

November 24, 2021

Dear Client,

The year end is fast approaching, and 1099 filing season will begin January 1st. We want to assist you in filing your 1099s as efficiently as possible.

- **If you make reportable payments to vendors, you are required to issue a 1099 to the vendor.** Report only when payments are made in the course of your trade or business. Personal payments are not reportable.
- **You are required to declare on your income tax return whether you complied with the 1099 reporting requirement**
- **You are subject to penalties if you fail to comply**
- **1099s for non-employee compensation must be filed with the IRS by January 31, 2022. THIS IS THE FINAL FILING DEADLINE.**
- **Complete 1099 information is due to our office by January 14, 2022.** Information received after this date may not be processed by the filing deadline and could result in late filing penalties assessed by the IRS.

Please note that we will not follow up with you to obtain this information from you for timely filing. If you want us to prepare these forms for you, please supply us with this information before January 14, 2022.

Filing Requirements and Penalty Information

Due to the shortened filing window, it is extremely important that you identify your 1099 recipients BEFORE YEAR END to allow time for gathering accurate recipient information including legal name, address, tax ID number and amount paid.

Use Form 1099-NEC to report nonemployee compensation and Form 1099-MISC for rent, royalties and other income not generated from services performed.

Nonprofit organizations have the same filing requirement as a trade or business and must comply with the Form 1099 reporting requirements. One copy of the form must be provided to the recipient, and another copy of the form must be filed with the IRS with Form 1096.

The **most common types** of 1099-MISC payments for small business owners are non-employee compensation and rent.

Amount	Paid To (Recipient)	Report on Form	Due Date
\$600 or more	Any non-employee individual, partnership, LLC not treated as a corporation or estate for services provided. The exemption from reporting payments made to corporations does not apply to payments for legal services	1099-NEC Box 1 Non-employee compensation	JANUARY 31, 2022 Recipient JANUARY 31, 2022 IRS This is the ONLY deadline NO EXTENSION AVAILABLE
\$600 or more	Any non-corporate lessor for property rent (including real estate, equipment and lists)	1099-MISC Box 1 Rent	JANUARY 31 2022 Recipient FEBRUARY 28, 2022 IRS

DO INCLUDE payments in cash, check or bartered goods or services.

DO NOT INCLUDE payments made with a credit card, debit card or other electronic third-party payment method. These payments are reported to the vendor directly by the third party payment processor and should not be included on form 1099-MISC. Generally, no 1099 is required for payments made to a corporation unless it is for legal services. Payments made for services that are not related to your business do not require a 1099.

Other types of payments may require 1099 reporting. Refer to the instructions for Form 1099 on the IRS website or contact our office if you have a situation you would like us to review.

Please note that if we determine that you are required to file 1099s for 2021 and you have not or will not file ALL required 1099 forms, we must indicate your non-compliance on your income tax return and you may be penalized for each unfiled or incorrect form.

You may be assessed a penalty of \$50 - \$280 per information return for failing to timely file or filing a 1099 form that is inaccurate or incomplete. If any failure to file a correct information return is due to **intentional disregard of the filing of correct information requirement, the penalty is at least \$570 per information return** with no maximum.

If you have any questions regarding 1099 information returns, please feel free to contact us.

Sincerely,

Jan Dyer, CPA

Rebecca Duplissey Luers, CPA