

December 30, 2023

**Please Note:** Our firm's internal deadline for receiving information needed to prepare your Forms 1099 is **January 15<sup>th</sup>** so that we will have adequate time to file by January 31. Any 1099 information received after 1/15 will result in an additional \$35 fee. Our firm will electronically batch file the IRS copies of the Forms 1099 on January 30th. If we must paper file your Forms 1099 because we receive your information after we electronically batch file on 1/30 you will be charged an additional fee of \$50.

Dear Clients,

For several years now the following two questions have been on all business, rental, and farming tax return forms:

- (1) Did you make any payments that would require you to file Form(s) 1099?
- (2) If yes, did you or will you file required Form(s) 1099?

In order for our firm to answer these questions accurately on your behalf, we will ask you if you were subject to the Form 1099 filing requirements.

### **1099 Filing Requirements**

A Form 1099-NEC is used to report payments for services provided to your business, farm, or rental activity (1099-MISC) by unincorporated vendors when those payments total \$600 or more for the year. The IRS has established four conditions for payments that must be reported using Form 1099-NEC. All of the following four conditions must be met:

- (1) The payment must be made to a nonemployee.
- (2) The payment must be made for services provided to the business, farm, or rental activity.
- (3) The payment was to a non-corporation (e.g., individual, partnership, LLC).
- (4) The payment or payments totaled \$600 or more for the year.

Payments made using a credit or debit card are exempt from the Form 1099-NEC and 1099-MISC requirements.

Please note that an individual who pays for a personal service (lawn care for home, house cleaning, sitters) is not required to file a 1099-NEC since the individual did not pay for the service in the course of a business, farm, or rental activity. However, special rules (W2s, payroll taxes, etc) apply if you qualify as a household employer.

The fact that payments may not be reportable on Form 1099 does not mean the payments are exempt from income tax by the payee. You are no longer required to issue our firm a Form 1099 because we have elected to be taxed as a Corporation.

### **Required Information**

In order to properly prepare Form 1099-NEC or 1099-MISC you will need the following required information: Payee's name, address, SS# or EIN, total amount paid to the payee during the calendar year, and type of expenditure (generally Rents or Nonemployee compensation).

The best way to obtain the necessary information from the payee is to have the payee fill out the attached Form W-9 before you pay them for services or rent, even if you are unsure if you will meet the \$600 threshold amount by the end of the year. Form W-9 can also be obtained online at irs.gov or by contacting our office. If a vendor payee refuses to complete Form W-9 you should make notes on the Form W-9 concerning the vendor and when you asked for this information. Forms W-9 should be kept on file for all payees subject to Form 1099 reporting.

If a vendor payee refuses to fill out Form W-9 or fills it out incompletely he/she immediately becomes subject to a 28% backup tax withholding requirement on future payments. This means that the next time you pay a vendor that has refused to provide a W-9 you must withhold 28% Federal tax from the payment. For example, a \$1000 bill for repair services could only be paid \$720 and the difference must be submitted to the IRS using Form 945. If the backup withheld tax amount exceeds \$2499 for the year, tax deposits must be made monthly using EFTPS. Form 945 is due on January 31 each year.

### **Penalties for Failing to File**

Forms 1099 must be filed with the payee, the IRS, & Alabama by January 31. Failure to file on time will trigger the following IRS penalties per Form 1099 not filed:

- \*Filed less than 30 days late: \$50 each
- \*Filed more than 30 days late: \$110 each
- \*Filed after August 1 or not yet filed: \$280 each
- \*Intentional Disregard: \$560 each

A business that fails to file a Form 1099 with the IRS, will likely also fail to supply the recipient with a copy of the form (a payee statement). As a result, the business will be subject to penalties double the amounts shown above.


### **What You Need to Do**

Our Firm is available to help you comply with the Form 1099 requirements. Our firm's internal deadline for receiving your Required Information (see above) is **January 15<sup>th</sup>** to ensure your Forms 1099 are processed by the January 31 due date. We will prepare the payee copies and file all required information to the IRS and Alabama. Our firm's fees for preparing Forms 1099 are \$91 for the first 1099 and \$12 for each additional. Fees for preparation of Forms 1099 must be paid before recipient copies are released and before noon on January 30<sup>th</sup> unless you are a monthly accounting or live payroll client of the firm. Any 1099 information received after 1/15 will result in an additional \$35 fee. Our firm will electronically batch file the IRS copies of the Forms 1099 on January 30<sup>th</sup>. If we must paper file your Forms 1099 because we received your information after we electronically batch file, you will be charged an additional fee of \$50.

Alternatively, you may prepare the Forms 1099 on your own by obtaining forms from the IRS, an office supply store, or by using an online service such as [www.track1099.com](http://www.track1099.com) but remember **you must also submit a copy to the IRS and Alabama to avoid penalties**. Our firm does not maintain a supply of blank forms for distribution to the public. We will ask for a copy of the Form(s) 1099 that you prepared when we prepare your income tax return so that we can accurately answer the questions above.

Please contact our office if you have any questions or need additional information.

Thank you for your business,



Jeb Williamson, CPA  
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