
    e. Source = Backup/Withholding
    f. Government Entity = Federal
    g. Total the net column
5. Apply the following filters to check MISC box 5 using owner amounts.
    a. Accounting Date
    b. Owner Number
    c. Interest Class = not WI
    d. Status = Paid
    e. Source = Backup/Withholding
    f. Government Entity = Tax State
    g. Total the net column

6. Apply the following filters to check MISC box 17 using owner amounts.
    a. Accounting Date
    b. Owner Number
    c. Interest Class = WI
    d. Source = Backup/Withholding
    e. Government Entity = Tax State
    f. Total the net column

7. MISC box 18 is generally = Box 2

8. Owner Payment Amounts (Column AH – Column AI)
    a. Navigate to Accounts Payable>Revenue Payments
    b. Filter on Payment Date

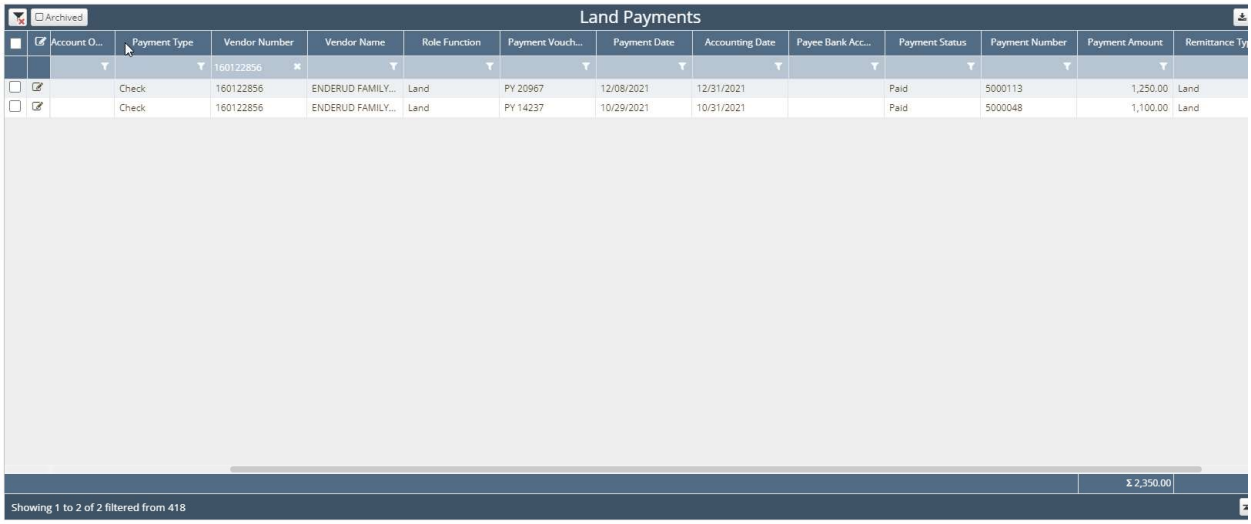
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Reconcile Land Payments

1. Pull vendor number from the RCP Account column on the 1099 MISC download.

L	M	N	O	P
Rcp Account	**Rcp Email**	**2nd TIN Notice**	**FATCA Checkbox**	**Box 1 Amount**
160122856				2350

2. Navigate to Accounts Payable>Land Payment.
3. Apply the following filters:
    a. Company
    b. Vendor Number
    c. Accounting Month – Use a range for the tax year reporting
    d. Status = Paid



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