

Year-End 1099 Services

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What is a 1099?

A 1099 form reports non-employment income that a taxpayer earns throughout the year. Businesses are required to issue 1099s to any payee (other than corporations) who received at least \$600 in non-employment income in a year. There are many types of 1099 forms since there are various ways to earn non-employment income (18 types). Fortunately, most businesses need only worry about issuing a few of these different forms. Commonly issued forms for small and mid-size business include:

- Form 1099-NEC - used to report non-employee compensation (ex. Independent Contractors)
- Form 1099-MISC - used to report miscellaneous income (ex. Rent, Payments to Attorneys, Royalties)

Note, small business may need to issue other types of 1099 forms.

How to be prepared for the 1099 year-end deadline?

Request W-9 Forms: Before you make any payments to 1099 vendors, request a completed and signed **W-9 form** from each vendor. The W-9 form provides you with the vendor's taxpayer identification number (TIN) or employer identification number (EIN) and legal business name, which are necessary for reporting payments to the IRS.

Record Keeping: Maintain a comprehensive record of all payments made to contractors and 1099 vendors. Include details such as the vendor's name, address, TIN/EIN, payment amount, payment date, and purpose of the payment. This record-keeping is crucial for accurate reporting and can serve as a reference in case of IRS inquiries.

Include Rent Payments: Ensure that rent payments to landlords or property management companies are also included in your 1099 reporting if applicable. Rental payments made for business purposes fall under the category of reportable payments to 1099 vendors.

Deadline for 1099 Reporting: The deadline for mailing 1099 forms to vendors is usually January 31st. Ensure that you compile all the necessary information and submit the forms to both the vendors and the IRS by this deadline. It's important to file these forms on time to avoid potential penalties.

Penalties for Non-Compliance:

Failure to file correct information returns (including 1099 forms) by the due date without reasonable cause can result in penalties imposed by the IRS. Therefore, it's crucial to be accurate and timely in your reporting.

Always consult with a tax professional or accountant to ensure compliance with the latest IRS regulations and guidelines, as tax laws and requirements can change. For more information on 1099 forms please visit the IRS website.

How can we help?

Salt & Main Accounting offers services to help your business keep on top of tracking W-9 request throughout the year. In addition, we offer year-end 1099 services. For more information on these services please contact us at Contact@SaltAndMainAccounting.com or at (970) 880-1022.

