



1099 compliance in 2020: Prepare by year-end 2019

December 11, 2019

Webinar starts at noon CT



Cindy McSwain
Senior Vice President
Outsourcing Services

Presented by

Administration



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About the speaker



Cindy McSwain

Senior Vice President
Outsourcing Services

Leads AGH's outsourcing services
10+ years outsourcing experience
10+ years audit experience

Member of AICPA, KSCPA, and numerous civic organizations

Learning objectives

The key takeaways

Learning Objectives

Requirements

- ✓ Types of payments
- ✓ Thresholds

Understand

- ✓ Deadlines
- ✓ IRS filing requirements
- ✓ Penalties for noncompliance

Know

- ✓ Get ready
- ✓ Best practices
- ✓ Common errors

What's New?

- Form 1099-B
- Form 1099-NEC revived (coming next year)
 - And redesign of Form 1099-MISC

What's New?

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116		2020	Nonemployee Compensation
		Form 1099-NEC			
		1 Nonemployee compensation		Copy B For Recipient This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.	
		\$			
PAYER'S TIN	RECIPIENT'S TIN	2			
RECIPIENT'S name		3			
Street address (including apt. no.)		4 Federal income tax withheld			
City or town, state or province, country, and ZIP or foreign postal code		\$			
		FATCA filing requirement <input type="checkbox"/>			
Account number (see instructions)		5 State tax withheld	6 State/Payer's state no.	7 State income	
		\$		\$	
		\$		\$	

Due to recipients and IRS by February 1, 2021

Form **1099-NEC**

(keep for your records)

www.irs.gov/Form1099NEC

Department of the Treasury - Internal Revenue Service



The forms

Focusing on 1099-MISC

1099 alphabet soup

The forms
Alphabet soup

1099-MISC	Miscellaneous Income
1099-INT	Interest Income
1099-DIV	Dividends and Distributions
1099-B	Proceeds from Broker and Barter Exchange Transactions
1099-C	Cancellation of Debt
1099-G	Certain Government Payments
1099-OID	Original Issue Discount
1099-PATR	Taxable Distributions Received from Cooperatives
1099-Q	Payments from Qualified Education Programs
1099-R	Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

More alphabet soup

The forms
Alphabet soup

1099-A	Acquisition or Abandonment of Secured Property
1099-CAP	Changes in Corporate Control and Capital Structure
1099-H	Health Coverage Tax Credit Advance Payments
1099-K	Payment Card and Third Party Network Transactions
1099-LS	Reportable Life Insurance Sale
1099-LTC	Long-term Care and Accelerated Death Benefits
1099-QA	Distributions from ABLE Accounts
1099-S	Proceeds from Real Estate Transactions
1099-SA	Distributions from an HSA, Archer MSA, or Medicare Advantage MSA
1099-SB	Seller's Investment in Life Insurance Contract

Even more alphabet soup

The forms
Alphabet soup

1042-S	Foreign Person's US Source Income Subject to Withholding
1097-BTC	Bond Tax Credit
1098	Mortgage Interest Statement
1098-C	Contributions of Motor Vehicles, Boats, and Airplanes
1098-E	Student Loan Interest Statement
1098-MA	Mortgage Assistance Payments
1098-Q	Qualifying Longevity Annuity Contract Information
1098-T	Tuition Statement

Too much soup...

The forms
Alphabet soup

3921	Exercise of an Incentive Stock Option Under Section 422(b)
3922	Transfer of Stock Acquired Through an Employee Stock Purchase Plan Under Section 423(c)
5498	IRA Contribution Information
5498-ESA	Coverdell ESA Contribution Information
5498-QA	ABLE Account Contributions Information
5498-SA	HSA, Archer MSA, or Medicare Advantage MSA Information
W-2G	Certain Gambling Winnings
W-2	Wage and Tax Statement

This doesn't even include the forms required under the Affordable Care Act!

Form 1099-MISC

The forms
Alphabet soup
Form
1099-MISC

CORRECTED (if checked)

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 Income
		\$	2019		
		2 Royalties			
PAYER'S TIN		\$	3 Other income	4 Federal income tax withheld	Copy B For Recipient
		\$	\$	\$	
RECIPIENT'S TIN		5 Fishing boat proceeds	6 Medical and health care payments		This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
RECIPIENT'S name		\$	8 Substitute payments in lieu of dividends or interest		
Street address (including apt. no.)		\$	9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code		11	10 Crop insurance proceeds		
Account number (see instructions)		13 Excess golden parachute payments	12		
FATCA filing requirement <input type="checkbox"/>		\$	14 Gross proceeds paid to an attorney		
15a Section 409A deferrals	15b Section 409A income	16 State tax withheld	17 State/Payer's state no.	18 State income	
\$	\$	\$	\$	\$	

Form **1099-MISC**

(keep for your records)

www.irs.gov/Form1099MISC

Department of the Treasury - Internal Revenue Service

Helpful resources

The forms
Alphabet soup
Form 1099-MISC
Resources

2019

General Instructions for Certain Information Returns

(Forms 1096, 1097, 1098, 1099, 3921, 3922, 5498, and W-2G)



Department of the Treasury
Internal Revenue Service

2019

Instructions for Form 1099-MISC

Miscellaneous Income



Department of the Treasury
Internal Revenue Service

2019

Instructions for Form 1099-DIV

Dividends and Distributions



Department of the Treasury
Internal Revenue Service

2019

Instructions for Forms 1098-E and 1098-T

Student Loan Interest Statement and Tuition Statement



Department of the Treasury
Internal Revenue Service

2019

Instructions for Forms 1099-INT and 1099-OID

Interest Income and Original Issue Discount



Department of the Treasury
Internal Revenue Service

Publication 1220

Specifications for Electronic Filing of Forms
1097, 1098, 1099, 3921, 3922, 5498, and W-2G

Tax Year 2019


www.irs.gov

Polling question #1

Please answer for continuing education credit

Learning objective

Types of payments



Requirements

- ✓ Which payments?
- ✓ Thresholds

Requirements: Which Payments?

Requirements
Start with
all payments

Start

Payments made in the course
of your trade or business

then remove the **exceptions.**

End

Requirements: Which Payments?

Requirements

Start with
all payments

Remove
exceptions

Exception: Payments to a corporation

Exception to the exception:

- Medical and health care payments (box 6)
- Fish purchases for cash (box 7)
- Attorney fees (box 7)
- Gross proceeds paid to an attorney (box 14)
- Substitute payments in lieu of dividends or tax-exempt interest (box 8)
- Payments by a federal executive agency for services (box 7)

Requirements: Which Payments?

Requirements

Start with
all payments

Remove
exceptions

Exception: Payments for the following:

- Merchandise
- Utilities
- Telegrams
- Telephone
- Freight
- Storage
- Similar items

Requirements: Which Payments?

Requirements

Start with
all payments

Remove
exceptions

Exception: Payments of rent to real estate agents

Exception: Wages paid to employees (report on Form W-2)

Exception: Military differential wage payments

Exception: Employee expense reimbursements

Requirements: Which Payments?

Requirements

Start with
all payments

Remove
exceptions

Exception: Payments to tax-exempt organizations

Exception: Payments made to or for homeowners from HFA Hardest Hit Fund or similar state program

Exception: Compensation for certain injuries and sickness*

Exception: Compensation for wrongful incarceration

*Certain restrictions apply

Requirements: Which Payments?

Exception: Payments made with a credit card or payment card

Exception: Fees paid to informers

Exception: Scholarships

Exception: Difficulty-of-care payments

Exception: Canceled debt

Requirements

Start with
all payments

Remove
exceptions

Recap: Which Payments?

Start with **ALL** payments

Filter out the **exceptions**

Don't forget the **exceptions to the exceptions!** 🤔

Requirements

Start with
all payments


Remove
exceptions

Polling question #2

Please answer for continuing education credit

Learning objective

Thresholds



Requirements

- ✓ Which payments?
- ✓ Thresholds

Requirements: Thresholds

At least \$10

- 1099-INT
- 1099-DIV
- 1099-R

- 1099-MISC
 - Gross royalties (box 2)
 - Broker payments in lieu of dividends or tax-exempt interest (box 8)

Requirements

Start with
all payments

Remove exceptions

Thresholds

Requirements: Thresholds

At least \$600 paid for:

- 1098 (mortgage interest)
- 1099-C
- 1099-MISC
 - Rents (box 1)
 - Royalties (box 2)
 - Non-employee compensation (box 7)
 - Other income payments (box 3)
 - Prizes and awards (box 3 or 7)
 - Medical and health care payments (box 6)
 - Exception for corporations does NOT apply.

Requirements

Start with
all payments

Remove exceptions

Thresholds

Requirements: Thresholds

At least \$600 paid for:

– 1099-MISC

- Crop insurance proceeds (box 10)
- Cash payments for fish you purchase from anyone engaged in the trade or business of catching fish (box 7)
 - Exception for corporations does NOT apply.
- Cash paid from a notional principal contract to an individual, partnership, or estate (box 3)
 - Exception for corporations does NOT apply.

Requirements

Start with
all payments

Remove exceptions

Thresholds

Requirements: Thresholds

At least \$600 paid for:

1099-MISC

- Attorneys' fees (box 7)
- Gross proceeds paid to an attorney (box 14)
 - Exception for corporations does NOT apply.

All payments for:

1099-MISC

- Fishing boat proceeds (box 5)

**Anyone with backup tax withholding
regardless of the amount of the payment**

Requirements

Start with
all payments

Remove exceptions

Thresholds

Other considerations

Requirements

Start with
all payments
Remove exceptions
Thresholds
Considerations

Deceased employee wages

- **Payments after the date of death but same year as death:**
 - Withhold Social Security and Medicare taxes.
 - Report them only as Social Security and Medicare wages on W-2
 - Report payments to the estate or beneficiary in box 3 of Form 1099-MISC (other income).
- **Payments in a different year than year of death:**
 - Report nothing on W-2.
 - Use Form 1099-MISC box 3 (other income).

Other considerations

Deceased employee wages

– Payments from benefit plans:

- Payments from non-qualified plans → 1099-MISC
- Payments from qualified plans → 1099-R

Requirements

Start with
all payments

Remove exceptions

Thresholds

Considerations

Other considerations

When to apply backup withholding

- Failure to furnish TIN in the manner required
- Notice from the IRS:
 - Of incorrect payee TIN
 - That payee is subject to backup withholding due to notified payee underreporting
- Payee failure to certify that he/she is not subject to backup withholding (interest and dividends only)

Requirements

Start with
all payments
Remove exceptions
Thresholds
Considerations

Other considerations

Requirements

Start with
all payments
Remove exceptions
Thresholds
Considerations

Foreign contractors

- Form W-8 series (similar to W-9)
- Form 1042 series (similar to 1099s)
- Be aware of any payments made to:
 1. a foreign company
 2. for services provide INSIDE the United States

Polling question #3

Please answer for continuing education credit

Learning objective

Filing details



Understand

- ✓ Deadlines
- ✓ Extensions
- ✓ How to file
- ✓ Penalties for noncompliance

Reporting deadlines

Filing
Deadlines

Form	To recipient	To IRS (paper)	To IRS (electronic)
1099-MISC Box 7 Non-Employee Compensation	Jan. 31	Jan. 31	Jan. 31
1099-MISC Box 8 Substitute dividends and tax-exempt interest payments reportable by brokers	Feb. 18	Feb. 28	Mar. 31
1099-MISC Box 14 Gross proceeds paid to attorney	Feb. 18	Feb. 28	Mar. 31
1099-MISC All others	Jan. 31	Feb. 28	Mar. 31

Reporting deadlines

Filing
Deadlines

Form	Amounts to report	To recipient	To IRS (paper)	To IRS (electronic)
1099-INT	\$10 or more (\$600 or more in some cases)	Jan. 31	Feb. 28	Mar. 31
1099-DIV	\$10 or more, except \$600 or more for liquidations	Jan. 31	Feb. 28	Mar. 31
1099-R	\$10 or more	Jan. 31	Feb. 28	Mar. 31
1099-G	\$10 or more for refunds and unemployment	Jan. 31	Feb. 28	Mar. 31
1099-C	\$600 or more	Jan. 31	Feb. 28	Mar. 31
1099-OID	\$10 or more	Jan. 31*	Feb. 28	Mar. 31
1099-PATR	\$10 or more	Jan. 31	Feb. 28	Mar. 31
1099-Q	All amounts	Jan. 31	Feb. 28	Mar. 31

Extensions

Filing
Deadlines
Extensions

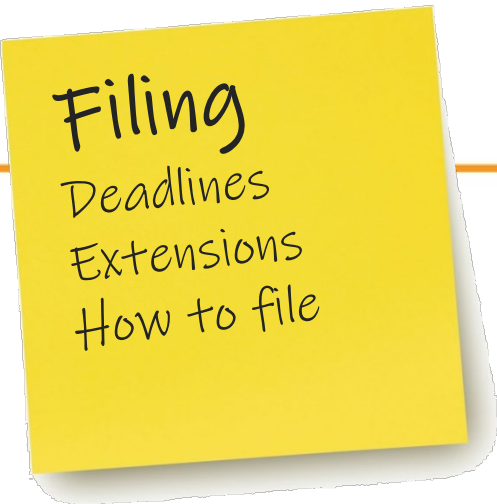
Furnishing statements to recipients:

- Letter to IRS by Jan. 31 (not automatic)
- If granted, generally max of 30 extra days

Filing with the IRS

- Automatic 30-day extension
- Must complete Form 8809 (electronically or paper)
- No signature or explanation is required.
- Additional 30-day extension can be applied for under certain conditions.

How to file with the IRS



Filing
Deadlines
Extensions
How to file

Electronically

- Required for 250 or more information returns (per type)
- Apply separately for original filings and corrections
- Does not apply if you apply for and receive a hardship waiver

Paper

- Include Form 1096 transmittal form

Penalties

Filing
Deadlines
Extensions
How to file
Penalties

Three types of penalties

#1

Failure to file
correct information
returns **by due date**

#2

Failure to furnish
correct payee
statements

#3

Failure to file
electronically

Penalties

Filing
Deadlines
Extensions
How to file
Penalties

#1 Failure to file correct information returns by the due date

If correctly filed within	Per return	Maximum penalty	Small business maximum penalty
30 days	\$50	\$556,500	\$194,500
By Aug. 1	\$110	\$1,669,500	\$556,500
After Aug. 1 or not filed at all	\$270	\$3,339,000	\$1,113,000
Intentional disregard	\$550	None	None

*Small business:

- Average annual gross receipts for the three most recent tax years (or for the period which you were in existence, if shorter)
- Ending before the calendar year in which the information returns were due
- Are \$5 million or less

#2 Failure to furnish correct payee statements:

- Separate penalty
- Applied in same manner as “failure to file correct information returns by the due date”
- Amount of penalty based upon when you furnish correct payee statement

#3 Failure to file electronically (if required)

- Up to \$100 *per return* for each return over 250
- Applies separately to original and corrected returns

Penalty exceptions

Filing
Deadlines
Extensions
How to file
Penalties

Due to **reasonable cause**
and not willful neglect

Inconsequential error or omission is not considered
a failure to include correct information.

De minimis rule for corrections

IRS Notices

Filing
Deadlines
Extensions
How to file
Penalties

Notice CP-2100

Notice of incorrect recipient information (“B” Notice)

Notice 972CG

Notice of Proposed Civil Penalty (“P” Notice)

IRS Publication 1281

Backup Withholding for Missing and Incorrect Name/TINs

IRS Publication 1586

Reasonable Cause Regulations and Requirements for Missing and Incorrect Name/TINs

What about states?


- Combined Federal State Filing (CFSF)
- Research state by state for requirements

Filing
Deadlines
Extensions
How to file
Penalties
States



Learning objective

How to get ready



Know

- ✓ Get ready
- ✓ Best practices
- ✓ Common errors

How to prepare

Processes, systems and setup

Policies & Procedures

- ✓ Document in writing

Accounting System

- ✓ Accounts payable
- ✓ Payroll

Vendor Setup

- ✓ Form W-9s
- ✓ TIN matching

Get Ready

Policies and procedures
Accounting software
Vendor setup

Form W-9 / W-9S

Get Ready
Policies and
procedures
Accounting
software
Vendor setup

Form **W-9**
(Rev. December 2014)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Give Form to the
requester. Do not
send to the IRS.

Print or type
See Specific Instructions on page 2.

1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.

2 Business name/disregarded entity name, if different from above

3 Check appropriate box for federal tax classification; check only **one** of the following seven boxes:
 Individual/sole proprietor or single-member LLC
 Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶
Note. For a single-member LLC that is disregarded, do not check LLC; check the appropriate box in the line above for the tax classification of the single-member owner.
 Other (see instructions) ▶
 C Corporation
 S Corporation
 Partnership
 Trust/estate

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):
 Exempt payee code (if any)
 Exemption from FATCA reporting code (if any)
(Applies to accounts maintained outside the U.S.)

5 Address (number, street, and apt. or suite no.)
 Requester's name and address (optional)

6 City, state, and ZIP code

7 List account number(s) here (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Note. If the account is in more than one name, see the instructions for line 1 and the chart on page 4 for guidelines on whose number to enter.

Social security number

<input type="text"/>	<input type="text"/>	<input type="text"/>	-	<input type="text"/>	<input type="text"/>	-	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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or

Employer identification number

<input type="text"/>	<input type="text"/>	-	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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Form W-9 / W-9S penalties

Get Ready
Policies and
procedures
Accounting
software
Vendor setup

Act	Penalty
Failure to furnish TIN	\$50 for each such failure
False information with respect to withholding	\$500 civil penalty
Falsifying information	Criminal penalty

How to prepare

Education, research and review

Get Ready

Education
Research
Preliminary
review

Education

- ✓ Annual training
- ✓ IRS instructions

Research

- ✓ State filing requirements
- ✓ Electronic filing requirements

Preliminary Review

- ✓ Ask questions
- ✓ Follow up

How to prepare

Get Ready
Education
Research
Preliminary
review

Start with **ALL** payments

Filter out the **exceptions**

Don't forget the **exceptions to the exceptions!**

How to prepare

Get Ready

Setup

Form W-9 / W-9S

Research/Review

Filing

Finalizing and filing

Test Filing

- ✓ Federal
- ✓ State(s)

Final Filing

- ✓ Confirmations

Corrections

- ✓ Recipients
- ✓ Regulatory agencies

Common errors

Get Ready
Common errors

Avoid these mistakes:

1. Duplicate filings
2. Filer's name on transmittal (Form 1096)
doesn't match underlying returns
3. Decimal point to show dollars and cents omitted
4. Two or more types of returns submitted with
one transmittal (Form 1096)
5. Incorrectly completed Form W-9
 - Disregarded entities

Best practices

Get Ready
Best practices

Follow these suggestions:

1. Solicit information for all vendors/students.
2. Utilize the IRS TIN matching program.
3. Use all 1099 related features of your software.
4. Compare payroll and accounts payable records for duplicate payees.
5. Train accounts payable personnel annually.
6. Review your electronic data file for reasonableness.
7. Act conservatively.
8. Consider a voluntary compliance filing if needed.

Polling question #4

Please answer for continuing education credit

Useful resources

IRS guidance and help



Certain Information Returns

irs.gov/pub/irs-pdf/i1099gi.pdf

Form 1099-MISC

irs.gov/pub/irs-pdf/i1099msc.pdf

Form 1099-INT

irs.gov/pub/irs-pdf/i1099int.pdf

2019 IRS guidance

Publication 1220

Specifications for Electronic Filing

<https://www.irs.gov/pub/irs-pdf/p1220.pdf>

Publication 1281

Backup Withholding for Missing and Incorrect Name/TINs

<https://www.irs.gov/pub/irs-pdf/p1281.pdf>

Publication 1586

Reasonable Cause Regulations & Requirements for Missing and Incorrect Name/TINs

<https://www.irs.gov/pub/irs-pdf/p1586.pdf>

Thank you for attending



Cindy McSwain

Senior Vice President, Outsourcing Services



Cindy.McSwain@aghlc.com



316.291.4101



[linkedin.com/in/cindymcswain](https://www.linkedin.com/in/cindymcswain)



twitter.com/AGHCindy

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Taylor.Wiele@aghlc.com