



The following is a summary of the filing requirements for Forms 1099 and 1098. ***Please read this letter carefully and in its entirety.***

Form 1099-NEC is used to report payments related to Non-Employee Compensation, which was previously reported on Form 1099-MISC.

Forms 1099 and 1098 are due on an annual basis and, as always, the IRS continues to impose stiff penalties for non-compliance or incomplete information. To avoid penalties, now is the time to begin gathering this information so the forms can be filed accurately and on time. The due date for the form 1099-NEC is **January 31, 2024**. All other 1099s and 1098s are due to the IRS by **February 28, 2024**, if you file via paper, and **April 1, 2024**, if you file electronically. Failure to file correct returns by the due date can result in penalties of up to \$310 per form and \$630 per form if intentionally disregarded.

Also note, final regulations for the Taxpayer First Act, Provision 2301, were issued February 21, 2023, by the Department of the Treasury and the Internal Revenue Service. Treasury Decision (TD) 9972 amends the rules for filing returns and other documents electronically (e-file). These regulations reduce the 250-return threshold to generally **require electronic filing by filers of ten or more returns in a calendar year beginning in 2024 (tax year 2023)**. **If you have previously filed ten or more paper returns, please contact us if you will need assistance with e-filing going forward.**

Annual Form 1099

If your trade or business makes payments for the following items to any **unincorporated** business or individual, in the amounts as specified below, a Form 1099 is required:

1. Subcontractors or others providing services - \$600 or more
2. Rents and commissions - \$600 or more
3. Certain rental property expenses (for persons receiving rental income from real estate) - \$600 or more
4. Royalties - \$10 or more
5. Interest or dividends - \$10 or more
6. Pension/profit-sharing plans - \$10 or more
7. Direct sales of consumer products of at least \$5,000 to a buyer for resale anywhere other than a permanent retail establishment.
8. Payments made to all providers of medical and healthcare services of at least \$600 must be reported, regardless of whether the recipient is a professional corporation.



9. Payments made to all attorneys of at least \$600 must be reported regardless of whether the recipient is a professional corporation.
10. Generally, taxable fringe benefits provided to employees are reportable on Form W-2. However, if your trade or businesses provides \$600 or more in taxable fringe benefits to independent contractors, a Form 1099-NEC will be required. Please contact our office if this situation applies to your trade or business so we may discuss the rules regarding the proper classification of employees and independent contractors in more detail.

If your rental real estate activity rises to the level of a trade or business, please contact our office to discuss 1099 filing matters.

***Please note that payments made with a debit/credit card do not require filing Forms 1099-NEC or 1099-MISC. Forms 1099 are required if payment was made by cash, check, or similar payment method.**

If you would like us to prepare your 1099s, we will provide you with an electronic 1099 proforma. This will allow us to download the information to our software and eliminate input error. If you are unable to complete the proforma electronically, please print the electronic copy and provide the requested information. Also note that Forms 1099 issued to sole proprietors should be issued in the owner's name/doing business as, not the name of the company. This is true even if the taxpayer ID number being reported is a Federal Employer Identification Number (FEIN).

For individuals or entities to whom you are obligated to issue Form 1099, but who have not supplied a taxpayer identification number, a 24% backup withholding is mandatory. This amount must be withheld and sent to the federal government using Form 945. This is applicable for tax years starting after 2017 and before 2026.

See [page 3](#) for sample questions related to 1099 filings.

Annual Form 1098

If you **receive** \$600 or more in mortgage interest income from any unincorporated individual during your trade or business, you must file Form 1098. No reporting is required for interest received from a corporation, partnership, trust, estate, or association.

We can assist you in preparing these forms on your behalf.



Annual Form 3921

Every corporation that transfers to any person a share of stock pursuant to an exercise of an incentive stock option described in section 422(b) must, for that calendar year, file Form 3921 for each transfer made.

Please contact us if you have questions on this filing requirement.

Form DE 542

Any business deriving trade or business income from sources within California, or subject to California laws, and required to file a federal Form 1099 for services performed by an independent contractor, must report specific information to the Employment Development Department on Form DE 542.

Independent contractor information must be submitted within 20 days of EITHER making payments totaling \$600 or more, OR entering into a contract for \$600 or more with an independent contractor in any calendar year.

Please contact us if you have questions on this filing requirement.

To help you determine whether you need to file a 1099, we have compiled a list of typical questions:

1. Which subcontractors, or others providing services, must receive a Form 1099?

Any person or unincorporated company not on your payroll, providing a service, including parts and services, for which you have paid \$600 or more during the year must receive a Form 1099. These persons can include subcontractors, attorneys, janitors, and Sensiba LLP [FEDERAL I.D. (94-2370906)].

2. When should a Form 1099 be filed for rent?

Businesses that pay rent to an individual or unincorporated entity of \$600 or more need to file a Form 1099. For example, if the owner of your company also owns the building, you need to issue a Form 1099; or, if you pay rent to "John Smith," you also must file. If you pay rent to ABC Property Management, Inc., you do not need to file because it is a corporation.



3. When should a Form 1099 be filed for commissions?

Businesses that pay commissions of \$600 or more to an unincorporated entity, or any individual not employed by the business, must issue a Form 1099. If the recipient of a commission is employed by you, you must include the commission on their W-2.

4. When do you file a Form 1099 for interest or dividends?

Businesses that pay interest or dividends to an individual in the amount of \$10 or more must file a Form 1099-INT or 1099-DIV. For example, if a business pays interest to a shareholder, the business must file a Form 1099-INT for the interest. Principal repayments are not reportable.