

DELAWARE DIVISION OF REVENUE

TECHNICAL INFORMATION MEMORANDUM 2006-3

Date: September 15, 2006

Subject: 1099 Electronic/Magnetic Filing

The Delaware Division of Revenue has previously issued memoranda on the subject of magnetic media reporting of 1099 information. The purpose of this memorandum is to advise you of new statutory and technical requirements for electronic/magnetic media filing and the penalties for not following these requirements. This Technical Information Memorandum is effective for the reporting of 1099 information for tax year 2006 and later.

In General

All Internal Revenue Service Forms 1099 reflecting Delaware taxable income must be filed with the Division of Revenue. As explained below, electronic/magnetic filing may be required for Form 1099-MISC and 1099-R. When electronic/magnetic filing is not required, paper forms may be used, but electronic/magnetic reporting is encouraged.

Electronic/magnetic reporting includes magnetic media or online submission via the internet.

Electronic/Magnetic Filing Requirement

Under § 513(a), Title 30 of the Delaware Code, any individual or firm required to report Form 1099-MISC or 1099-R information to the Internal Revenue Service electronically must also report to the Delaware Division of Revenue electronically. The duty to report 1099-MISC information to the Division of Revenue applies in the case of Forms 1099-MISC issued to persons resident in Delaware or to non-residents of Delaware for work performed within Delaware. Forms 1099-R are required to be reported to Delaware in the case of any person issued a Form 1099-R on which Delaware taxes are reported as withheld. Even though Delaware participates in the Combined Federal/State Filing Program, the 1099-MISC and 1099-R forms are required to be filed directly with Delaware. Any individual or firm not required to report Form 1099-MISC or 1099-R information to the Internal Revenue Service electronically are encouraged to report to the Delaware Division of Revenue electronically or on magnetic media, but must at least report by means of paper filings.

Media and data format specifications

1099 data submitted to the Delaware Division of Revenue must conform to the current version of the Internal Revenue Service's Publication 1220 specification for media and data format, except as noted below. As of the date of this memorandum, that specification was available online as <http://www.irs.gov/formspubs/index.html>. This address is subject to change.

Exceptions to the Publication 1220 specifications for media and data format:

1. The Delaware Division of Revenue will accept 3 ½ inch diskettes, tape reels, and 3480/3480E/3490/3490E tape cartridges. In addition, CD-ROMs (readable on a standard Windows PC) will be accepted.
2. Compressed or encrypted data files on media of any type will **not** be processed. Online Internet submissions will allow for both compressed and secure encrypted transmission of data.
3. Multiple-volume files, or multiple files on a single volume, are not supported on media of any type. Each individual piece of media submitted must contain one, and only one, valid 1099 data file and **no** additional files should be included on the media.

Labels

All media should have external labels with the following information:

- "TY__DE 1099 DATA" (fill in the blank with the tax year)
- Submitter (company) name
- Contact name and mailing address
- Contact phone number
- Contact e-mail address (if available)
- Inventory number (your tape number or other volume identifier, if available)

Filing

The media described in the Technical Information Memorandum accompanied by IRS form 4804 (as described in Publication 1220) or equivalent, should be addressed to the State of Delaware, Division of Revenue, 820 North French Street, Wilmington, DE 19801.

Electronic filing is done using the Division of Revenue Internet website. As of the date of this memorandum, the location is <http://www.state.de.us/revenue> and then looking at Services for Business Taxpayers. This address is subject to change.

The due date for electronic/magnetic filing of 1099 information is March 1. The due date may be extended by request to the Director of Revenue showing that, unless extended, electronic/magnetic filing will represent an undue hardship to the reporting entity.

Penalty

Under §534(f), Title 30 of the Delaware Code, penalty may be assessed for (1) failure to file information returns electronically/magnetically by the prescribed due date, (2) failure to include all the information required to be shown on the return, (3) failure to file information returns in the required manner, or (4) failure to provide correct information. The penalty equals one-half the amount specified in Section 6721 of Internal Revenue Code for such failure in the case of the federal requirement. The maximum penalty for failure to meet the requirements set forth in this Memorandum is \$125,000.

Testing

The Delaware Division of Revenue does not have facilities for processing test 1099 data.

References:

Title 30 Delaware Code Section 1154(h)
Title 30 Delaware Code Section 534(f)
Internal Revenue Code Section 6721
Internal Revenue Service Regulation Section 301.6721-1

Contacts

If you have questions concerning 1099 reporting requirements, please contact James Stewart at (302) 577-8170.

If you have questions concerning media or data format specifications, please contact David Smith at david.g.smith@state.de.us or (302) 323-5300 extension 3027.

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Director of Revenue