



Your Ultimate Guide to 1099s

Updated 11/18/2021

Understanding 1099s is a common issue for businesses during tax season. In this guide, we have included the information you need to know about the 1099 form such as; what is a 1099, why these forms need to be completed, how they should be prepared, and to whom they should be sent.

What is a 1099?

1099s are information returns that businesses are required to prepare, to report various payments made in the course of their trade or business to individuals and/or other businesses. Companies can be penalized for failure to comply with the 1099 filing requirements. These penalties have increased significantly over the last few years. For more information on the increase in information return penalties, visit <https://www.irs.gov/government-entities/federal-state-local-governments/increase-in-information-return-penalties-2>.

What is the difference between the 1099-MISC and the 1099-NEC?

Form 1099-NEC should be used to report nonemployee compensation (NEC). Form 1099-MISC has been redesigned due to the creation of Form 1099-NEC and no longer includes box 7.

According to the IRS, "The PATH Act accelerated the due date for filing Form 1099 that included nonemployee compensation (NEC) to January 31, and Treasury Regulations eliminated the automatic 30-day extension of time to file for forms that include NEC. To avoid additional burden on filers to separately report NEC by January 31, and other payments by February 28 (by March 31, if filing electronically), we have created new Form 1099-NEC," explained the [IRS](#).

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The chart below compares the 1099-MISC Form and the 1099-NEC Form.

	1099-MISC	1099-NEC
When should this form be used?	<p>To report various payments made in the course of your trade or business to individuals and/or other businesses that meet the following criteria:</p> <ul style="list-style-type: none"> ➤ Paid at least \$10 in royalties (see the instructions for box 2) or broker payments in lieu of dividends or tax-exempt interest (see the instructions for box 8). ➤ Paid at least \$600 in: <ol style="list-style-type: none"> 1. Rents (box 1) 2. Prizes and awards (box 3) 3. Other income payments (box 3) 4. Generally, the cash paid from a notional principal contract to an individual, partnership, or estate (box 3) 5. Any fishing boat proceeds (box 5) 6. Medical and health care payments (box 6). See J under Step 2 for more information. 7. Crop insurance proceeds (box 9) 8. Gross Proceeds to an attorney (box 10) (see Payments to attorneys, later) 9. Section 409A deferrals (box 12) 10. Nonqualified deferred compensation (box 14). You must also file Form 1099-MISC for each person from whom you have withheld any federal income tax (report in box 4) under the backup withholding rules regardless of the amount of the payment. 	<p>To report nonemployment compensation (self-employment income) payments made in the course of your trade or business to individuals and/or other businesses that meet the following criteria:</p> <ul style="list-style-type: none"> ➤ Paid at least \$600 in one of the following: <ol style="list-style-type: none"> 1. Services performed by someone who is not your employee (including parts and materials) (box 1) 2. Cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish (box 1) 3. Payments to an attorney (box 1). (See Payments to attorneys, later.) You must also file Form 1099-NEC for each person from whom you have withheld any federal income tax (report in box 4) under the backup withholding rules regardless of the amount of the payment.
Filing Dates	File Copy A of this form with the IRS by February 28, 2022, if you file on paper, or by March 31, 2022, if you file electronically.	File Copy A of this form with the IRS by Monday, January, 31, 2022.
Deadline to give the form to the Recipient	Furnish Copy B of this form to the recipient by Monday, January 31, 2022. The due date is extended to Tuesday, February 15, 2022, if you are reporting payments in box 8 or 10.	Furnish Copy B of this form to the recipient by Monday, January 31, 2022.
Where do I send the form?	<p>Copy A: The IRS Copy 1: State tax department, if applicable Copy B: Independent contractor Copy 2: Independent contractor Copy C: Keep in your business records You can file Form 1099-MISC electronically or you can mail it to the IRS. To e-File Form 1099-MISC, use the IRS's FIRE system.</p>	<p>Copy A: The IRS Copy 1: State tax department, if applicable Copy B: Independent contractor Copy 2: Independent contractor Copy C: Keep in your business records You can file Form 1099-NEC electronically or you can mail it to the IRS. To e-File Form 1099-NEC, use the IRS's FIRE system.</p>

VOID CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents	OMB No. 1545-0115	Miscellaneous Information	
		\$	2021		
		2 Royalties			Form 1099-MISC
PAYER'S TIN		3 Other income	4 Federal income tax withheld	Copy 1 For State Tax Department	
		\$	\$		
RECIPIENT'S TIN		5 Fishing boat proceeds	6 Medical and health care payments		
RECIPIENT'S name		\$	\$		
		7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>			8 Substitute payments in lieu of dividends or interest
		\$	\$		
Street address (including apt. no.)		9 Crop insurance proceeds	10 Gross proceeds paid to an attorney		
City or town, state or province, country, and ZIP or foreign postal code		\$	\$		
		11 Fish purchased for resale	12 Section 409A deferrals		
Account number (see instructions)	FATCA filing requirement <input type="checkbox"/>	\$	\$		
		13 Excess golden parachute payments	14 Nonqualified deferred compensation		
		\$	\$		
		15 State tax withheld	16 State/Payer's state no.	17 State income	
		\$		\$	

Form **1099-MISC**

www.irs.gov/Form1099MISC

Department of the Treasury - Internal Revenue Service

Steps for Businesses to file 1099-MISC

Step 1: Collect the following information for each contractor.

Taxpayer Identification Number (TIN)

A TIN will be either their Social Security number or federal identification number. Mail the contractor a W-9 form to request the number and identify the type of entity. A W-9 form provides proof that the identification number being used is the number they gave you in the event you receive a notice from the IRS of a discrepancy and a request for back up withholding. If a recipient does not provide a TIN, leave the TIN box blank on the 1099 and file it anyway. Keep on file any correspondence proving you tried to obtain the TIN. Backup withholding of 24% is required on payments made to persons without a TIN or refusing to give a TIN, or on payment made following receipt of an IRS notice requiring backup withholding. If there is backup withholding from a payment, the regular filing limits for 1099s do not apply. In other words, a 1099 must be prepared regardless of the amount of the payment made to them.

- Contractor's legal name and address. (Verify this is correct on their W-9 form.)
- The entire amount you paid the contractor during the year.

Step 2: Complete the 1099-MISC form.

- a. Complete the PAYER's name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone section with your company's information.
- b. In the PAYER's TIN box, enter your company's TIN.
- c. In the RECIPIENT's TIN box, enter the contractor's TIN. For sole proprietors, including single-member LLCs, use their Social Security number or Employer Identification Number; Note - the IRS prefers the Social Security number.

- d. Complete the RECIPIENT's name, street address (including apt. no.), city or town, state or province, country, ZIP or foreign postal code section with the contractor's information.

Note for sole proprietors, including single-member LLCs - show the individual's name on the first line and the "doing business as" name on the second line. You may not enter only the business name. If you are using a Social Security number for reporting, you should not enter the business name, only the individual's name, or it is very likely you will receive a backup withholding notice. If payments were issued in more than one person's name, only the name that corresponds to the TIN should be shown on the name line. Show other names of recipients or business names in the space below the first line if desired, before the address.

- e. In box 1, report any rents paid. Include amounts for office rental, equipment rental, or pasture rental. Do not include amounts paid directly to a real estate agent.
- f. In box 2, report royalties paid of \$10 or more.
- g. In Box 3, report other unearned income not subject to self-employment tax. Include things like punitive damages and prizes and awards paid to non-employees that were not for services performed. Any payments made to deceased employees must be reported in Box 3. If an employee dies during the year, payments for wages, vacation, and other compensation (excluding pension distributions) made after the date of death but in the year of death are considered earnings subject to Social Security and Medicare withholding. These payments are not considered employee wages for federal purposes. The amount paid after the date of death, but in the year of death, is reported on a 1099-MISC in Box 3. The employee may receive a W-2 and a 1099 in the year of death. Payments made outside of the year of death to the beneficiary or estate must be reported on a 1099-MISC in Box 3. The 1099 should be prepared using the name and identification number of the person receiving the payment, not the deceased employee's name, as these payments are not considered wages and no W-2 filing is required.
- h. Use Box 4 to indicate any federal income tax/backup withholding.
- i. If the business pays anyone for fishing boat proceeds, you will need to review the instructions for Box 5, for additional information see <https://www.irs.gov/pub/irs-pdf/i1099msc.pdf>.
- j. In box 6, report payments of \$600 or more to medical or health care providers regardless of whether or not they are incorporated. There are some exemptions for tax-exempt hospitals, extended care facilities, and government owned.
- k. In box 7, check this box if the Payer made direct sales of \$5,000 or more.
- l. Use box 9 to report crop insurance proceeds.
- m. Gross proceeds to an attorney from a settlement are reported in box 10.
- n. Section 409A deferrals are reported in box 12
- o. In box 14, report nonqualified deferred compensation income.
- p. Use boxes 15, 16, and 17 to report state taxes withheld, state identification number, and amount of income earned in the state, respectively.
- q. Review the [instructions](#) and complete additional boxes if they apply.

Step 3: Submit Copy B to the Contractor no later than January 31, 2022.

Step 4: Complete IRS form 1096 Transmittal form for each type of 1099 form you file. For a sample IRS form 1096, see <https://www.irs.gov/pub/irs-pdf/f1096.pdf>.

Step 5: Submit Copy A of Forms 1096,1099-NEC, and 1099-MISC to the IRS.

The due date for Form 1099-NEC is on or before January 31, 2022. This is for both paper and electronic filing procedures. The 1099-MISC Form is due on or before February 28, 2022, if you file by paper, or by March 31, 2022, if you file electronically.

Step 6: (For Pennsylvania Businesses Only) Submit a copy of the 1099-NEC form to the Pennsylvania Department of Revenue.

The entity issuing the 1099 forms must have either a PA employer withholding account or register separately for a 1099 withholding account number, if there are withholdings reported. If the entity is issuing 10 or more 1099 forms, they must be filed electronically.

If the entity is issuing 9 or fewer 1099s and has zero PA withholdings, the forms should be mailed to:

**PA Department of Revenue
Bureau of Individual Taxes
1099-R/1099-MISC Forms
PO Box 280509
Harrisburg, PA 17128-0509**

If there is any tax withheld on any distributions, the 1099-R/1099-MISC forms should be mailed to:

**PA Department of Revenue
Bureau of Individual Taxes
PO Box 280412
Harrisburg, PA 17128-0412**

VOID CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116		2021	Nonemployee Compensation
		Form 1099-NEC			
PAYER'S TIN	RECIPIENT'S TIN	1 Nonemployee compensation		Copy 1 For State Tax Department	
		\$			
RECIPIENT'S name		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>			
Street address (including apt. no.)		3			
City or town, state or province, country, and ZIP or foreign postal code		4 Federal income tax withheld			
		\$			
Account number (see instructions)		5 State tax withheld	6 State/Payer's state no.	7 State income	
		\$		\$	
		\$		\$	

Form **1099-NEC**

www.irs.gov/Form1099NEC

Department of the Treasury - Internal Revenue Service

Steps for Businesses to file 1099-NEC

Step 1: Collect the following information for each contractor.

Taxpayer Identification Number (TIN)

A TIN will be either their Social Security number or federal identification number. Mail the contractor a W-9 form to request the number and identify the type of entity. A W-9 form provides proof that the identification number being used is the number they gave you, in the event, you receive a notice from the IRS of a discrepancy and a request for backup withholding. If a recipient does not provide a TIN, leave the TIN box blank on the 1099 and file it anyway. Keep on file any correspondence proving you tried to obtain the TIN. Backup withholding of 24% is required on payments made to persons without a TIN or refusing to give a TIN, or on payment made following receipt of an IRS notice requiring backup withholding. If there is backup withholding from a payment, the regular filing limits for 1099s do not apply. In other words, a 1099 must be prepared regardless of the amount of the payment made to them. For example, a 1099-NEC form for lawn service does not need to be filed for amounts paid totaling less than \$600; however, if there was backup withholding, a 1099-NEC would be filed for all amounts, including those under \$600.

- Contractor's legal name and address. (Verify this is correct on their W-9 form.)
- The entire amount you paid the contractor during the year.

Step 2: Complete the 1099-NEC form.

- a. Complete the PAYER's name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone section with your company's information.
- b. In the PAYER's TIN box, enter your company's TIN.
- c. In the RECIPIENT's TIN box, enter the contractor's TIN. For sole proprietors, including single-member LLCs, use their Social Security number or Employer Identification Number; Note - the IRS prefers the Social Security number.
- d. Complete the RECIPIENT's name, street address (including apt. no.), city or town, state or province, country, ZIP or foreign postal code section with the contractor's information.

Note for sole proprietors, including single-member LLCs, show the individual's name on the first line and the "doing business as" name on the second line. You may not enter only the business name. If you are using a Social Security number for reporting, you should not enter the business name, only the individual's name, or it is very likely you will receive a backup withholding notice. If payments were issued in more than one person's name, only the name that corresponds to the TIN should be shown on the name line. Show other names of recipients or business names in the space below the first line if desired, before the address.

- e. In box 1, report any nonemployee compensation in the amount of \$600.00 or more. A nonemployee is any provider you paid services for in 2020. Examples include independent contractors, freelancers, vendors, consultants, or other self-employed individuals. Do not use Form 1099 NEC to report personal payments, employee wages (use Form W2), gross proceeds to an attorney, or payments of rent to real estate agents or property managers.
- f. In box 4, report any federal income tax or backup federal withholding (if required under backup withholding rules) regardless of the amount.
- g. In boxes 5, 6 and 7 report any state tax withheld, state identification number and amount of earned income in the state (if applicable).
- h. Review the [instructions](#) and complete additional boxes if they apply.

Step 3: Submit Copy B to the Contractor no later than January 31, 2022.

Step 4: Complete IRS form 1096 Transmittal form for each type of 1099 form you file. For a sample IRS form 1096, see <https://www.irs.gov/pub/irs-pdf/f1096.pdf>.

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Step 6: (For Pennsylvania Businesses Only) Submit a copy of the 1099-NEC form to the Pennsylvania Department of Revenue.

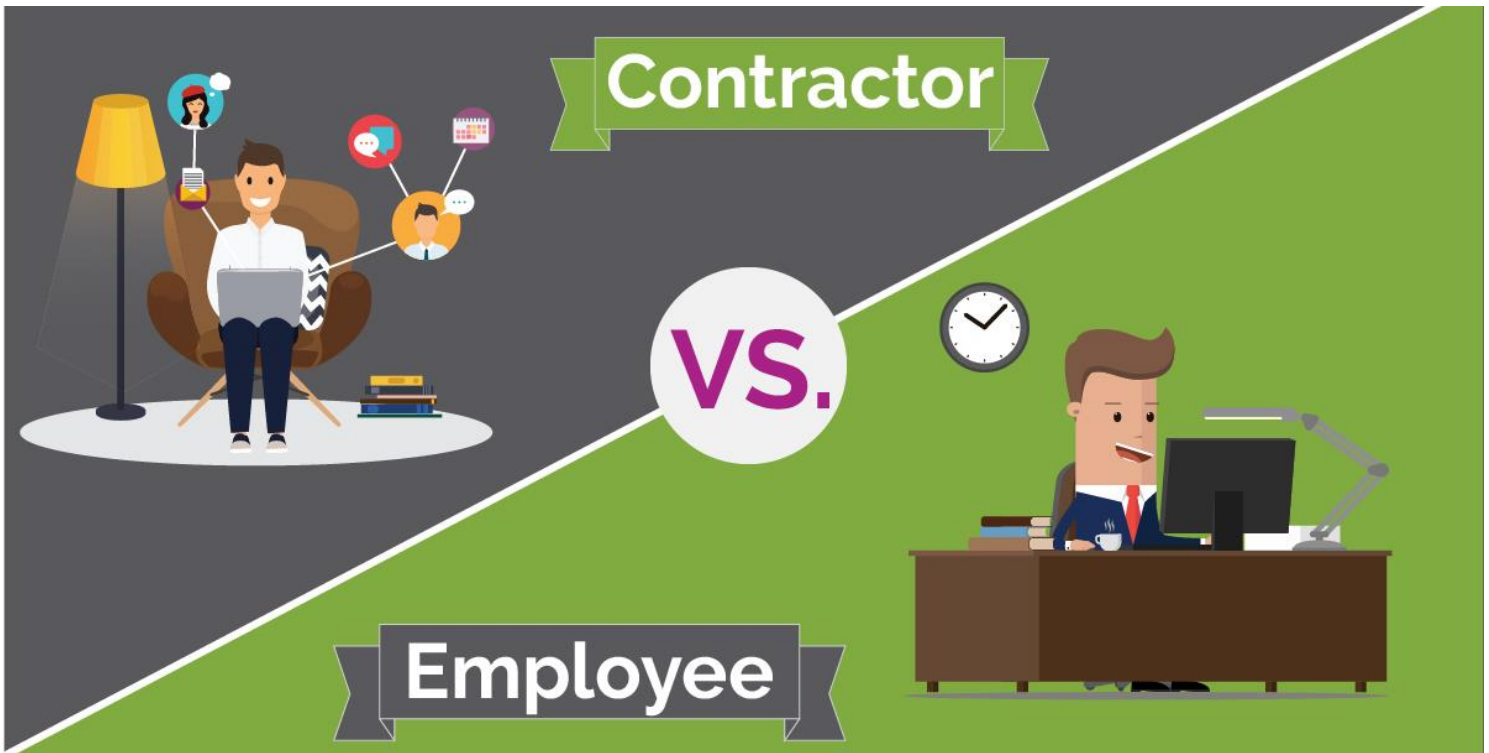
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Harrisburg, PA 17128-0509**

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**PA Department of Revenue
Bureau of Individual Taxes
PO Box 280412
Harrisburg, PA 17128-0412**



Employee

W-2 Form

Works for mainly 1 company at a time

Employer controls income

Paid on a consistent basis
(e.g. hourly, weekly, monthly)
May be eligible for overtime pay

Income, Unemployment, Social Security & Medicare taxes
are withheld from wages paid

Can qualify for company and government benefits

Part of the company's daily workings with a continuous
ongoing relationship and integrated responsibilities

Follows guidelines to how, where and
when work is to be completed

Is trained by the company to perform their job

Is provided tools to do the job

Is subject to firing, discipline, and rewards

Can terminate their services at any time

Contractor

1099-NEC

May do work for multiple companies at a time

Income profit or loss is determined by the individual

Paid per invoice submission or upon
completion of job
Is not eligible for overtime pay

No taxes are withheld from payment for services

They are responsible for seeking and arranging their
benefits

Hired when needed

Establishes how and when work is to be completed

Already trained and is skilled to perform the job

Brings own tools, equipment, and materials to work site

Is responsible for self-employment

Is required to complete contracted work



**For questions or assistance,
please contact one of our
professionals at 717-569-2900.**

LANCASTER
1705 Oregon Pike
Lancaster, PA 17601
717-569-2900

LANCASTER CITY
160 E King Street
Lancaster, PA 17602
717-569-2900

MECHANICSBURG
930 Century Drive, Suite 104
Mechanicsburg, PA 17055
717-697-2900

CARLISLE
62 W Pomfret Street
Carlisle, PA 17013
717-243-4822

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