

# JENNINGS & CLOUSE, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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November 28, 2022

Dear Client,

## *Did your business make any payments that would require filing Form 1099?*

### 1099 FILING REQUIREMENTS

Form 1099-NEC is used to report payments for **nonemployee compensation** by **unincorporated vendors** and **independent contractors when those payments total \$600 or more for the year, paid by cash or check (credit card payments excluded).**

Form 1099-MISC is used for payments including, but not limited to, rents, prizes and awards, other income, medical and health care payments, and payments to attorneys (in the course of business but not for services which are reported on 1099-NEC) by **unincorporated vendors** and **independent contractors when those payments total \$600 or more for the year, paid by cash or check (credit card payments excluded).**

The IRS has established four conditions for payments that must be reported. All of the following four conditions must be met:

1. The payment must be made to a **non-employee**.
2. The payment must be made for services to the trade or business.
3. The payment was to an **unincorporated** entity. (**Note: All payments \$600 or greater for legal services should be reported, even if to a corporate entity.**)
4. The payment or payments totaled \$600 or more for the year.

**\*\* Please include amounts paid by cash or check to Jennings & Clouse, PLC for services of \$600 or more on the attached form.**

### REQUIRED INFORMATION

In order to properly prepare Forms 1099-NEC and 1099-MISC you will need the following required information: **Payee's name, complete mailing address, Social Security Number, or Employer Identification Number, total amount paid by cash or check (credit card payments excluded) to the payee in 2022, and type of expenditure** (generally rents, services performed by someone who is not your employee (including parts and materials), prizes or awards, payments to an attorney, or other miscellaneous non-employee compensation).

The best way to obtain the required information from the payee is to have him/her fill out a W-9 form prior to you making payment for the services. Forms W-9 should be kept on file for all payees subject to Form 1099 reporting. If a vendor refuses to fill out Form W-9 or fills it out incompletely, he/she immediately becomes subject to a 28% backup tax withholding requirement on future payments.

### PENALTIES FOR FAILING TO FILE

Penalties for failure to file correct information returns and/or furnish correct payee statements have increased and are now subject to inflationary adjustments. **For 2022, those penalties range from \$50 to \$290 per information return.** Intentional disregard of filing requirements can result in penalties at least \$580 per information return with no maximum penalty. Businesses must furnish copies to the recipient by **January 31, 2023.**

### WHAT YOU NEED TO DO

**Send us the required information to prepare forms by January 15, 2023, to ensure your Form 1099(s) are processed by the January 31, 2023, due date.** Please contact our office if you have any questions or need additional information.

Information Required to Prepare Form 1099s TAX YEAR 2022

Your Name: \_\_\_\_\_

Your EIN: \_\_\_\_\_

# Name of **Business Payee**: \_\_\_\_\_ **EIN**: \_\_\_\_\_ (must provide EIN for business)

Name of **Individual Payee**: \_\_\_\_\_ **SSN**: \_\_\_\_\_ (must provide SSN for individual)

Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Amount Paid \$ \_\_\_\_\_

Type of Payment: (Check one) Rent \_\_\_\_\_ Other Misc Services \_\_\_\_\_

Prizes/Awards \_\_\_\_\_ Interest \_\_\_\_\_ Other \_\_\_\_\_ (explain)

# Name of **Business Payee**: \_\_\_\_\_ **EIN**: \_\_\_\_\_ (must provide EIN for business)

Name of **Individual Payee**: \_\_\_\_\_ **SSN**: \_\_\_\_\_ (must provide SSN for individual)

Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Amount Paid \$ \_\_\_\_\_

Type of Payment: (Check one) Rent \_\_\_\_\_ Other Misc Services \_\_\_\_\_

Prizes/Awards \_\_\_\_\_ Interest \_\_\_\_\_ Other \_\_\_\_\_ (explain)

# Name of **Business Payee**: \_\_\_\_\_ **EIN**: \_\_\_\_\_ (must provide EIN for business)

Name of **Individual Payee**: \_\_\_\_\_ **SSN**: \_\_\_\_\_ (must provide SSN for individual)

Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Amount Paid \$ \_\_\_\_\_

Type of Payment: (Check one) Rent \_\_\_\_\_ Other Misc Services \_\_\_\_\_

Prizes/Awards \_\_\_\_\_ Interest \_\_\_\_\_ Other \_\_\_\_\_ (explain)