

1099-NEC & 1099-MISC Quick Reference Guide

Introducing the NEW IRS form 1099-NEC (Non-Employee Compensation)

Payments previously reported in Box 7 (Non-Employee Compensation) on 1099-MISC will now be reported on form **1099-NEC**. This form is for reporting only Non-Employee Compensation and associated withholding as applicable.

Why Send Form 1099-NEC & 1099-MISC?

IRS forms 1099-NEC & 1099-MISC are informational returns that must be filed to report various types of payments a businesses made to third parties. The IRS and state tax agencies use this information to ensure that the person/business receiving the payments properly report the income on their tax returns.

When are the due dates for 1099-NEC & 1099-MISC?

The 2020 Form 1099-NEC must be postmarked by the due date, February 1, 2021 (1/31 is on a Sunday) for **recipient** copies and **government** filing copies. The 2020 Form 1099-MISC and other 1099 form **recipient** copies must be postmarked by February 1, 2021 with **government** filing copies due March 1, 2021 (2/28 is on a Sunday). Penalties applies if you fail to file timely, if you fail to include all information required to be shown on the return, or you include the incorrect information on a return. (The usual due dates are January 31 and February 28. In 2021 both fall on a Sunday.)

PENALTIES - The amount of penalty is based on when you file the correct information return as follows:

- * \$50 per information return if you correctly file with 30 days, maximum penalty \$556,500 per year or \$194,500 for small business
- * \$110 per information return if you correctly file more than 30 days after the due date but by August 1, maximum penalty \$1,669,500 per year or \$556,500 for small business
- * \$270 per information return if you correctly file on or after August 1, maximum penalty \$3,339,000 or \$1,113,000 for small business
- * \$550 per information return if failure to file a correct information return due to intentional disregard of filing or correct information requirements, with no maximum penalty.

When should 1099-MISC be mailed?

(Postmarked by these dates to avoid penalties)

	1099-NEC	1099-MISC
Recipient copies to vendors	2/1/2021	2/1/2021
Federal filing copies w/transmittal form	2/1/2021	3/1/2021
State filing copies w/transmittal form	2/1/2021	3/1/2021 <i>(State due dates may vary by state)</i>

When should you began gathering the information?

- For 2020** **NOW** - If you do not have the information listed below on all applicable vendors, we strongly suggest you start gathering it now. Request a completed form W-9 from all new vendors before payment in November & December. *(The best way to determine applicable vendors is require Form W-9.)*
- Early January 2021** - Finalize the total amount paid per vendor and check vendor information is complete.
- For 2021 & Beyond** **Continuously** - Set in place new policy to require vendors to complete a W-9 before you pay them.

HOW TO DETERMINE WHO SHOULD RECEIVE A 1099

What was the payment for?

PRODUCT	NO	1099 should NOT be sent for purchase of products only
SERVICES	YES	Subject to other questions
COMBINATION	YES	Subject to other questions
RENT	YES	Subject to other questions

How much was paid to the vendor during the calendar year?

UNDER \$600	NO	Not required
\$600 & OVER	YES	

How was the vendor paid for services?

CASH	YES	
CHECK	YES	
CREDIT CARD	NO	(Vendors accepting credit card payments will receive form 1099-K from the credit card processor.)

Which type of entity received payment?

INDIVIDUAL	YES	
SOLE PROPRIETOR	YES	
LLC (Limited Liability Company)	YES	
PARTNERSHIPS	YES	
ATTORNEY/LAW FIRM	YES	
PHYSICIANS OR PROVIDER OF MEDICAL OR HEALTH CARE SERVICES	YES	
S-CORPORATION	NO	} EXEMPTION FOR LEGAL & MEDICAL SERVICES
C-CORPORATION	NO	
NON-PROFIT	NO	

Exceptions: Payments to Attorneys providing legal Services(Box 1 on 1099-NEC) and Physicians or provider of Medical or health care services (Box 6 on 1099-MISC) are always reported regardless of entity type.

Best practice - have completed IRS Form W-9 to determine entity type

Gathering information correctly on form W-9 as needed to process 1099-MISC

TYPE OF ENTITY	NAME	TAXPAYER ID NUMBER
Individual	Individual's name as shown on their 1040 on line 1, page 1. DBA (Doing Business As) maybe added on 2nd line of W-9	Social Security Number
Sole Proprietor	Individual's name as shown on their 1040 on line 1, page 1. DBA (Doing Business As) maybe added on 2nd line of W-9	Social Security Number or Federal Employer Id Number (FEIN) associated with the entity name
Single Member, LLC	Individual's name as shown on their 1040 on line 1, page 1. DBA (Doing Business As) maybe added on 2nd line of W-9	Social Security Number or Federal Employer Id Number (FEIN) associated with the entity name
C-Corp, S-Corp, Partnership, LLC with more than 1 member	Entity's name as shown on tax return on line 1, DBA(Doing business as) maybe added also	Federal Employer Id Number (FEIN) associated with the entity name
Other Entities	Name as shown on US Federal tax documents matching charter or document creating entity	Federal Employer Id Number (FEIN) associated with the entity name
Disregarded Entity	Name of the owner. Disregarded entity name should only be entered as DBA	Federal Employer Id Number (FEIN) associated with the entity name
Address	Street address is preferable - make sure it's current and don't forget the zip code	
Amount	Total amount paid to Vendor during the calendar year per type of 1099	
Type of payment	1099-NEC is for reporting Non-Employee Compensation. Rents, Royalties and Medical/health care service payments are reported on 1099-MISC. "Other Income" is used for very specific types of payments and the IRS instructions should be consulted. Many types of form 1099 are available for certain types of reporting. If you feel you have information to report other than that reported on 1099-NEC or 1099-MISC, please contact our office.	