

Small businesses: Get ready for your 1099-MISC reporting requirements

A month after the new year begins, your business may be required to comply with rules to report amounts paid to independent contractors, vendors and others. You may have to send 1099-MISC forms to those whom you pay nonemployee compensation, as well as file copies with the IRS. This task can be time consuming and there are penalties for not complying, so it's a good idea to begin gathering information early to help ensure smooth filing.

Deadline

There are many types of 1099 forms. For example, 1099-INT is sent out to report interest income and 1099-B is used to report broker transactions and barter exchanges. Employers must provide a Form 1099-MISC for nonemployee compensation by January 31, 2020, to each noncorporate service provider who was paid at least \$600 for services during 2019. (1099-MISC forms generally don't have to be provided to corporate service providers, although there are exceptions.)

A copy of each Form 1099-MISC with payments listed in box 7 must also be filed with the IRS by January 31. "Copy A" is filed with the IRS and "Copy B" is sent to each recipient.

There are no longer any extensions for filing Form 1099-MISC late and there are penalties for late filers. The returns will be considered timely filed if postmarked on or before the due date.

A few years ago, the deadlines for some of these forms were later. But the earlier January 31 deadline for 1099-MISC was put in place to give the IRS more time to spot errors on tax returns. In addition, it makes it easier for the IRS to verify the legitimacy of returns and properly issue refunds to taxpayers who are eligible to receive them.

Gathering information

Hopefully, you've collected W-9 forms from independent contractors to whom you paid \$600 or more this year. The information on W-9s can be used to help compile the information you need to send 1099-MISC forms to recipients and file them with the IRS. Here's a link to the Form W-9 if you need to request contractors and vendors to fill it out: <https://bit.ly/2NQvJ5O>.

Form changes coming next year

In addition to payments to independent contractors and vendors, 1099-MISC forms are used to report other types of payments. As described above, Form 1099-MISC is filed to report nonemployment compensation (NEC) in box 7. There may be separate deadlines that report compensation in other boxes on the form. In other words, you may have to file some 1099-MISC forms earlier than others. But in 2020, the IRS will be requiring “Form 1099-NEC” to end confusion and complications for taxpayers. This new form will be used to report 2020 nonemployee compensation by February 1, 2021.

Help with compliance

But for nonemployee compensation for 2019, your business will still use Form 1099-MISC.

If you have questions about your reporting requirements, contact us.