

1099 Reporting Requirements

Happy New Year!

We want to remind all business owners about the IRS Form 1099 reporting requirements. Remember, the **due date is January 31** for both sending to your contractor and the IRS. Starting in 2020, all payments to contractors previously listed in Box 7 of Form 1099-Misc are now reported on the new Form 1099-NEC. Rental payments should still be reported on Form 1099-Misc.

If your **business** paid any person or company more than \$600 for services or rent in the previous calendar year, you must file a 1099 for those payments. Please review **all** your business/rental expenses over \$600 for the calendar year and consider whether you need to issue a 1099. If you are unsure, please ask us! There are required questions on your tax return about this.

If you are a landlord or rental property owner, the reporting requirements apply to anyone “engaged in a trade or business”. Unfortunately, the IRS has refused to clarify if they consider renting a single property to be engaging in a trade or business. We recommend our clients treat every rental property as a business. Remember, the Qualified Business Income deduction only applies to rentals that are a trade or business.

There are two exceptions to the requirement to file:

- The payee is incorporated (note, LLCs are likely *not* incorporated)
- You paid with a credit card or PayPal

There is also an exception to the exceptions – your business must issue a 1099 for all attorney fees over \$600, regardless of how you paid.

We can guide or assist you with IRS compliance. Contact us if you would like assistance with filing 1099 forms or determining your filing requirements. Don't delay, penalties for late filing can be substantial. Your business could owe \$530 in late penalties for each contractor, and you also risk having the IRS disallow your entire contract labor deduction.

Our charge for preparing and e-filing 1099 forms is \$50 for the first form, and \$10 for additional forms. We need to know the payee's Name, Address, Tax ID (SSN/EIN) and amount paid – upload a copy of your contractor/payee's W9 form to the portal. (Didn't get a W9? Ask for it now and ask prior to paying for any work in the upcoming year!) **Our deadline is January 18th**, so that you can correct any errors and send to your contractors by January 31.

You can also inexpensively (less than \$5/form) file the 1099s online yourself, using a third-party e-file service, such as efilemyforms.com or efile4biz.com. We have not used these companies and are not making a recommendation; we are just letting you know some of the companies we found using a google search.

Remember: there is no charge to ask us if you need to file a 1099!

If your business needs to issue a 1099-NEC to JK Associates LLC because your business paid us more than \$600, we will be preparing and e-filing all 1099-NEC forms that must be issued TO JK Associates for no charge for our clients. We will be contacting you for your signature to electronically file.

Flowchart for 1099-NEC requirements



