



STATE CONTROLLER'S BULLETIN

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State Controller

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Bulletin #FY23-08

SUBJECT: IRS Form 1098-F (Fines, Penalties and Other Amounts)

DATE: March 31, 2023

TO: All Departments, Agencies, Chief Fiscal Officers and General Counsels

FROM: Douglas E. Cotnoir, CPA, CIA State Controller

The Internal Revenue Code (IRC) section 6050X requires governments and governmental entities to file an informational tax return with the Internal Revenue Service to report amounts exceeding \$50,000 required to be paid by a taxpayer related to the violation of any law. The Office of the State Controller (OSC) will report on behalf of the government agency with the reporting obligation, through Form 1098-F, fines, penalties, court orders or agreements with respect to any violation of law or investigation into the potential violation of law.

All agencies, except Maine Revenue Services, will need to submit information to OSC so that Maine can comply with the new reporting requirements. Please ensure that the information in this memo is conveyed to relevant staff.

Section 6050X requires the governmental official involved in a suit or agreement related to the violation of any law, or investigation of a potential violation of law, to file an informational return that includes:

1. The amount required to be paid to which section 162(f)(1) applies;
2. Separate amounts required to be paid as restitution, remediation of property, or to come into compliance a law as a result of a court order or settlement agreement;
3. The payer's TIN; and,
4. Any additional information required by the information return and related instructions (Form 1098-F, Fines, Penalties, and Other Amounts).

The informational return is only required if the aggregate amount required to be paid by the payer relating to a violation or potential violation of law is \$50,000 or greater. If the payment amount is not identified, an informational return must be filed if the aggregate amount required to be paid is reasonably expected to exceed \$50,000.

Departments will be asked to supply, in an Excel format, provided through a secure site (SharePoint or MOVEit), the following information:

- Payer name
- Payer tax ID
- Date of order/agreement (e.g., judge's order, settlement agreement, deferred prosecution agreement, administrative adjudications)
- Case name (if applicable)
- Total dollar amount
- Corresponding boxes:
 - amount to be paid for violation/potential violation
 - restitution/remediation amount
 - compliance amount

IRS guidance stipulates those payers must receive an informational copy of the form furnished to the IRS no later than January 31st.

If you believe that your department may have a Form 1098-F reporting obligation or have any questions pertaining to this bulletin, please contact Shirley Browne at the OSC at 626-8423 or Shirley.Browne@maine.gov.