

Understanding the 1099 Filing

Who needs to issue 1099s?

All businesses (including LLC's, S Corporations, C Corporations, Self-Employed Owners and Nonprofit Organizations), as well as residential rental property owners that treat the rental as a business, are required to file their 1099 Forms by January 31, 2020 to the Internal Revenue Service.

What is a 1099?

There are a few different types of 1099 forms, the most commonly used 1099 is called the 1099-MISC. The Form 1099-MISC, also simply called a 1099, is a tax form that the IRS uses to track miscellaneous income. Specifically, it tracks payments made to an individual or unincorporated business so that their income can be accounted for at the end of each year.

1099's for the 2019 calendar year are due to recipients and to the IRS by January 31, 2020

so now is the time to make sure you have all of the required information needed to prepare the 1099 forms.

Who gets a 1099?

There are multiple steps involved to determining who should be issued a 1099.

Step 1:

The first step in determining if a 1099 is required is to look at the types of services the vendor provided. The following are the most common examples of services requiring a 1099:

- Contractors who provide the following services:
 - Cleaning
 - Landscaping
 - Maintenance/Repair
 - Bookkeeping
 - Marketing
 - Attorneys
 - Accounting Firms
- Landlord
- People you pay to do things who are not on your payroll

We strongly recommend you obtain a completed W-9 from every vendor that provides you services that could potentially require a 1099 before you pay them the first time.

Step 2:

You need to determine how much each vendor was paid during the calendar year.

You cannot prepare 1099s until your books are reconciled and completed through 12/31/2019. Also, regardless of your business's or organization's year end, the amounts reported on the 1099s are based on calendar year payments.

The 2019 1099-MISC threshold is \$600 per calendar year (including parts and materials), with the exception of payments for royalties, which is \$10. This means that if any of your vendors fall into the categories above, you don't need to issue them a 1099 if you haven't paid them a cumulative amount of \$600 or more during the calendar year. If you have paid them \$600 or more, they need to be issued a 1099.

Step 3:

You need to determine what type of entity the vendor is. This information will come from the completed W-9, which is why **we strongly recommend you obtain a completed W-9 from every vendor that provides you services that could potentially require a 1099 before you pay them the first time.**

The following are the type of recipients that should be issued 1099 Forms:

- Individuals
- Sole Proprietors or Single-Member LLCs (self-employed individuals). **Even if the vendor is a sole-member LLC, they are required to provide their social security number, even if the LLC has a federal employer id number.**
- Partnerships
- Realty Trusts
- Attorneys (**regardless of entity type**)
- Limited Liability Companies

Step 4:

You need to determine how you paid each vendor. Did you pay your vendor via check, bank draft, debit card, PayPal, or credit card?

- If you paid your vendor directly through your bank account (check, debit card, ACH) you are responsible for sending them a 1099.
- If you paid your vendor through PayPal or a Credit Card, the merchant will issue them a 1099K, and you will not have to issue them a 1099.

Please be advised that the information above is not inclusive. If you would like us to prepare your 1099's please contact us and we will send you a 1099 Information Packet.