

MISCELLANEOUS INCOME & NON-EMPLOYEE COMPENSATION FORMS 1099

The IRS wants to make sure that individuals and entities are reporting all of their income. Therefore, they require a trade or business to complete a 1099 Form and submit a copy to the IRS and a copy to the recipient. The IRS uses this information to verify that the recipient has reported the income on their tax return.

A trade or business must send a 1099-NEC (new form in 2020) to a non-corporate entity if payments made total at least \$600 to service providers. They must also send a 1099-MISC to a non-corporate entity if payments made for the year total at least \$600 for rent, prizes, or awards. These are the most common types of payments, but this list is not all inclusive. Payments for legal services over \$600 must be reported even if paid to a corporation and would be reported on the 1099-NEC form. There are also other types of 1099s for interest, dividends, and other types of income.

Common examples of who receives 1099s are:

- Partnerships, even if they are LLCs and LLPs
- CPAs and attorneys
- Independent contractors
- Janitors and landscapers
- Computer consultants
- Landlords

Forms 1099-MISC must be filed annually on a calendar year basis. The 1099 must be sent to the recipient by **January 31, 2022**. The returns must be filed with the Internal Revenue Service (and in some cases to your state taxing authority) by **February 28, 2022**. **However, if the payment is for non-employee compensation to be reported on Form 1099-NEC, then it is required to be filed with the IRS by January 31, 2022. This Deadline can rarely be extended.**

If you fail to file a correct and complete information return (1099) by the due date there are penalties. The penalty applies if you fail to file timely, you fail to include all information required to be shown on a return, or you include incorrect information on a return. This penalty can be as high as \$270, per return.

If upon audit it is determined that Form 1099 was necessary and not filed, the IRS could disallow the deduction. This loss of deduction(s) could result in a much higher cost to the entity and additional taxes due.

If you would like assistance with the preparation of your 2021 information returns, or if you have any questions regarding filing requirements for 1099s in general, please do not hesitate to give us a call.