

What is a 1099?

The IRS 1099 Form is a tax form documenting payments made by your business to an individual or a business. As the business, you fill out the form with the appropriate details and send copies to individuals or businesses and the IRS, reporting payments made during the tax year.

1099 Determination

How to determine if a vendor should receive a 1099-NEC

Individuals that are non-incorporated (C Corp or S Corp) and not an employee of the company and that have provided services and been paid more than \$600 throughout the year on a cash basis.

The \$600 includes parts and materials if invoiced with the services. This excludes all credit card payments and PayPal payments made for services as those are captured by Merchant 1099 reporting.

How to determine if a vendor should receive a 1099-Misc

At least \$600 in:

1. Rent
 2. Prizes and awards
 3. Other income payments
 4. Generally, the cash paid from a notional principal contract to an individual, partnership or estate
 5. Any fishing boat proceeds
 6. Medical and health care payments
 7. Crop insurance proceeds
 8. Gross proceeds paid to an attorney (not payments to an attorney – see 1099-NEC)
 9. Section 409A deferred compensation
 10. Nonqualified deferred compensation
- 1099 Interest
1098 – Mortgage Interest

File review

Run a P&L to determine what type of expenses you paid throughout the year that could possibly include 1099 vendors. Review expense categories where services are most likely to be booked for 1099 individuals. For example, Professional Fees, Attorney Fees, Contract Labor, Repairs & Maintenance, Fixed Assets (for labor), Landscaping, Cleaning Fees, etc. Reviewed P&L reports with highlighted categories and notes should be saved for support.

As a reasonableness check, look at 1099s filed in the prior year. Review the other name list in QuickBooks to make sure they don't need to be marked as a vendor. Review vendor payment summary for a quick check of where payments have been booked to determine if vendors could possibly be a 1099 vendor and not marked as such.

1099 Preparation

Notes on How to Complete a W-9

Disregarded Entity: For federal income tax purposes, a disregarded entity (such as a single-member LLC) generally must use the owner's social security number (SSN) or EIN for all information returns and reporting related to income tax. For example, if a disregarded entity LLC that is owned by an individual is required to provide a Form W-9, the W-9 should provide the owner's SSN or EIN, not the LLC's EIN.