

**The IRS has changed reporting forms for 2020 non-employee compensation!** Employers will no longer report nonemployee compensation, such as payments to independent contractors, on Form 1099-MISC. Instead these payments will be reported on **Form 1099-NEC**.

**FORM(S) 1099 FILING REQUIREMENTS:**

**There is an IRS imposed penalty up to \$500 for each 1099 not filed, or filed without an identification number.**

***You are required to furnish a 1099-NEC to the non-employee compensation recipient(s) by February 1, 2021 and a 1099-MISC to the recipient(s) by March 1, 2021.***

**Form 1099-NEC (Nonemployee Compensation)**

If the following four conditions are met, you must generally report a payment as nonemployee compensation:

- You made the payment to someone who is **not your employee**.
- You made the payment for **services rendered in the course of your trade or business**.
- You made the payment to an **individual, a partnership, an estate or, in some cases, a corporation**.
- You made payments to the payee of **at least \$600 during the year**.

Here are some common examples of nonemployee compensation

- payments to independent contractors,
- fees paid for professional services (for example attorneys and accountants), and
- commissions paid to nonemployee salespersons that are subject to repayment but not repaid during the calendar year.

**Form 1099-MISC**

Below is a list of common transactions which would require filing form 1099-MISC, "Miscellaneous Income", for each person to whom you have paid during the year:

- at least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest;
- at least \$600 in rents, services (including directors' fees), prizes and awards, other income payments, medical and health care payments;
- payments totaling \$600 or more to an attorney for *settlement agreements*, not for the attorney's services.
- direct sales made of at least \$5,000 of consumer products to a buyer for resale anywhere other than a permanent retail establishment; or
- Amounts where you withheld any federal income tax under the backup withholding rules regardless of the amount of the payment.

Report on Form 1099-MISC only when payments are made in the course of your trade or business. **Personal payments are not reportable.** You are engaged in a trade or business if you operate for

gain or profit. Payments made to partnerships, sole proprietorships, estates, and limited liability companies filing as partnerships are required to be reported on Form 1099. It is important to report the payments in the correct Form 1099 box to avoid issues with the IRS.

Currently, payments made to a corporation generally are not required to be reported, unless the payments are for medical and health care payments, attorneys' fees, gross proceeds to an attorney, substitute payments in lieu of dividends or tax-exempt interest, or payments made by a federal executive agency for services. Please note: SCA CPAs and Advisors, PLLC is NOT a corporation and therefore a Form 1099 IS REQUIRED to be issued to us for our services.

### **These potential 1099-MISC recipients are often overlooked:**

- auto mechanic/service stations that repair automobiles;
- professional services such as attorneys (including corporations), accountants, architects, contractors and engineers;
- plumbers, electricians, painters, carpenters, general repair contractors, or office cleaners;
- independent contractors; and
- lessors from whom you lease equipment or office/storage space

***If you pay \$10 or more annually for interest (except to banks) and/or dividends, Forms 1099-INT and/or 1099-DIV are required to be filed by the same date.***