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December 21, 2023

Form 1099 Reporting

Form 1099-NEC

We would like to take this opportunity to remind our clients of the Form 1099 reporting requirements for those who are engaged in a trade or business. Any subcontractors to whom you pay \$600 or more for services (including parts & materials) will be filed on Form 1099-NEC.

Most of the payments that you need to be concerned with relate to nonemployee compensation. These include fees and compensation for services performed for you in the course of your trade or business by an individual who is not your employee. This could be an individual person or a partnership. Personal payments outside of your trade or business are not reportable. Currently, payments to corporations are not subject to this type of reporting except for law corporations providing legal services.

Form 1099-MISC will continue to be used to report rent, prizes & awards, other income payments, and payments to an attorney.

Filing Deadline- Form 1096 and 1099's containing nonemployee compensation in box 7 must be filed with the IRS by January 31, 2024. In addition, Forms W-3 and W-2's must be filed with the Social Security Administration by January 31, 2024.

Form 1099 Late Filing Penalties- range from \$50 to \$580 per return.



Form W-9- The form W-9 (Request for Taxpayer Identification Number) should be on file with your business for all subcontractors. The form W-9 should be received BEFORE any payments are issued to prevent year end filing complications.

California- Generally you must withhold 7% on payments made to California nonresidents that exceed \$1,500 for services performed in California.

Form DE542- California also requires taxpayers to report Independent Contractors to the Employment Development Department (form DE 542) within 20 days of paying or contracting for \$600 or more for services.

If you would like us to prepare your Form 1099s please provide us with the name, address, social security number (or TIN), and amount paid for each subcontractor you paid \$600 or more via cash or check in 2023. (Do not include payments paid via credit card or money transfer apps such as cash app, venmo or paypal) **PLEASE PROVIDE RECIPIENTS EMAIL ADDRESS** (for electronic filing). Please submit this information as early in January of 2024 as possible.

Please feel free to contact us with any questions. Sincerely,

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