



December 2, 2020

2020 1099 Forms

In our efforts to prepare for this upcoming tax season we would like to send out a friendly reminder on 1099 filing requirements and information gathering. You are receiving this letter because, according to our records, we have provided this service for you in the past or in reviewing your file it appears you may have filing requirements. Please review the following information and use the enclosed documents to ascertain all necessary information.

1099 Requirements

- 1099s are due to the recipient by February 1, 2021.
- The new Form 1099-NEC that reports non-employee compensation is required to be filed by February 1, 2021. All other 1099s are to be filed by March 1, 2020 (paper filing) or March 31, 2021 (electronically filing).
- All 1099s require the name, address, and EIN/SSN (also referred to as TIN - Taxpayer Identification Number) of the recipient. Use the enclosed *Form W-9* to get this information from your vendors if needed.
- Detailed filing requirements can be found on the IRS website but the most common types of payments requiring 1099s are listed below. 1099s are required if during the course of business in 2020 you paid any individual or non-corporate entity (which could include LLCs or Partnerships):
 - \$600 or more of
 - rents (including equipment rental or rents paid to a related party)
 - services (Especially repairs, maintenance, cleaning, or contracted labor)
 - attorney's fees (even if to a corporation)
 - payments of other income not reported on a W-2 (non-employee compensation)
 - Interest, dividends, or royalties of \$10 or more
- One vendor may receive multiple types of payments. A 1099-MISC with Rents (Box 1) must be issued/ filed separate from a 1099-MISC with any other box filled in.

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- The state of Oregon requires all 1099s be filed electronically via iWire. A specifically formatted file (typically software generated), ODR supplied spreadsheet or manual entry is required for uploading. See the iWire link at the end of this letter for more detail.

1099 Penalties - IRS

If you fail to file a correct information return by the due date and you cannot show reasonable cause, you may be subject to a penalty. The penalty applies:

- If you fail to file timely,
- If you fail to include all information required to be shown on a return, or
- If you include incorrect information on a return.

The penalty also applies:

- If you file on paper when you were required to file electronically,
- If you report an incorrect TIN
- If you fail to report a TIN, or
- If you fail to file paper forms that are machine readable.

The amount of the penalty is based on when you file the correct information return and annual gross receipts. A business is considered large if their gross receipts are \$5 million or more. They are considered small if their gross receipts are \$5 million or less. The penalty is as follows:

- \$50 per information return if you correctly file within 30 days (by March 30 if the due date is February 28); maximum penalty \$556,500 per year (\$194,500 for small businesses).
- \$110 per information return if you correctly file more than 30 days after the due date but by August 1; maximum penalty \$1,669,500 per year (\$556,500 for small businesses).
- \$270 per information return if you file after August 1 or you do not file required information returns; maximum penalty \$3,339,000 per year (\$1,113,000 for small businesses).

If **intentional disregard** is determined the penalty increases to \$550 per return and there is no limitation on the penalty amount. This applies to both large and small business. The IRS identifies intentional disregard as the filer knowingly or willfully failing to comply with the filing requirements of the 1099s.

1099 Penalties - Oregon

The state of Oregon may assess penalties of up to \$25,000 for the following:

- Not filing electronically,
- Filing incorrect or incomplete 1099s, or
- Filing late.

Backup Withholdings

Certain types of reportable payments (i.e. - interest, dividends, rents, non-employee compensation, etc.) may be subject to backup withholding at a rate of 24%. The most common situations in which this applies are:

- When a payee fails to furnish his or her TIN in the manner required,
- The IRS notifies the payer to impose backup withholding because a payee furnished an incorrect TIN,
- A notice from the IRS states the payee is subject to backup withholding due to notified payee underreporting, or
- The payee fails to certify that he or she is not subject to back-up withholding.

Processing 1099s

The most efficient way for us to process your information is for you to provide us a list of vendors with name, address, EIN/SSN, amount, and type of payments made. Please use the attached *1099s to be Issued* form to do so. Although we can gather and/or extract the information for you, this service requires additional time and is billed at \$125/hour.

If we have prepared your 1099s in previous years and you would like us to continue preparing your 1099s, it is still important that you confirm that all vendor information is current and correct.

Please note the following:

- If an EIN/SSN is not present we will not be able to prepare a 1099 for that business/individual.
- If an individual's SSN is used, the individual's legal name (not business name) must be indicated.

Please be aware that special copies of paper 1099 forms required by the IRS must be ordered. There is no cost for ordering these forms, but it can take up to several weeks to receive them.

We are also available for consultation or review of your 1099 process as needed.

Cost

Our fees are split between "gathering and/or extracting data" and "processing" 1099 forms.

- Gathering data - if the QuickBooks file is not set-up to utilize the 1099 Vendor Report a thorough review of all payments is required; we will bill \$125/hour for the time spent gathering vendor information from QuickBooks
- Extracting data - if the QuickBooks file is set-up properly a brief review of payments and generating of 1099 Vendor Report is needed; we will bill \$125/hour for the time spent extracting 1099 data from QuickBooks
- Processing - fees will be charge on a flat fee basis for each type of 1096 filed and number of 1099s required
 - \$150 per each 1096 and first 1099

- Separate 1096s are required for each type of 1099 being filed (i.e. – 1099-MISC, 1099-NEC, 1099-INT, etc.)
 - \$20 per each additional 1099 processed
- Consultation/Review of personally prepared 1099s and/or process – we will bill \$125/hour for the time spent reviewing, but the amount is not to exceed 1.5 hours of time

All the necessary information should be supplied to us no later than **January 15, 2021** to allow for adequate time to prepare the required forms. If information is received after January 22, 2021 additional processing fees will be charged. Fees will increase to the following:

- \$200 for each 1096 and first 1099
- \$30 per each additional 1099 processed

We cannot guarantee timely filing if information is received after January 25, 2021. If completed 1099s that include 1099-NEC have not been approved by noon on January 29th, 2021 and there has been at least 48 hours to review them, we will proceed with filing to avoid potential late filing penalties.

Please contact our office or Melissa Jahn (melissaj@dpwcpas.com) if you have any questions, or if we have prepared them in the past and you will be doing your own this year.

Thank you,

Doty Pruett Wilson, PC

Resources: <https://www.irs.gov/instructions/i1099msc>
<https://www.oregon.gov/dor/programs/businesses/pages/iwire.aspx>