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2022

Maryland Employer Reporting of 1099s Instructions and Specifications

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Revenue Administration Division

Annapolis, MD 21411-0001

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Document Change Log

Date	Page	Description
10/28/2022	N/A	• There are no record layout changes for Tax Year 2022
	page 3	• Filing Deadline: January 31, 2022, all ectronic filing is via SFTP, 1099Ks can now be filed electronically via SFTP
	page 4,6	• Maryland is no longer accepting CD/Diskettes.
	page 5	• File Specifications updated
	page 7	• Reminders for Tax Year 2022 added line 12
	Page 10	• Maryland Record Layout Tax Year 2022

Introduction

Maryland law requires employers to submit their annual Withholding Reconciliation electronically if the total number of 1099 statements meet or exceed 25. We encourage all employers, regardless of the number of 1099s, **to file electronically via SFTP**.

The filing due date for 1099 statements/MW508 return is January 31st. If the due date falls on a Saturday, Sunday, or legal holiday, it must be filed by the next business day.

The 2022 Maryland Reporting Instructions and Specifications Handbook for 1099s is designed to be used as a companion to the **IRS Publication 1220 Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498, 8935 AND W-2G Tax Year 2022.** Since many functions of the Maryland employer-reporting program are similar to the IRS program, this handbook highlights the special requirements of the Maryland program.

Filing Requirements for 1099 Reporting

Filers having 1099 statements must file electronically via SFTP in the IRS format from Publication 1220 Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498, 8935 AND W2-G.

Maryland requires a 1099-G, 1099-R, 1099-S and W-2G for every Maryland payee who receives a payment of $10 or more during the tax year being reported.

Note: Maryland only requires a 1099-MISC *and 1099-NEC* from the payee (or employer) when there is Maryland withholding greater than zero.

Failure to comply may result in a penalty of $100 for each violation. In addition, there could also be a $50.00 penalty for each 1099 not filed. Failure to comply with Section 13-706 of the Tax-General Article, Annotated Code of Maryland may result in the assessing of additional penalties.

Note: You may file 1099-K electronically via SFTP. Section 10-825 of the Maryland Tax-General Article requires that 1099-K forms are required for payees who are "required to file a return or declaration" under Part II of Subtitle 8 of the income tax title.

Upcoming Changes and Enhancements

Maryland continues to participate in the Combined Federal/State Filing Program for Forms 1099.
Note: Prior to your submission to Combined Federal/State Filing, the 1099 file <u>must include the modified B record(s) containing the required Central Registration Number (CRN) in positions 715-722</u>.

1099 filers who do not participate in the Combined Federal/State
Filing Program, should submit file electronic via SFTP or paper returns with 1099s directly to Maryland by January 31st, each year.

Maryland is no longer accepting CD/Diskettes.

Maryland will require 1099 text files to be placed at the Comptroller of Maryland secure server by SFTP (Secure File Transfer Protocol), using one of the following two methods:
- Option 1: Manually upload to Comptroller of Maryland SFTP website
- Option 2: SFTP automated server to server transmission up to two IP address will be required to be whitelisted with Comptroller, State of Maryland

Please email **SecureTransmission@marylandtaxes.gov** to obtain your SFTP Account info along with instructions for setup. In the email, please provide the following:
- Point of Contact Email address
- Business Name
- Point of Contact Name
- Point of Contact Number
- Business choice of (SFTP) either Option 1 or Option 2 or both
- No more than two IP Addresses if choosing Option 2

File Specifications

The Maryland Revenue Administration Division uses the following criteria:

- If filing via SFTP follow the naming conventions in the SFTP instructions sent to you in email when you requested SFTP access.

- Datsa must be uppercase letters in ASCII.

- Inspect the file prior to verify that each record type (T, A, B, C, K, F) starts on a new row.

- File should include record delimiters (CR- Carriage Return followed by LF – Line Feed). Each record delimiter must consist of a carriage-return/linefeed (CR/LF) and placed immediately following position 750. Do not place a record delimiter before the first record (T) of the file.

- Multiple companies (different FEINS) can be submitted within one file. Be sure to repeat each set of record types (T, A, B, C, K, F) in this sequence for each company.

- Single companies (same FEIN) can be submitted with one set of record types (T,A,B,C,K,F) in one file.

- Files do not need to be zipped when filing via SFTP.

- B Record Requirements
  - Cols 1-5 should always contain 'B2022' = B record with Tax Year to be selected for processing
  - Cols 701-712 should always contain zeros = '000000000000'
  - Cols 713-714 should slways continue spaces = ' '
  - Cols 715-722 containing the required Maryland Central Registration Number (CRN) in positions 715-722 that was giving by the Central Registration Department using the following link if your company does not have one. See page 11
  - Cols 735-746 should always contain zeros = '000000000000'
  - Cols 747-748 should always be '24' for Maryland State code = 24

Updates for Tax Year 2022

Starting in tax year 2021 and going forward, the IRS has removed reporting for nonemployee compensation from Form 1099-MISC, box 7 to Form 1099-NEC.   Maryland will follow the IRS guidelines for reporting of nonemployee compensation. Information for submitting this information can be found online at https://www.irs.gov/pub/irs-pdf/i1099mec.pdf or in the IRS Publication 1220.

Please keep in mind that the following:

Maryland only requires a 1099-MISC *and 1099-NEC* from the payee (or employer) when there is <u>Maryland withholding greater than zero.</u>

Reminders for Tax Year 2022

1. **The filing due date for 1099 wage/tax statements is January 31st.**

2. It is a requirement to provide the Federal Employer Identification Number (FEIN) and the corresponding Central Registration Number (CRN) in positions 715-722 of the B record. Not providing this information will either delay the processing time or will be cause for the file to be rejected.

3. Amounts reported on a paper Form MW508 are for paper submission only; if you are providing additional submissions electronically, exclude that which was reported on paper. Duplicate filings create a bill, erroneous balance due notices and/or penalty notices for the empoyer.

4. If you outsource your payroll, please provide the **CORRECT** Federal Employer Identification Number (FEIN) and the Maryland Central Registration Number (CRN).

5. **Maryland is no longer accepting CD/Diskettes/Flash thumb drives**.

6. The Comptroller of Maryland requires a **1099-G, 1099-R, 1099-S, and a W-2G** Form for every Maryland payee that receives a payment of $10 or more during the tax year being reported.

7. Maryland only requires a 1099-MISC and 1099-NEC from the payee (or employer) when there is Maryland withholding greater than zero.

8. If the payer (employer, organization, etc.) should withhold state taxes that are reported on a 1099-MISC for Maryland payee(s), then the 1099-MISC should be included in the payer's annual reconciliation for the tax year reported. If there is no 1099-MISC Maryland withholding, then there is no need to submit this 1099-MISC information to the state. This is also true for the Form 1099-NEC.

9. The **Comptroller of Maryland is a participant in the IRS Combined Federal/State Filing Program.** The following resources are available:

    a. The IRS format from Publication 1220, Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498, 8935 and W-2G
    b. This 2022 Maryland Employer of 1099 Instructions and Specifications, Section: "B" Record Modified for Maryland Reporting

10. **If you are participating in the Combined Federal/State filing program, do not send paper or electronic file(s) via SFTP with the same returns that are being reported to the IRS. The IRS will forward the 1099 information to Maryland. Additionally, if** the IRS includes the 1099-NEC in the Combined Federal/State filing program, then Maryland will accept the 1099-NEC from the IRS.

11. Each tax year must be submitted in a separate electronic file.

12. Scanned, PDF, PNG, TIF, GIF, JPG, Word, Excel formats will not be accepted.

Most Common Errors to Avoid

- Failure to include the "A" record.

- Failure to include the Federal Employer Identification Number (FEIN) on the "A" record, position 12.

- Failure to modify the B record to include the required Central Registration Number (CRN) in positions 715-722 or failure to place the required Central Registration Number in the correct location.

- Failure to include the "C" record containing the MW508 information.

- Using the Unemployment Insurance number (10 digits) instead of the Maryland Central Registration number (8 digits).

- Using the FEIN instead of the Maryland Central Registration number.

- Sending file formats of PDF, MSWord, PNG, TIF, GIF, JPG, or Excel 1099 files via SFTP are not acceptable formats. This will result in a failed submission and may cause erroneous balance due notices and/or penalty notices.

- Failure to include record delimiters (CR- Carriage Return followed by LF – Line Feed). Each record delimiter must consist of a carriage-return/linefeed (CR/LF) and placed immediately following position 750.

- Failure to verify each record type (T, A, B, C, K, F) starts on a new row.

Record Format Rules

All fields in the record layouts are required and must follow the formatting rules as follows:

Alpha fields (Alphabetic characters and blanks only)

• Left-justify and fill with blanks.

Numeric fields (Numeric characters only)

• Right-justify and fill with zeroes.

• Fill unused fields with zeroes.

Alpha/numeric fields (Alphabetic, numeric and blanks are allowed)

• Left-justify and fill with blanks.

• Fill unused fields with blanks.

Money fields

• Must contain only numbers.

• No punctuation.

• No signed amounts (high-order signed or low-order signed).

• Include both dollars and cents with the decimal point assumed (example: $59.60 = 000000005960).

• Do *not* round to the nearest dollar (example: $5,500.99 = 000000550099).

• Right-justify and zero fill to the left.

• Any money field that has no amount to be reported must be filled with zeroes.

Maryland Record Layout Tax Year 2022

The 2022 Maryland 1099 record layout is the only acceptable format for both current and back-year electronic submissions of 1099s.

1099 Filers must include the required Central Registration Number in positions 715 – 722 of the modified "B" record prior to electronic submissions to Comptroller, State of Maryland or to IRS Combined Federal/State filing program.

Note: Maryland only requires a 1099-MISC *and 1099-NEC* from the payee (or employer) *when there is Maryland withholding greater than zero.*

• **Please follow the file naming conventions specified in the SFTP instructions received.**

• The required records are:
  "T" Transmitter Record (Same as IRS)
  "A" Payer Record (Same as IRS)
  "B" Payee Record (Modified, record description below)
  "C" End of Payer Record (Same as IRS)
  "K" Use for Combined Federal/State Filing Program (Same as IRS)
  "F" End of File Record (Same as IRS)

"B" Record Modified for Maryland Reporting

FIELD POSITION	FIELD NAME	FIELD LENGTH	FIELD TYPE	FIELD DESCRIPTION
1-700	Same as IRS	700	ALPHA NUMERIC	Required. Same as IRS.
701-712	Maryland State Pickup	12	NUMERIC	For use by Maryland State Retirement System. Right justify and fill with zeros.
713-714	Filler	2	ALPHA NUMERIC	Maryland does not use this field. Space filled
715-722	Maryland Central Registration Number	8	NUMERIC	Required. Eight-digit Maryland Central Registration Number (Tax Withholding Account Number)
723-734	Maryland State Income Tax Withheld	12	NUMERIC	Required. Total of state and local taxes withheld must be added together. Do not report separately. Right justify and fill with zeroes
735-746	Filler	12	ALPHA NUMERIC	Maryland does not use this field. Right justify and fill with zeros
747-748	Combined Federal/State Code	2	NUMERIC	Constant "24" for Maryland.
749-750	Same as IRS	2	ALPHA NUMERIC	Required. Same as IRS.
		750		

Frequently Asked Questions

What is the Maryland Central Registration number?

The Central Registration number is an eight-digit number assigned by Maryland when you open a state withholding account.

You can apply at: https://interactive.marylandtaxes.gov/webapps/comptrollercra/entrance.asp

How can I confirm an employer's Maryland Central Registration number?

You may contact Taxpayer Service by telephone at 410-260-7980 from Central Maryland, or 1-800-638-2937; by e-mail at taxhelp@comp.state.md.us. Be prepared to provide the following information: Federal Employer Identification Number (FEIN), name of company, as well as name and phone number of the person inquiring.

Maryland is no longer accepting CD/Diskettes

Who can file paper information returns?

Employers having less than 25 1099s to submit may send a paper Form MW508 with paper copies of the 1099s to:

 Revenue Administration Division
ATTN: Returns Processing, Room 206
110 Carroll Street
Annapolis, MD 21411-0001

Can I file my corrections via SFTP?

 No, we cannot process corrected or amended 1099s and MW508s file(s) via SFTP. All corrected and amended 1099s and MW508s must be submitted on a paper MW508A to the address above.

What if I file both paper returns and electronic files via SFTP?

You are allowed to submit by paper (less than 25) and electronically via SFTP as long as you <u>Do not duplicate information between both submissions: electronic and paper</u>.

Am I required to submit a test file?

No, test files are not required, <u>but are encouraged</u>. This will validate proper format and identify problems before the return is filed, avoiding delays in processing.

Is there a filing deadline?

The filing deadline for submitting the MW508 return and 1099s is January 31st. If the due date falls on a Saturday, Sunday or legal holiday, the statements must be filed the next business day.

Can I file back-year data?

Yes. Maryland can process all back-year data. All data must be presented in the current year format and the tax year must be properly entered in the "A" record.

How do I request a waiver of Electronic filing requirement?

To request a waiver of the requirement to file electronically when the minimum filing threshold meet or exceed 25, you should send a written request stating the nature of the hardship. All request for waiver should be emailed to efil@comp.state.md.us.

Will I be penalized for not filing electronically when required?

Employers failing to file electronically the annual reconciliation may incur a penalty of $100 for each violation. In addition, there could also be a $50.00 penalty for each 1099 not filed. Failure to comply with Section 13-706 of the Tax General Article, Annotated Code of Maryland may result in the assessing of additional penalties.

Where do we send paper submissions (less than 25 1099s) ?

Revenue Administration Division
ATTN: Returns Processing Unit, Room 206
110 Carroll Street
Annapolis, MD 21411-0001