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# Form 1099-MISC



## What Is the Form 1099-MISC: Miscellaneous Income?

- The Form 1099-MISC: Miscellaneous Income is an Internal Revenue Service (IRS) informational return that taxpayers use to report non-employee payments. This form is generally used to report business payments—not reimbursements. Independent contractors, sole-proprietors, and self-employed individuals should receive one from each client who paid them \$600 or more in a calendar year.
- The Form 1099-MISC: Miscellaneous Income and its instructions are available on the Internal Revenue Service (IRS) website:
  - Form 1099-MISC: <https://www.irs.gov/pub/irs-pdf/f1099misc.pdf>
  - Form 1099-MISC Instructions: <https://www.irs.gov/pub/irs-pdf/i1099misc.pdf>



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## Who Do I Need to File the Form 1099-MISC For?

- You must file a Form 1099-MISC for each individual and certain vendors to whom you have paid at least \$600 during the calendar year (January 1, 2019 through December 31, 2019) for any of the following:
  - ❑ Rent;
  - ❑ Services performed by someone who is not your employee (including parts and materials);
  - ❑ Prizes and awards;
  - ❑ Other income payments;
  - ❑ Medical and health care;
  - ❑ Payments to an attorney.



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## **When Do I Need to File My Form 1099-MISC By?**

- If you are reporting nonemployee compensation payments in box 7, you must file the Form 1099-MISCs with the IRS on or before January 31, 2020, using either paper or electronic filing procedures.
- For all other reported payments, you must file the Form 1099-MISCs with the IRS by February 28, 2020, if you file on paper, or March 31, 2020, if you file electronically.



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## Exceptions

- Generally, payments to a corporation (including a limited liability company (LLC) that is treated as a C or S corporation).
- Payments for merchandise, telegrams, telephone, freight, storage, and similar items.
- Wages paid to employees (report on Form W-2, Wage and Tax Statement).
- Business travel allowances paid to employees (may be reportable on Form W-2)
- Payments to a tax-exempt organization.
- Payments made with a credit card: the credit card company must report these payments on a Form 1099-K.



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## Statements to Recipients

- If you are required to file a Form 1099-MISC for an individual or vendor with the IRS, you must furnish a statement to the recipient.
- All filers of the Form 1099-MISC may truncate a recipient's Taxpayer Identification Number (TIN) e.g. EIN, SSN. Truncation is not allowed on any documents the filer files with the IRS. A payer's TIN may not be truncated on any form.



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## **Box 1 - Rents**

- Enter amounts of \$600 or more for all types of rents such as:
  - Real estate rentals paid for office space. However, you do not have to report these payments on Form 1099-MISC if you paid them to a real estate agent or property manager.
  - Machine rentals.



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## Box 3 – Other Income

- Enter amounts of \$600 or more for prizes and awards:
  - Amounts paid to a winner of a raffle/sweepstakes not involving a wager.
    - **Example:** A School “Tuition pull” raffle where parents attend/volunteer at a certain number of events to be entered into a chance to win free or reduced tuition.
    - If a wager is made to participate in the raffle, report the winnings on Form W-2G if applicable.
  - Do not include prizes and awards paid to employees. Report these on Form W-2.





## **Box 7 – Nonemployee Compensation**

- Enter nonemployee compensation of \$600 or more. Include fees, commissions, prizes and awards for services performed as a nonemployee, other forms of compensation for services performed for your trade or business by an individual who is not your employee.
- If the following four conditions are met, you must issue a 1099-MISC:
  - Someone who is not an employee;
  - Payment for services in the course of business;
  - Payment to an individual, partnership, estate, or in some cases a corporation;
  - Payments to the payee of at least \$600 during the calendar year.



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## **Examples of Nonemployees/Contact Labor**

- Visiting Priests (if not on payroll)
- Air Conditioner Repair
- Lawn Maintenance/Landscaping
- Electricians
- Plumbers
- Painters
- Musicians & Cantors (if not on payroll) including bands at fairs
- Housekeepers (if not on payroll)
- Outside Accountant
- Construction/General Contracting



## What Information Do I Need From Individuals and Vendors?

- All nonemployee individuals and vendors must complete a Form W-9: Request for Taxpayer Identification Number (TIN) and Certification (<https://www.irs.gov/pub/irs-pdf/fw9.pdf>) before payment is issued.
  - According to IRS Publication 1586, “Payers are required to solicit the TINs of payees in order to meet reasonable cause criteria as acting in a responsible manner to avoid information reporting penalties.
  - An initial solicitation for a payee’s correct TIN must be made at the time an account is opened (or a relationship initiated), unless the payer already has the payee’s TIN and uses that TIN for all transactions with the payee.
  - If a payer does not obtain a payee’s correct TIN, a formal request of this information must be made in accordance with the policies in IRS Publication 1586. **A formal request must be made before December 31<sup>st</sup> of the year of payment.**
  - IRS Publication 1586: <https://www.irs.gov/pub/irs-pdf/p1586.pdf>



## Penalty Rates for not filing 1099s to IRS and Payee

Small Businesses with Gross Receipts \$5 Million or Less

Time Returns Filed / Furnished	Due 01-01-19 thru 12-31-2019
Not more than 30 days late	\$50 per return \$191,000 maximum
31 days late – August 1	\$100 per return \$545,500 maximum
After August 1 or Not At All	\$270 per return \$1,091,500 maximum
Intentional Disregard	\$540 per return No limitation

*Maximum limits are much higher if gross receipts are greater than \$5 million*



## I have my W-9 forms. Who needs a Form 1099-MISC?

W-9, Box 3: Federal Tax Classification	Individual/sole proprietor or single-member LLC	C Corporation	S Corporation	Partnership	Trust/estate	Limited liability company with "C" in blank	Limited liability company with "S" in blank	Limited liability company with "P" in blank	Limited liability company with empty blank
If box is checked and paid more than \$600.00 during calendar year, do they need a Form 1099-MISC?	Yes	No	No	Yes	Yes	No	No	Yes	Yes*

\* - if box 3 (Limited liability company) is checked and the matching line is left blank, assume that the vendor needs a 1099-MISC issued.



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**I've compiled the list of those that need a Form 1099-MISC, their necessary information, and the amount. How do I prepare/file them?**

- 1099-MISC forms may be filed electronically or by mail:
  - If you would like to file the 1099-MISC forms electronically with the IRS, you can use QuickBooks or purchase 1099 preparation software that has electronic filing capabilities.
  - If you would like to file the 1099-MISC forms by mail, you must fill out a Form 1096 which summarizes the 1099-MISCs that you are filing.



## **Best Practices for 1099-MISC Preparation:**

- Request that all individuals and all vendors providing services complete a W-9 Form prior to services being rendered.
  - If a completed W-9 Form is not provided and services are rendered, require all individuals and all vendors to provide a completed W-9 Form prior to payment being issued.
- Store all completed W-9 Forms received from individuals and vendors in a permanent folder rather than in the vendor's disbursement file.
- Update the vendor profile information for all individuals and vendors in QuickBooks so that QuickBooks tracks payments made in a calendar year for 1099-MISC purposes.
- When in doubt, send a Form 1099-MISC:
  - There is no penalty for issuing a Form 1099-MISC to someone or something that doesn't need one, but there are penalties for not filing a Form 1099-MISC to someone or something that does need one.



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## Resources:

- Form 1099-MISC
  - <https://www.irs.gov/pub/irs-pdf/f1099msc.pdf>
- Form 1099-MISC Instructions
  - <https://www.irs.gov/pub/irs-pdf/i1099msc.pdf>
- Form W-9
  - <https://www.irs.gov/pub/irs-pdf/fw9.pdf>
- Form W-9 Instructions
  - <https://www.irs.gov/pub/irs-pdf/iw9.pdf>
- IRS Publication 1586:
  - <https://www.irs.gov/pub/irs-pdf/p1586.pdf>





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# Questions?

- Email Nick Saybe at [nsaybe@arch-no.org](mailto:nsaybe@arch-no.org).