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PAYMENTS OF \$600 OR MORE – FILING OF 1099-MISC/1099-NEC FORMS

Because payments in money or other property generally are taxable to the recipient, payers of various types of payments to non-employees must file information returns regarding payments they've made to others.

If you, *in your trade or business*, pay to an individual or other non-corporate entity of **\$600 or more** in any calendar year, you may have to file an information return called a 1099-misc for each and a summary form called 1096 (Filing electronically eliminates the Form 1096 requirement). This includes payments for personal services, rents, royalties, *We have a new form for non-employee compensation called Form 1099-NEC (for 2020 and subsequent tax years).*

Many of you are familiar with this requirement and have filed these forms for people you have subcontracted. You probably have not thought about filing these informational returns for your teachers, coaches, accountants, and other professionals and consultants to whom you make payments of \$600 or more during the year.

Congress and, as a result, the IRS, is eager to increase compliance. The PATH (Protecting Americans from Tax Hikes) Act enacted in December 2015 contained new filing deadlines and increased penalties for non-compliance. The due date for recipients of the forms has always been January 31, but now that is also the deadline to file the forms with the IRS. I am happy to assist with preparing and submitting the 1099-misc forms for my clients. I am set up to e-file with IRS, which is the preferred and most reliable method.

You may use (and I recommend using) IRS Form W-9 to gather the information from the individuals to whom you make payments of \$600 or more.

<https://www.irs.gov/pub/irs-pdf/fw9.pdf?portlet=103>

I advise getting this information from all service providers in your trade or business. The W-9 collects the payee's name, address, tax ID number, and their form of doing business – signed under penalties of perjury. This is for YOUR protection, and YOU are at risk if you do not have this form on file. I also advise getting the information when you contract the individual for services. Do not wait until the end of the year; you may have problems getting it.

If you have questions, please contact me.

This newsletter provides general information and should not be used or taken as legal advice for specific situations, which depend on evaluating precise factual circumstances.

ADMITTED TO PRACTICE BEFORE THE INTERNAL REVENUE SERVICE

Form 1099-Misc Information

You may need to file a Form 1099-MISC/1099-NEC if you paid for more than \$600.00 to:

- Attorneys
- Sub-Contractors
- Contract Labor
- Rent to individuals (non-corporate entities)
- Repair Services: Collision Auto, Computers, Building
- Personal Services: Appraisers, Accountants

Who Must File?

Businesses must file a Form 1099-MISC/1099-NEC regarding the payment of compensation of \$600.00 or more in any calendar year to an individual (who is not an employee) and a partnership. These payments are for services provided to you in your business. You are generally not required to report payments to corporations unless the corporation is a law firm or medical services corporation.

Form W-9/It Works for You

Form W-9 can assist you in fulfilling your Form 1099-MISC/1099-NEC obligations. This form secures from your vendors the information to help you in your Form 1099 determination process. This includes the correct business name, address, type of business and Taxpayer Identification Number.

Step-by-Step

1. Issue Forms W-9 all your vendors, and have them return the signed/dated form to you. Confirm all information.
2. Determine if the \$600.00 threshold has been met.
3. Deliver the completed W-9 form to me.
4. I will then issue to the payee form 1099-misc

These instructions do not cover all situations. Refer to the Form 1099-MISC instructions for more information.

N.B. **If obtaining a signed W-9 is a problem**, get the following information whatever way you can: Full legal name, mailing address, Tax ID Number, and how your payee conducts business (sole proprietor, LLC, Partnership, Corporation, S Corporation, etc.)

FURTHER INFORMATION IS AVAILABLE AT THE IRS WEBSITE

(WWW.IRS.GOV). See Form 1099 MISC instructions <https://www.irs.gov/forms-pubs/about-form-1099-misc>

<https://www.irs.gov/instructions/i1099mec> and Publications 334

<https://www.irs.gov/forms-pubs/about-publication-334> & 583

<https://www.irs.gov/forms-pubs/about-publication-583>

IF YOU HAVE PROBLEMS OBTAINING REQUESTED INFORMATION:

Send the following letter certified mail/return receipt requested to each payee who refuses to furnish his/her name, address, and TIN (taxpayer identification number). Include a copy of IRS Form W-9. You may download this form from IRS website <https://www.irs.gov/forms-pubs/about-form-w-9> You may also include a self-addressed (stamped?) envelope for ease of return.

Date:

Dear:

I have enclosed IRS Form W-9. Please complete the form and return to me no later than _____ . *This information will be kept confidential as required by law.*

Under Internal Revenue Code Section 6041, all persons making payments in their trade or business of \$600 or more to a non-corporate entity in the course of any taxable year are required to file an information return reporting the amount(s) paid. Full text of IRC Section 6041(a) follows.

§ 6041 Information at source.

(a) Payments of \$600 or more.

All persons engaged in a trade or business and making payment in the course of such trade or business to another person, of rent, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable gains, profits, and income (other than payments to which section 6042(a)(1), 6044(a)(1) , 6047(e) , 6049(a) , or 6050N(a) applies, and other than payments with respect to which a statement is required under the authority of section 6042(a)(2) , 6044(a)(2) , or 6045), of \$600 or more in any taxable year, or, in the case of such payments made by the United States, the officers or employees of the United States having information as to such payments and required to make returns in regard thereto by the regulations hereinafter provided for, shall render a true and accurate return to the Secretary, under such regulations and in such form and manner and to such extent as may be prescribed by the Secretary, setting forth the amount of such gains, profits, and income, and the name and address of the recipient of such payment.

The recipient of the payment is required to furnish his/her name, address and taxpayer identification number as requested on IRS Form W-9. Failure to provide this information may result in penalties for each failure to provide requested information unless the failure is due to reasonable cause and not due to willful neglect.

More details are available here: <http://bit.ly/2VRbPuq>

You may wish to consult your own tax advisor if you have questions about these information return filing requirements and/or your compliance with the law.

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