

# 1099-Misc



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# Why 1099'S? The Tax Gap



- \$385 Billion uncollectable taxes
  - Hiding assets & income in foreign banks
  - Unreported payments to independent contractors and non-employees
- IRS is working to rectify
  - Compliance levels are significantly low
  - 4-year period – increased case reviews by 10%
  - Increased discovery of under-reporters by 210%

# What is a 1099?



- IRS Forms 1099 are informational returns used to distinguish different types of taxable payments made to persons for a variety of reasons.
- The reason determines the type form and the appropriate box that is used.
- There are LOTS of different 1099 forms, each with a different letter or series of letters.

# Who Gets a 1099?



Generically speaking, each vendor to whom you have paid at least \$600 for services during a calendar year.

Generally Not a corporation

# Where does the information come from?

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- Official name of the person or entity as the IRS knows them.
- What classification are they? Individual/sole proprietor, Corporation, Partnership, LLC, ....
- Taxpayer Identification Number (TIN)
  - SSN
  - EIN

# W-9...Every Time



- Form W-9 Request for Taxpayer Identification Number and Certification
- Payee provides name, address and TIN and signs the form under penalty of perjury certifying accuracy
- Completed W-9 on file for each active vendor in the system and every new vendor added

## Request for Taxpayer Identification Number and Certification

**Give Form to the  
 requester. Do not  
 send to the IRS.**

Print or type  
 See Specific Instructions on page 2.

Name (as shown on your income tax return)	
Business name/disregarded entity name, if different from above	
Check appropriate box for federal tax classification: <input type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate  <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____  <input type="checkbox"/> Other (see instructions) ▶ _____	Exemptions (see instructions):  Exempt payee code (if any) _____ Exemption from FATCA reporting code (if any) _____
Address (number, street, and apt. or suite no.)	Requester's name and address (optional)
City, state, and ZIP code	
List account number(s) here (optional)	

### Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

**Note.** If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

<b>Social security number</b>											
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<b>Employer identification number</b>											
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### Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined below), and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

<b>Sign Here</b>	Signature of U.S. person ▶	Date ▶
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1. Vendor

2. 1099

3. Other

4. Contacts

5. Comments

6. Groups

7. Dollars

Vendor #  John Doe

Federal ID and Name: John Doe

1.8 General

1.9 Remit

1.10 PO

1.11 Returns

Add/Modify General Name and Address

John Doe  
1 Main Street  
TROY AL 36081  
United States

E-Verify/Affidavit is Required

E-Verify Number

1099 Vendor

1099 Amount Type

Vendor Terms

Net 30

Add New Terms

Print AP Check Remittance Statement

Vendor Status Active

Status Date 5/24/1999

Status Assigned By JBH

Attach Attorney

Medical

NonEmp

OtherInc

Rent

Your Customer No

Select Taxpayer ID Type



1. Vendor

**2. 1099**

3. Other

4. Contacts

5. Comments

6. Groups

7. Dollars

Vendor #  John Doe

Taxpayer ID Type Other

Taxpayer ID

- EIN
- SSN
- Other**

Add/Modify 1099 Name and 1099 Address

John Doe  
 1 Main Street  
 WALDORF MD 12345  
 United States

Web Site (URL)

Minority Vendor

W9 Received

Initial W9 Sent Date

Foreign Entity

Collect Backup Withholding

First B Notice Sent Date

Name Ctrl for 1099

2nd B Notice Sent Date

Select Taxpayer ID Type

# Which 1099 do I use?



- Series of 1099 Forms – with a variety of purposes
  - 1099-G
  - 1099-INT
  - 1099-DIV
  - 1099-C
  - 1099-S
  - 1099-K
  - 1099-MISC This is it!
  - And there are more!

# 1099-MISC



- IRS Form 1099-MISC is to an independent contractor or freelancer, attorney, or doctor, what a W-2 is to an employee.
- Reports total amount of qualifying payments the Board made to a single person or entity during a calendar year
- \$600 is the magic number

# Independent Contractor or Employee?

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- IRS 20 point checklist notable points:
  1. IC can realize a profit or suffer a loss; not just risk of not getting paid
  2. IC offers their services to more than one firm
  3. IC generally provides his own tools, materials and supplies
  4. IC can't be fired without subjecting Board to risk of breach of contract lawsuit
  5. IC can't simply quit without being subjected to risk of breach of contract lawsuit

Form **SS-8**  
(Rev. May 2014)

## Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding

OMB. No. 1545-0004

**For IRS Use Only:**  
**Case Number:**

**Earliest Receipt Date:**

Department of the Treasury  
Internal Revenue Service

▶ **Information about Form SS-8 and its separate instructions is at [www.irs.gov/formss8](http://www.irs.gov/formss8).**

Name of firm (or person) for whom the worker performed services		Worker's name	
Firm's mailing address (include street address, apt. or suite no., city, state, and ZIP code)		Worker's mailing address (include street address, apt. or suite no., city, state, and ZIP code)	
Trade name	Firm's email address	Worker's daytime telephone number	Worker's email address
Firm's fax number	Firm's website	Worker's alternate telephone number	Worker's fax number
Firm's telephone number (include area code)	Firm's employer identification number	Worker's social security number	Worker's employer identification number (if any)

**Note.** If the worker is paid for these services by a firm other than the one listed on this form, enter the name, address, and employer identification number of the payer. ▶

### Disclosure of Information

The information provided on Form SS-8 may be disclosed to the firm, worker, or payer named above to assist the IRS in the determination process. For example, if you are a worker, we may disclose the information you provide on Form SS-8 to the firm or payer named above. The information can only be disclosed to assist with the determination process. If you provide incomplete information, we may not be able to process your request. See *Privacy Act and Paperwork Reduction Act Notice* in the separate instructions for more information. **If you do not want this information disclosed to other parties, do not file Form SS-8.**

# True or False?



You can never have both a  
W-2 and a 1099-Misc  
from the same company  
(Board)

# \$600



Most Common:

- Rents
- Medical and Health Care Payments
  - Drug testing
  - Physicals
- Attorney Fees
- Prizes and awards
- Services (including parts and materials if they were incidental to performing the service)

9595

VOID  CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

1 Rents

\$

2 Royalties

\$

3 Other income

\$

OMB No. 1545-0115

2014

Form 1099-MISC

Miscellaneous Income

Copy A

For Internal Revenue Service Center

File with Form 1096.

For Privacy Act and Paperwork Reduction Act Notice, see the 2014 General Instructions for Certain Information Returns.

PAYER'S federal identification number

RECIPIENT'S identification number

5 Fishing boat proceeds

\$

6 Medical and health care payments

\$

RECIPIENT'S name

7 Nonemployee compensation

\$

8 Substitute payments in lieu of dividends or interest

\$

Street address (including apt. no.)

9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale

10 Crop insurance proceeds

\$

City or town, state or province, country, and ZIP or foreign postal code

11

12

Account number (see instructions)

2nd TIN not.

13 Excess golden parachute payments

\$

14 Gross proceeds paid to an attorney

\$

15a Section 409A deferrals

15b Section 409A income

16 State tax withheld

\$

17 State/Payer's state no.

\$

\$

\$

18 State income

\$

\$

Form 1099-MISC

Cat. No. 14425J

www.irs.gov/form1099misc

Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

# Service & Materials



Repair of vehicle to include parts of \$250 and labor of \$450.

1099 amount \$700

Parts are incidental to providing the service

Lawn care service to cut grass for \$800. He also agrees to sell you 10 hibiscus plants for \$150 for the Ag class project.

1099 amount \$800

Plants are not included



**1. Invoice**

2. Reconcile

3. Requisition

4. Detail

5. GL

Invoice Information

Batch MM/YY 09/2014 Batch # Seq # PO Prefix 14 PO #

+ Vendor Inv # Date 9/14/2014 Post Date 9/14/2014

Description Separate Check Summary

G/L Dist. Total: 0.00

Due Date 9/14/2014

Gross Amount 950.00

Lawn care \$800.00

Hibiscus \$150.00

Invoice Type

Disc. Amount

Terms

Net Amount

Owner None

1099 Amount 800.00

Attachments(0/0)

Status In Process

Status End Date 9/14/2014

Cctr/RQ

Detail

GL Distribution

Hold

Submit

Change Vendor/Inv#

Miscellaneous

Select the Mode of Operation or Click Next/Back

# Backup Withholdings



28% federal income tax to be withheld from vendor payments if they have

- a) not provided you with their *correct* taxpayer identification number or
- b) given you no number at all

This is the IRS's backup plan to the way the system is designed to work, thus the term "Backup Withholdings" was born.

# Backup Withholdings



## **PENALTY**

If you did not withhold the 28%,  
IRS can hold your Board liable

# 1099 PENALTIES



\$30 - \$100 per return (max \$1.5M)

1. Filed untimely
2. Forms with missing/incorrect TIN
3. Filed on incorrect media or in incorrect format

\$250 per return (no limitation)

1. Forms that should have been filed but were not. If it is determined errors were a result of an *intentional disregard of filing requirements*.

# Intentional Disregard



- Lack of compliance policies and procedures
- Lack of staff training
- Lack of internal controls
- Inaction

Ignorance of the law is not a valid excuse

# Who is responsible for preparing a 1099-MISC?

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- ✓ The Chief School Financial Officer
  - ✓ Accounts Payable Clerk
    - ✓ Local School Bookkeepers