

2020 New Form 1099-NEC / Year End 1099 Reporting

The following information is presented to assist you and your trade or business entity in identifying, preparing, and filing required information with the IRS for tax year 2020.

What's New

Form 1099-NEC (Non-Employee Compensation)

Beginning with tax year 2020, payments of \$600 or more in the calendar year for non-employee compensation must be reported on Form 1099-NEC instead of on Form 1099-MISC. The chart below will help you to determine which form should be issued:

Form 1099-NEC

Services performed 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)
Prizes and awards (Box 3)
Other income payments (Box 3)
Payments to an attorney for gross proceeds (Box 10)
Nonqualified deferred compensation (Box 14)

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*.

Reporting

When a Form 1099 is required, it must show:

- The total amount paid for the calendar year;
- The name and address of the payee;
- The tax ID number (TIN) of the payee;
- Contact information for the payer; and
- The payer's TIN.

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. [Click here](#) for more information.

Due Dates

Generally, you must furnish the forms to recipients by February 1, 2021.

Form 1099-NEC

- Due to the IRS February 1, 2021 Both electronic and paper filing

Form 1099-MISC

- Due to the IRS March 1, 2021 Paper filing
- Due to the IRS March 31, 2021 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.

Extension

A 30-day extension is available by filing Form 8809. This does not extend the time to provide forms to recipients, which must be requested via a separate letter to the IRS including the reason for the delay as well as other information.

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. The IRS encourages you to file electronically even though you are filing fewer than 250 returns. The threshold will drop to 100 for tax year 2021, and to 10 for tax year 2022.

Form 1099s can be prepared internally by your organization, by your payroll company, by an online 1099 provider, or by us. Online 1099 providers can typically produce the forms and efile them on your behalf at a lower cost. That being said, we are happy to prepare/ continue preparing the 1099s for you if that is your preference. Please contact us.

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.