

## Year End Form 1099 Reporting for 2022

The following information is presented to assist you and your trade or business entity in identifying, preparing, and filing required information with the IRS.

### Form 1099 Reporting

Certain types of payments of \$600 or more must be reported on a Form 1099. The chart below will help you to determine which form should be issued:

#### Form 1099-NEC

Services performed for your trade or business by someone who is not your employee (including parts and mat'l). Includes contractors, accountants, lawyers and consultants (Box 1)  
Directors fees (Box 1)

#### Form 1099-MISC

Rents paid to property owners (Box 1)  
Other income payments (Box 3)  
Payments to an attorney for gross proceeds (Box 10)  
Nonqualified deferred compensation (Box 15)

### Exceptions

Payments for which a Form 1099 is **not** required include the following:

- Payments to a corporation (including an LLC that is treated as a C or S corporation), unless for attorney's fees.
- Payments for merchandise, telephone, freight, storage and other similar items.
- Rent payments made to *real estate agents* or *property managers*.

***If you don't have the relevant information (name, address, TIN, etc.), you should request a federal Form W-9, Request for Taxpayer Identification Number and Certification, from persons to whom you make payments for services.*** If the business does not have a payee's TIN, you may be required to institute backup federal income tax withholding at a 24% rate on payments.

### State Reporting

Pennsylvania tax law requires the entity filing Form 1099-MISC and 1099-NEC to submit copies of federal forms 1099 to the Pennsylvania Department of Revenue for non-employee compensation for Pennsylvania-based work, Pennsylvania-source oil/gas lease payments or lessees of Pennsylvania real estate to non-residents. Nonresident withholding of 3.07% is required for non-employee compensation of \$5,000 or more to a non-PA resident individual, and for lease payments of \$5,000 or more to non-resident lessors for Pennsylvania real estate.

### Due Dates

*Generally, you must furnish the forms to recipients by January 31, 2023.*

#### Form 1099-NEC

- Due to the IRS January 31, 2023      Paper or electronic

### **Form 1099-MISC**

- Due to the IRS February 28, 2023      Paper filing
- Due to the IRS March 31, 2023      Electronic filing

### **Form 1096**

- This form is used to summarize paper filed 1099 forms. A separate 1096 is required for each type of 1099 filed. For paper filing, this form is due to the IRS on the same due date as the respective Form 1099-NEC/1099-MISC.

### **Employment Misclassification**

The IRS and certain states such as California, New York, and New Jersey are becoming more aggressive with those who misclassify workers as 1099 independent contractors instead of employees. If you are unsure about worker classification issues, please contact us or your payroll company for guidance.

### **Miscellaneous**

If a payer inadvertently fails to issue a proper Form 1099, the IRS can assess penalties.

If you are required to file 250 or more information returns, you must file electronically, unless a hardship waiver is obtained.

### **Who can help me file my 1099s?**

Form 1099s can be prepared internally by your organization, by your payroll company, or by an online 1099 provider. One such provider is [www.track1099.com](http://www.track1099.com), by Avalara, a respected tax software company. Track1099.com can produce the forms and efile them on your behalf at a much lower cost than having us prepare them. For example, the cost for Track1099 to efile one 1099 and to send the recipient his or her copy electronically is less than \$5.

As always, if you have any questions, we'd be happy to help.

### **About Us**

GMS Surgent is a mid-sized, full service, certified public accounting and advisory firm serving business and individual clients located primarily in (but not limited to) the Greater Philadelphia area. We warmly invite you to click around our website to learn a little more about our firm, our clients and the ways in which our services could benefit you.

"Personal Attention – Valuable Results", is the principal component of our mission statement. It highlights the GMS Surgent commitment to forging strong relationships and ensuring constructive communication while earning consistently effective results for our clients. It plays an essential role throughout every aspect of our firm, guides our actions and acts as a benchmark for the services we provide.

This information is of a general nature. It may omit many details and special rules and is current only as of its published date. Please contact us for more information and how it pertains to your specific tax or financial situation.