

1099 & W-2 Filing

As we begin 2021, it is time to complete the year-end reporting of 1099 and W-2 forms. The 1099 NEC (Non-Employee Compensation) and W-2 forms are due by February 1, 2021, and we are filing all 1099 forms at that time.

Starting for tax year 2020, the IRS requires a separate 1099 form, 1099 NEC, for taxpayers that paid Non-Employee Compensation over \$600. Prior to 2020 this amount was reported on the combined form 1099 Miscellaneous.

HOW AND WHEN YOU REPORT YOUR 1099s TO US WILL NOT CHANGE FROM PRIOR YEARS. PLEASE FILL OUT THE 1099 WORKSHEET JUST AS YOU HAVE IN THE PAST AND RETURN TO US SO WE CAN COMPLETE BY JANUARY 31ST.

The Internal Revenue Service requires you to issue 1099s or W-2s if you:

- paid any one individual, partnership, trust or an LLC taxed as a partnership \$600 or more for rent, interest (other than to banks), custom hire, contract labor or any other service-type work. You are **not** required to issue a 1099 to a corporation.
- paid any attorney costs over \$600. You are required to file whether they are incorporated or not.
- paid any veterinarian for labor over \$600. You are required to file whether they are incorporated or not.
- paid a bill that included over \$600 of labor in the total. Take note of any repair bill that includes labor.
- paid any wages, including wages to your spouse or children. This includes cash and/or commodity wages.

There are escalating, time sensitive penalties assessed by the IRS if these forms are not filed. For 2020 tax year, the penalty is \$280 for each 1099 or W-2 required to be filed. A lesser penalty is imposed if the form is filed by August 1. The fine increases to \$560 or more for each form if the IRS can prove intentional disregard of the rules.

If you are unsure whether someone needs a 1099 or W-2 please contact your tax professional for help.

Thanks,

Jenna Welborn
Income Tax Preparer

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