



grimbleby coleman
certified public accountants, inc.

General Information

About Filing 1099 Forms





Table of Contents:

| | |
|--|-----|
| 1. Form W-9 | 3 |
| a. Missing taxpayer ID | |
| 2. Types of 1099 Forms | 4-5 |
| a. 1096-Annual Summary | 6 |
| 3. Independent Contractor vs. Employee | 7 |
| a. Misclassification of Contractors | 8 |
| 4. Sources | 9 |



Form W-9

Before paying an independent contractor or business, have them fill out a W-9 form first.

Use Form W-9 to provide your correct Taxpayer Identification Number (TIN) to the person who is required to file an information return such as a 1099 with the IRS to report, for example:

- Income paid to you.
- Real estate transactions.
- Mortgage interest you paid.
- Acquisition or abandonment of secured property.
- Cancellation of debt.
- Contributions you made to an IRA.

What if I want to continue working with this vendor even though this person has refused to fill out a Form W-9 or provide a TIN?

If you have requested a Form W-9 from a vendor or subcontractor, and that person has failed to provide it, the IRS requires that you immediately begin backup withholdings of 24% and that you report those withholdings on Form 945. You should continue backup withholdings until you are provided with a TIN. Make sure you have documented that you requested the Form W-9 from this vendor at least three times.



Types of 1099 Forms:

This is an overview of the most common types of 1099 forms. There are more types of 1099 forms besides the ones listed below; however, these are the only 1099 forms prepared and filed by Grimbleby Coleman CPAs, Inc.

1099-MISC

1099-MISC forms are to be mailed to the recipients by January 31st and mailed to IRS by February 28th or due by March 31st if electronically filed.

File Form 1099-MISC, Miscellaneous Income, for each person in the course of your business to whom you have paid the following during the year:

- At least \$10 in royalties (see the instructions for box 2) or broker payments in lieu of dividends or tax-exempt interest (see the instructions for box 8).
- At least \$600 in:
 1. Rents (box 1);
 2. Prizes and awards (box 3);
 3. Other income payments (box 3);
 4. Generally, the cash paid from a notional principal contract to an individual, partnership, or estate (box 3);
 5. Any fishing boat proceeds (box 5);
 6. Medical and health care payments (box 6);
 7. Crop insurance proceeds (box 9);
 8. Payments to an attorney (box 10) (see *Payments to attorneys*, later);
 9. Section 409A deferrals (box 12); or
 10. Nonqualified deferred compensation (box 14).

In addition, use Form 1099-MISC to report that you made direct sales of at least \$5,000 of consumer products to a buyer for resale anywhere other than a permanent retail establishment.



1099-NEC

1099-NEC forms are to be mailed to the recipients and mailed or electronically filed to IRS by January 31st.

File Form 1099-NEC, Nonemployee Compensation (NEC), for each person in the course of your business to whom you have paid the following during the year: (Independent Contractors)

- At least \$600 in:
 1. Services performed by someone who is not your employee (including parts and materials) (box 1);
 2. Cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish (box 1); or
 3. Payments to an attorney (box 1). (See *Payments to attorneys*, later.)

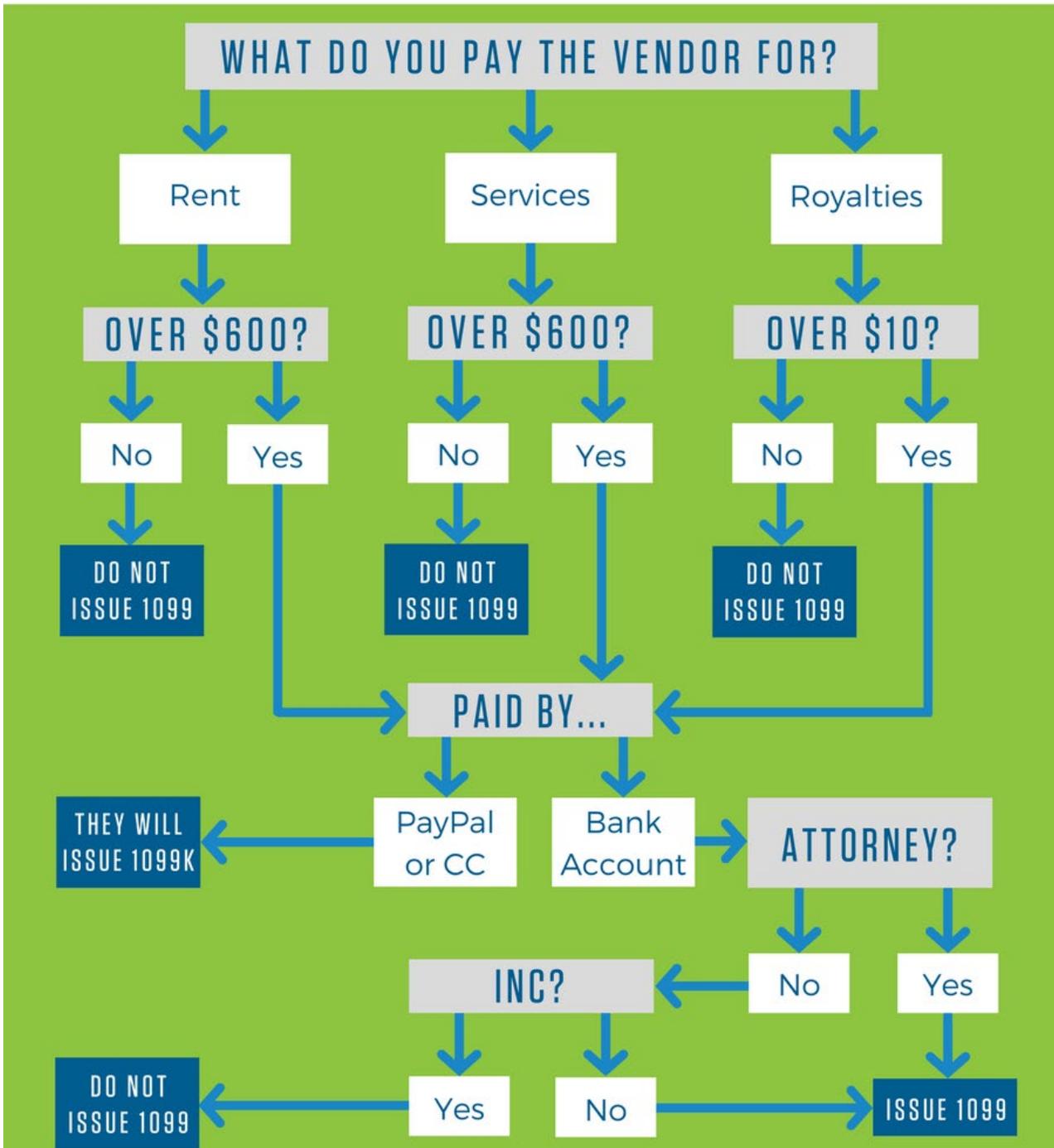
1099-INT

1099-INT forms are to be mailed to the recipients by January 31st and mailed to IRS by February 28th or due by March 31st if electronically filed.

File Form 1099-INT for each person:

- To whom you paid amounts reportable in boxes 1, 3, and 8 of at least \$10.
- For whom you withheld and paid any foreign tax on interest.
- From whom you withheld (and did not refund) any federal income tax under the backup withholding rules regardless of the amount of the payment.

1099 DECISION TREE





1096-Annual Summary and Transmittal of U.S. Information Returns

Use Form 1096 to transmit paper Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G to the Internal Revenue Service. Do not use this form to transmit electronically. One 1096 form is used for each type of 1099 form.

For example, if you had to report 2 1099-NEC and 3 1099-MISC, you would file one 1096 form for the sum of the 1099-NEC forms and a separate 1096 for the sum of the 1099-MISC forms.

| | | | | | | | | | | | | | | | | |
|--|---|---|--|---|--|---|--|--|---|---|--|---|--|--|---|---|
| Form 1096 | | Annual Summary and Transmittal of U.S. Information Returns | | | | | | | | | | OMB No. 1545-0108 | | | | |
| Department of the Treasury Internal Revenue Service | | | | | | | | | | | | 2022 | | | | |
| FILER'S name | | | | | | | | | | | | | | | | |
| Street address (including room or suite number) | | | | | | | | | | | | | | | | |
| City or town, state or province, country, and ZIP or foreign postal code | | | | | | | | | | | | | | | | |
| Name of person to contact | | | | | | Telephone number | | | | | | For Official Use Only | | | | |
| Email address | | | | | | Fax number | | | | | | | | | | |
| 1 Employer identification number | | | 2 Social security number | | | 3 Total number of forms 2 | | | 4 Federal income tax withheld \$ | | | 5 Total amount reported with this Form 1096 \$ 1,500.00 | | | | |
| 6 Enter an "X" in only one box below to indicate the type of form being filed. | | | | | | | | | | | | | | | | |
| W-2G 32 <input type="checkbox"/> | 1097-BTC 50 <input type="checkbox"/> | 1098 81 <input type="checkbox"/> | 1098-C 78 <input type="checkbox"/> | 1098-E 84 <input type="checkbox"/> | 1098-F 03 <input type="checkbox"/> | 1098-Q 74 <input type="checkbox"/> | 1098-T 83 <input type="checkbox"/> | 1099-A 80 <input type="checkbox"/> | 1099-B 79 <input type="checkbox"/> | 1099-C 85 <input type="checkbox"/> | 1099-CAP 73 <input type="checkbox"/> | 1099-DIV 91 <input type="checkbox"/> | 1099-G 86 <input type="checkbox"/> | 1099-INT 92 <input type="checkbox"/> | 1099-K 10 <input type="checkbox"/> | 1099-LS 16 <input type="checkbox"/> |
| 1099-LTC 93 <input type="checkbox"/> | 1099-MISC 95 <input type="checkbox"/> | 1099-NEC 71 <input checked="" type="checkbox"/> | 1099-OID 96 <input type="checkbox"/> | 1099-PATR 97 <input type="checkbox"/> | 1099-Q 31 <input type="checkbox"/> | 1099-QA 1A <input type="checkbox"/> | 1099-R 98 <input type="checkbox"/> | 1099-S 75 <input type="checkbox"/> | 1099-SA 94 <input type="checkbox"/> | 1099-SB 43 <input type="checkbox"/> | 3921 25 <input type="checkbox"/> | 3922 26 <input type="checkbox"/> | 5498 28 <input type="checkbox"/> | 5498-ESA 72 <input type="checkbox"/> | 5498-QA 2A <input type="checkbox"/> | 5498-SA 27 <input type="checkbox"/> |

| | | | | | | | | | | | | | | | | |
|--|--|---|--|---|--|---|--|--|---|---|--|--|--|--|---|---|
| Form 1096 | | Annual Summary and Transmittal of U.S. Information Returns | | | | | | | | | | OMB No. 1545-0108 | | | | |
| Department of the Treasury Internal Revenue Service | | | | | | | | | | | | 2022 | | | | |
| FILER'S name | | | | | | | | | | | | | | | | |
| Street address (including room or suite number) | | | | | | | | | | | | | | | | |
| City or town, state or province, country, and ZIP or foreign postal code | | | | | | | | | | | | | | | | |
| Name of person to contact | | | | | | Telephone number | | | | | | For Official Use Only | | | | |
| Email address | | | | | | Fax number | | | | | | | | | | |
| 1 Employer identification number | | | 2 Social security number | | | 3 Total number of forms 3 | | | 4 Federal income tax withheld \$ | | | 5 Total amount reported with this Form 1096 \$ 13,046.00 | | | | |
| 6 Enter an "X" in only one box below to indicate the type of form being filed. | | | | | | | | | | | | | | | | |
| W-2G 32 <input type="checkbox"/> | 1097-BTC 50 <input type="checkbox"/> | 1098 81 <input type="checkbox"/> | 1098-C 78 <input type="checkbox"/> | 1098-E 84 <input type="checkbox"/> | 1098-F 03 <input type="checkbox"/> | 1098-Q 74 <input type="checkbox"/> | 1098-T 83 <input type="checkbox"/> | 1099-A 80 <input type="checkbox"/> | 1099-B 79 <input type="checkbox"/> | 1099-C 85 <input type="checkbox"/> | 1099-CAP 73 <input type="checkbox"/> | 1099-DIV 91 <input type="checkbox"/> | 1099-G 86 <input type="checkbox"/> | 1099-INT 92 <input type="checkbox"/> | 1099-K 10 <input type="checkbox"/> | 1099-LS 16 <input type="checkbox"/> |
| 1099-LTC 93 <input type="checkbox"/> | 1099-MISC 95 <input checked="" type="checkbox"/> | 1099-NEC 71 <input type="checkbox"/> | 1099-OID 96 <input type="checkbox"/> | 1099-PATR 97 <input type="checkbox"/> | 1099-Q 31 <input type="checkbox"/> | 1099-QA 1A <input type="checkbox"/> | 1099-R 98 <input type="checkbox"/> | 1099-S 75 <input type="checkbox"/> | 1099-SA 94 <input type="checkbox"/> | 1099-SB 43 <input type="checkbox"/> | 3921 25 <input type="checkbox"/> | 3922 26 <input type="checkbox"/> | 5498 28 <input type="checkbox"/> | 5498-ESA 72 <input type="checkbox"/> | 5498-QA 2A <input type="checkbox"/> | 5498-SA 27 <input type="checkbox"/> |

Independent Contractor vs. Employee

People such as doctors, dentists, veterinarians, lawyers, accountants, contractors, subcontractors, public stenographers, or auctioneers who are in an independent trade, business, or profession in which they offer their services to the general public are generally independent contractors. However, whether these people are independent contractors or employees depends on the facts in each case.

Whether a worker is an independent contractor or an employee depends on the relationship between the worker and the business. Generally, there are three categories to examine:

- **Behavioral Control** – Does the company control or have the right to control what the worker does and how the worker does the job?
- **Financial Control** – Does the business direct or control the financial and business aspects of the worker's job. Are the business aspects of the worker's job controlled by the payer? (Things like how the worker is paid, are expenses reimbursed, who provides tools/supplies, etc.)
- **Relationship of the Parties** – Are there written contracts or employee type benefits (i.e. pension plan, insurance, vacation pay, etc.)? Will the relationship continue and is the work performed a key aspect of the business?

The general rule is that an individual is an independent contractor if the payer has the right to control or direct only the result of the work and not what will be done and how it will be done.

If you are an independent contractor, then you are self-employed. The earnings of a person who is working as an independent contractor are subject to self-employment tax. To find out what your tax obligations are, visit the Self-Employed Individuals Tax Center.

You are not an independent contractor if you perform services that can be controlled by an employer (what will be done and how it will be done). This applies even if you are given freedom of action. What matters is that the employer has the legal right to control the details of how the services are performed.

If an employer-employee relationship exists (regardless of what the relationship is called), then you are not an independent contractor and your earnings are generally not subject to self-employment tax. However, your earnings as an employee may be subject to FICA (social security tax and Medicare) and income tax withholding.



Misclassification of Employees

Misclassification of workers occurs when an employer improperly classifies their employees as independent contractors so that they do not have to pay payroll taxes, minimum wage or overtime, or comply with other wage and hour law requirements such as providing meal periods and rest breaks. Misclassification, or labeling a worker as an independent contractor when they should be an employee, undermines businesses who play by the rules and basic worker protections like minimum wage, paid sick days, and the safety of workplaces.

Additionally, the misclassified worker has no workers' compensation coverage if injured on the job, no right to family leave, no unemployment insurance, no legal right to organize or join a union, and no protection against employer retaliation. This is a form of fraud.

Misclassifying workers as independent contractors adversely affects employees because the employer's share of taxes is not paid, and the employee's share is not withheld. If a business misclassified an employee without a reasonable basis, it could be held liable for employment taxes for that worker. Generally, an employer must withhold and pay income

taxes, Social Security and Medicare taxes, as well as unemployment taxes.

Consequences of Treating an Employee as an Independent Contractor

If you classify an employee as an independent contractor and you have no reasonable basis for doing so, then you may be held liable for employment taxes for that worker (the relief provisions, discussed below, will not apply). See Internal Revenue Code section 3509 for more information.



Sources

https://www.dir.ca.gov/fraud_prevention/Misclassification.htm#:~:text=Misclassification%20of%20workers%20occu,rs%20when,meal%20periods%20and%20rest%20breaks.

<https://www.irs.gov/businesses/small-businesses-self-employed/independent-contractor-self-employed-or-employee>

<https://www.irs.gov/newsroom/irs-reminds-business-owners-to-correctly-identify-workers-as-employees-or-independent-contractors>

<https://www.irs.gov/forms-pubs/about-form-1096>

<https://www.irs.gov/instructions/i1099misc>

<https://www.irs.gov/forms-pubs/about-form-1099-int#:~:text=File%20Form%201099%2DINT%20for,the%20amount%20of%20the%20payment.>

<https://www.irs.gov/forms-pubs/about-form-w-9>

<https://www.accountingprose.com/2017-1099-misc/>