

Form 1099 Changes for 2020

Reporting "Non-Employee Compensation"

With hopes for a much better 2021, the changes in 1099 forms could make for a rough start to next year if not prepared! For the calendar year 2020, the requirements for reporting "Non-Employee Compensation" will include a new form. Previously, all "Non-Employee Compensation" payments were reported to recipients and the IRS in form 1099-MISC, Box 7.

Form 1099-NEC was created to separate the 1099-MISC, Box 7 forms and will be required for the year 2020. Businesses will need to be ready to use this new form as well as the revised 1099-MISC. Below is a summary of the changes made:

- All amounts formerly placed in 1099-MISC, Box 7, (\$600 or greater) will be reported on 1099-NEC, Box 1. These forms will be mailed out to recipients and the IRS by or on January 31st. (Please note for the 2020 Forms, February 1, 2021 is the due date since January 31st is on a Sunday.)
- Other amounts formerly reported on 1099-MISC may be reported in a new box. At least \$600 in:
 - Rents (box 1);
 - Prizes and awards (box 3);
 - Other income payments (box 3);
 - Generally, the cash paid from a notional principal contract to an individual, partnership, or estate (box 3);
 - Any fishing boat proceeds (box 5);
 - Medical and health care payments (box 6);
 - Crop insurance proceeds (box 9);
 - Payments to an attorney (box 10) (see Payments to attorneys, later);
 - Section 409A deferrals (box 12); or
 - Nonqualified deferred compensation (box 14).
- Form 1099-NEC is due to recipients and the IRS (postmarked by or on) January 31st. 1099-MISC forms must all be submitted to the IRS by February 28th. However, the recipient due date varies based on the type of transaction. Please see <https://www.irs.gov/pub/irs-pdf/i1099gi.pdf> for detailed due dates.

How does a business prepare for these changes?

1. **Start reviewing vendor activity early.** Are W-9s for all vendors used in calendar year 2020 on file? If the answer is no, start contacting vendors as soon as possible. Keeping vendor records up to date is key in preventing being overwhelmed in January.
2. **Assess your accounting software.** Is your accounting system ready for the 1099-NEC changes? If the existing accounting software is being updated regularly (cloud based services or the latest version desktop software), accountants should be able to appropriately flag vendors and transactions with the correct form. If this is not the case, then further planning needs to happen prior to January.
3. **Update the accounting software.** If this is not an option, another plan needs to be in place. It's possible to manually pull the information from the accounting software and then report on the appropriate form. This may involve using 1099 outsourced services. There are many online options, at a reasonable price, that will allow businesses to report 1099s through online portals and will send out recipient copies as well as filing the IRS copies on behalf of the business.

We're here to help!

Contact us today with any questions about your 1099:



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