

A woman with blonde hair, wearing a light-colored blazer over a white top, is smiling and looking down at a tablet computer she is holding. The background is a dark, solid color. The entire image is framed by a thin white border.

your GUIDE TO
NAVIGATING

1099 Requirements

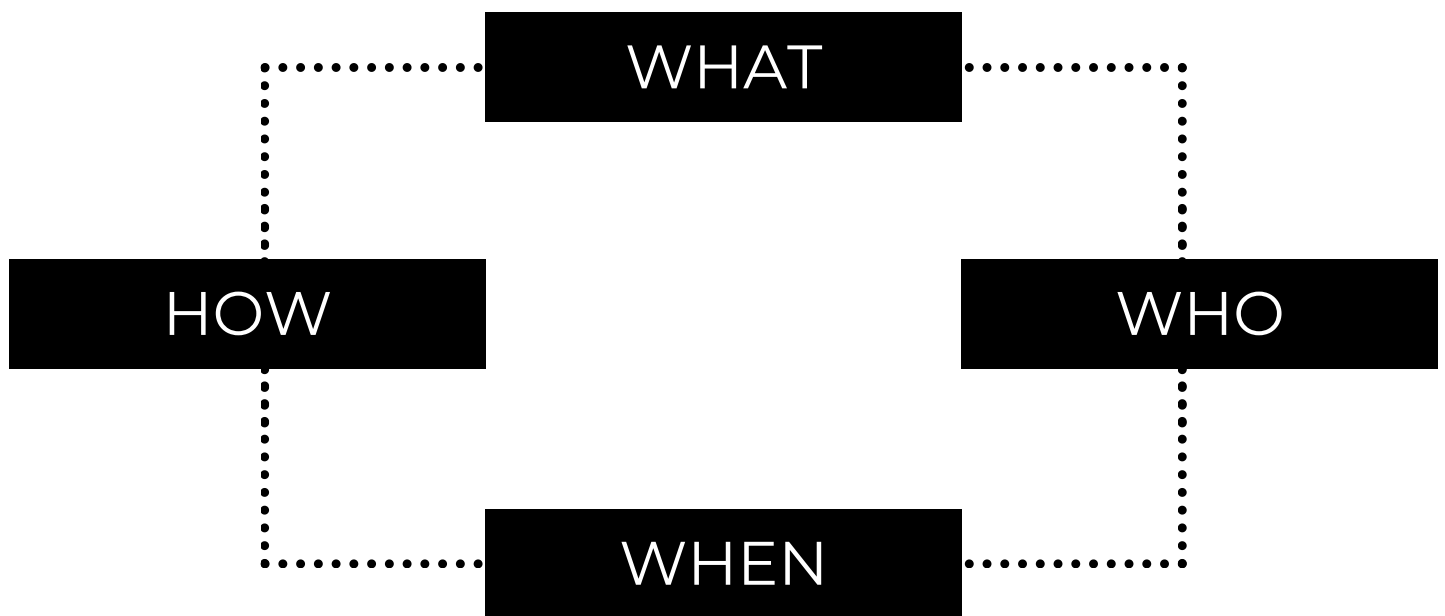
Like a Professional

JIL & ASSOCIATES, INC

1099s

As a small business owner, you have additional responsibilities every year to file information returns with the IRS. 1099s are information returns that allow the IRS to confirm that a taxpayer is reporting their full non-employment income. Your information return allows the IRS to complete this task. Though the return is completely informational, you have a compliance obligation as a business owner to hit these return deadlines. The IRS may penalize you heavily for non-compliance. [Please see this IRS publication for current non-compliance penalties.](#)

In this Ebook, we will walk you through the what, who, when, and how of 1099 information return compliance.



WHAT *information forms* TO BE AWARE OF

1099-NEC

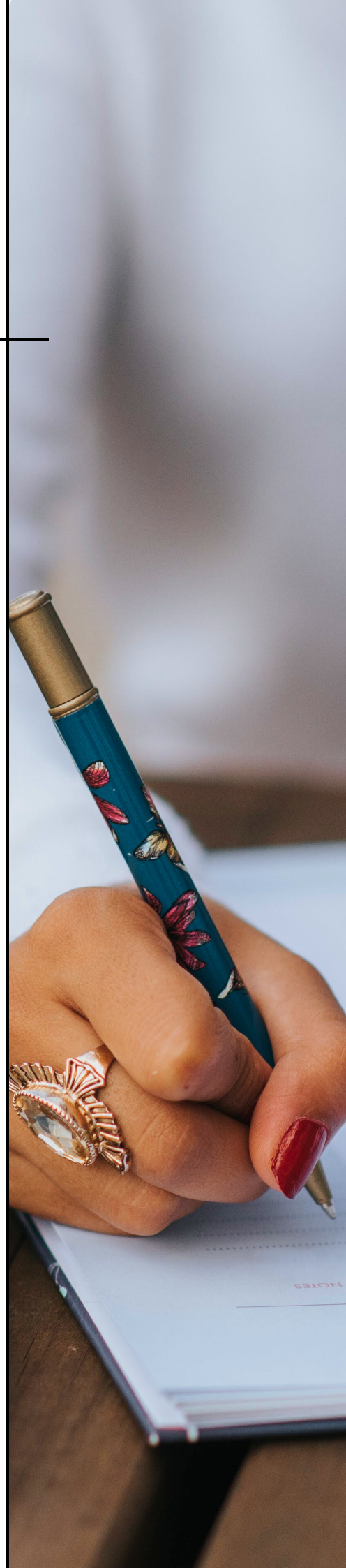
Issued to individuals or businesses who've provided a non-employee service for your company throughout the course of the year and who have earned at least \$600 from your business throughout the year. 1099-NECs are also issued for payments to attorneys. There are multiple criteria to hit to qualify for the obligation to issue a 1099 and we will discuss this further in the ebook.

1099-MISC

Issued to individuals or businesses who've earned at least \$10 in royalties in lieu of dividends, broker payments in lieu of dividends, or tax-exempt interest from your company. A 1099-Misc is also issued to individuals or businesses who've earned at least \$600 for rent, prizes, awards, medical health care payments, and other income from your company throughout the course of the year. There are multiple criteria to hit to qualify for the obligation to issue a 1099 and we will discuss this further in the ebook. 1099-Misc can also be issued for payments to attorneys.

1099-B

Issued to individuals or businesses to report capital gains incurred for selling certain assets through brokerages and through barter exchanges.



WHAT *other forms* ARE THERE?

1099-INT

Though it is unlikely you'll ever need to issue this form, we wanted to be thorough and mention it. [You can find more information about this return here.](#)

1099-G

You will never need to issue this form, we wanted to be thorough and mention it. [You can find more information about this return here.](#)

1099-S

This form is used to report the sale or exchange of real estate. [You can find more information about this return here.](#)

1099-R

This form is used to report a distribution of \$10 or more for profit-sharing or retirement plans, IRAs, annuities, pensions, insurance contracts, survivor income benefits, etc.. [You can find more information about this return here.](#)

1099-SA

You will not issue this form, however, we wanted to be thorough and mention it. [You can find more information about this return here.](#)



NOT ALL FORMS

will apply to you

While there are MANY forms to be aware of as a business owner and a taxpayer, there are only **two forms** that the typical business owner will need to issue for their company or for their self-employment work come pre-tax season. Those forms include:



Form 1099-NEC



Form 1099-MISC

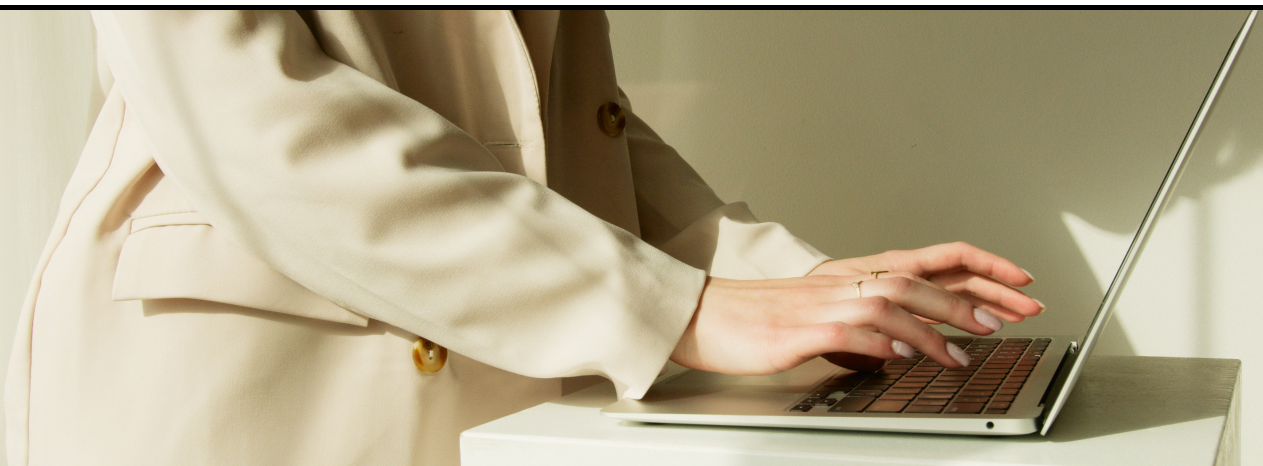
Let's dive into these forms and discuss the *who, when, and how!*

WHO RECEIVES A 1099-NEC?

1099-NECs are issued to individuals or other businesses that provided non-employment services to your business totaling \$600 or more throughout the taxable year. The following additional criteria **MUST** be met to qualify that contractor for a 1099-NEC from your company.

- ✔ The contractor's business is not a corporation, taxed as an S-corporation, a government agency, or a tax-exempt organization. There is an exception to attorneys that were paid for legal services.
- ✔ The contractor was paid via cash, check, ACH (or Zelle), or through a personal Venmo*

*Venmo holds the responsibility of issuing 1099s to businesses that use a business Venmo account. If you are using a personal Venmo, Venmo will not be able to fulfill their responsibility, and the responsibility falls back onto you.



WHO RECEIVES A 1099-MISC?

1099-NECs are issued to individuals or other businesses that you've paid \$10 in royalties or brokerage payments in lieu of dividends, \$600 in rents, rewards or prizes, or other income, or \$5000 in direct sales of consumer products to a buyer for resale to a buyer anywhere other than a permanent retail establishment. Please see [IRS](#) for more examples. We are going to focus on rents, prizes, and proceeds paid to attorneys for the sake of this ebook as those two are the more likely scenarios in which you'll issue a 1099-MISC.

- ✓ Awards or Prizes
- ✓ Rents
- ✓ Other Income Payments
- ✓ Fishing Boat Proceeds
- ✓ Healthcare Payments
- ✓ Crop Insurance Proceeds
- ✓ Section 409A deferrals
- ✓ + More



Prizes

1099-MISC

Prizes that are disqualified from needing a 1099-MISC include:

- ✓ Prizes or awards given to nonemployees are disqualified if the prize or award is in relation to services (prize for top commissions).
- ✓ Prizes or awards given to employees
- ✓ Prizes or awards is given in relation to past accomplishments in religion, charitable, scientific, artistic, educational, civic, or literary fields if the winner is required to perform services or other actions in order to win. The 1099-Misc is also not issued should the winner decide to transfer the winnings to a charitable organization or government entity.



Rents

1099-MISC



There are three different types of rents that you would need to issue a 1099-MISC for. The three types of rents include real estate rentals paid for office space*, machine rentals, and pasture rentals.

- ✓ Real estate rentals to pay for office space are only issued if the rent is paid to the property owner. If you pay a property manager or a real estate agent, you will not issue a 1099-MISC. The responsibility now falls on that company.
- ✓ Machine rentals payments that include payment for a machine operator must be prorated from the operators portion of payment.

Attorneys

1099-MISC

1099-NEC

Attorney's are issued either a 1099-NEC or a 1099-MISC dependent on the purpose of the funds paid to the attorney.

- ✔ A 1099-NEC is issued to attorneys if they were paid \$600 or more in the normal course of your business for legal services.
- ✔ A 1099-MISC is issued to attorneys if the funds paid to the attorney are in relationship to non-services, such as settlement agreements. |

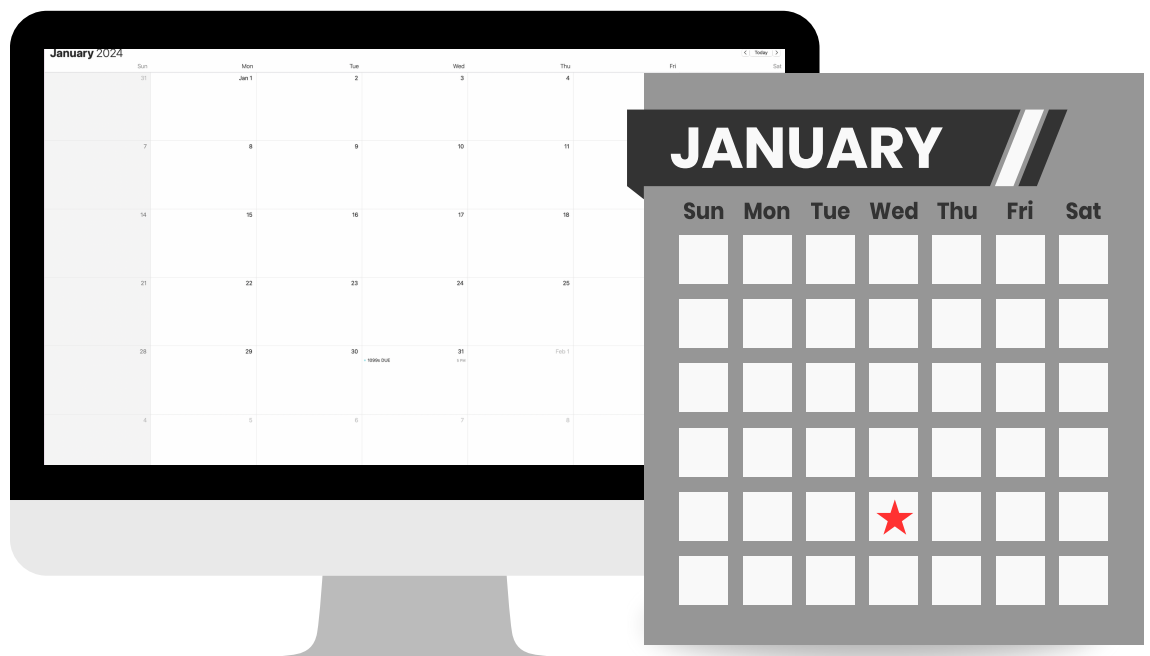


WHEN DO THE *information returns* NEED TO BE FILED?

1099-NECS must be filed and furnished to the recipient by January 31, 2024. The filings must be postmarked and mailed by that deadlines. Any production of 1099-NECs after this date hold you liable for possible IRS penalties.

1099-MISC must be furnished to the recipient by February 15, 2024. The 1099-Misc must be filed with the IRS by January 31, 2024 if filed by paper and March 31, 2023 if filed electronically.

Please see [IRS's general instructions](#) for any due date changes (go to the bottom of the page!)



HOW TO *prepare* AND FILE 1099s

SEASON

1099 SEASON

1099 SEASON

1099 SEASON

1099 SEASON

1099

01

Collect W9s for non-employee services

02

Collect W9s from rent paid to rental space and equipment owners

03

Collect W9s for prizes, awards, settlement recipients and more

04

*Use W9s to file 1099s for recipients, for the portion of qualifying payments
(cash, check, ACH)*



1099 SEASON

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1099 SEASON

1099 SEASON

1099 SEASON

1099 SEASON

1099 Season

How to file



Paper

Request official 1099 paper forms from the IRS. Follow the provided directions to fill out the 1099 form.

Electronic

Electronically file 1099s using a provider such as Track1099

Payroll

If you paid contractors using a payroll provider, they will often file for you. Reach out to your payroll provider to check if they can file outside payments.

Bookkeeper

Reach out to your bookkeeper or accountant to ask if they can provide this add-on service for you at the end of the year.

Remember the deadlines for paper vs electronic filing!

We try our absolute best to be a resource to all small businesses that we interact with. If you need additional guidance, schedule a free consultation and we would be happy to discuss your bookkeeping needs!



630-936-5596



ify@jiladvisors.com



[Click here to schedule a FREE 30 minute consultation](#)