



Tax Year 2022

## 2022 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.

**NEW THIS YEAR** – To streamline the preparation of information returns, we have transitioned to a software that allows us to complete them more efficiently. This allows us to better meet IRS best practices, while ensuring the most accurate filings on your behalf. These best practices include filing forms without a TIN for vendors who have failed to supply Form W9 or the required information for forms 1099 preparation. The IRS has announced additional resources being allocated to focusing on taxpayer compliance in this area. Penalties are noted later in this document.

Please review the following information and use the additional documents referenced to ascertain all necessary information.

### **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 *1099 Reporting* spreadsheet to do so. **We no longer accept information in any other format.**

The *1099 Reporting* spreadsheet is set-up for easy use. It identifies required fields in red and includes notes identifying what specific information should be entered in each field. Simply input your information in the required Payer fields and each vendor's information, including the total payments made in 2022, in the Recipient fields.

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. If vendors are missing from the *1099 Reporting* spreadsheet, forms will not be filed for them.

Please note the following:

- If an EIN/SSN is not present we will file the 1099 for that business/individual, as that is the best practice advised by the IRS. Note – this will likely generate a notice and related penalties/interest.
- If an individual's SSN is used, the individual's legal name (not business name) must be indicated.
- If a business's EIN is used, the business's name (not the individual's name) must be indicated.
- We will utilize the IRS's TIN Matching service to ensure we are filing forms using the correct name/TIN combination.

**Mailing Address**  
447 State Street  
Salem, OR 97301  
**503-362-9152**  
Fax: 503-362-9186  
office@dpwcpas.com

SALEM OFFICE  
447 State Street • Salem, OR 97301

PORTLAND OFFICE  
16037 SW Upper Boones Ferry Rd, Suite 135 • Portland, OR 97224

AN INDEPENDENT MEMBER OF  
**BDO**  
ALLIANCE USA

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

### **Cost**

We charge for 1099 preparation based on form type and the number of forms filed.

- Processing – fees will be charge on a flat fee basis for each type of 1096 filed and number of 1099s required
  - \$225 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.)
  - \$25 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 in the proper formatting no later than **January 13, 2023** to allow for adequate time to prepare the required forms. If information is received after January 20, 2023 additional processing fees will be charged and we cannot guarantee timely filing if information is received after this date. Fees will increase to the following:

- \$275 for each 1096 and first 1099
- \$35 per each additional 1099 processed

### **1099 Requirements - Basics**

- 1099s are due to the recipient by January 31, 2023.
- Form 1099-NEC that reports non-employee compensation is required to be filed by January 31, 2023. All other 1099s are to be filed by March 1, 2023 (paper filing) or March 31, 2023 (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 2022 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.

- 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 average gross receipts over the last three years are \$5 million or more. They are considered small if their average gross receipts over the last three years 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 \$588,500 per year (\$206,000 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 \$1,766,000 per year (\$588,500 for small businesses).
- \$290 per information return if you file after August 1 or you do not file required information returns; maximum penalty \$3,532,500 per year (\$1,177,500 for small businesses).

If **intentional disregard** is determined the penalty increases to \$580 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.

Please contact our office or Melissa Jahn ([1099@dpwcpas.com](mailto:1099@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 Pruitt Wilson, PC*

Resources: <https://www.irs.gov/instructions/i1099gi>  
<https://www.oregon.gov/dor/programs/businesses/pages/iwire.aspx>