

1099-NEC (Nonemployee Compensation) Filing Requirements

Starting with tax year 2020 form 1099 NEC replaces form 1099 MI SC to report all non-employee compensation.

The 1099 MISC form will still exist for reporting other types of payments such as rents royalties' other income awards prizes medical healthcare payments and many more.

When is form 1099 NEC required?

If you pay \$600 or more for services rendered to your business, you must file form 1099 NEC payments to a corporation (unless it's an attorney) do not require filing a form 1099 NEC but payments to partnerships and non-corporate LLC's do require filing the form.

How to proceed

- A TIN solicitation is required. This solicitation should be made when the first transaction with the service provider occurs.
- You should request the service provider to furnish the TIN information on form W9. This form asks for the payee's name, address, tax classification, and ID number (either an EIN or Social Security number).
- Keep this form on file.
- If you fail to secure a form W 9 before making the first payment, the law requires you to withhold 28% backup withholding from the payment.

Due date for filing form 1099 NEC

You must furnish copy B to the recipient and copy A to the IRS by January 31st.

Penalties for non-compliance

You can be penalized for filing late, not including all of the required information, not including the correct information, filing an incorrect TIN, or not reporting a TIN.

The penalty for late filing a form 1099 is:

- \$60 per 1099 for the first 30 days
- \$120 per 1099 if filed between 30 days and August 1st.
- \$310 per 1099 if filed after August 1st.
- \$630 for a 1099 is failure to file is due to "intentional disregard."

Other complications of noncompliance:

If you have not complied, and do not intend to comply in the future, you will have to indicate that on your tax return. That is because every schedule C filer is asked the following two questions:

1. Did you make any payments that would require you to file forms 1099?

2. If yes, did you or will you file the required forms 1099?

Terri's Tax & Notary LLC