



CLIENT ACCOUNTING

AUDIT & ASSURANCE

TAX SERVICES

BUSINESS ADVISORY

ESTATES & TRUSTS

Client Accounting Services

General Information About Filing 1099 Forms



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Form W-9

To ensure you have the correct name, address, and Taxpayer Identification Number (TIN), require the independent contractor to fill out a W-9 form before you pay them.

Form W-9 is required to file an information return with the IRS, such as a 1099, for any of the following:

- 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

Managing Collaboration with a Vendor Where Form W-9 or TIN Is Not Provided

If you have requested a Form W-9 from a vendor or subcontractor and they have failed to provide it, the IRS requires you to immediately begin backup withholdings of 24% and report those withholdings on Form 945. Continue backup withholdings until a TIN is provided. Additionally, make sure to document 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. While there are additional types of 1099 forms, the following are the types specifically prepared and filed by Grimbleby Coleman Advisors & Accountants.

1099-MISC

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

File Form 1099-MISC, Miscellaneous Income, for each person 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. 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. Attorney payments in connection with legal services such as settlements or awards) (box 10)
 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 to other than a permanent retail establishment.

1099-NEC

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

File Form 1099-NEC, Nonemployee Compensation (NEC), for each person to whom you have paid at least \$600 for any of the following during the year:

- Services performed by someone who is not your employee (including parts and materials) (box 1)
- Cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish (box 1)
- Compensation for services rendered by an attorney (box 1)

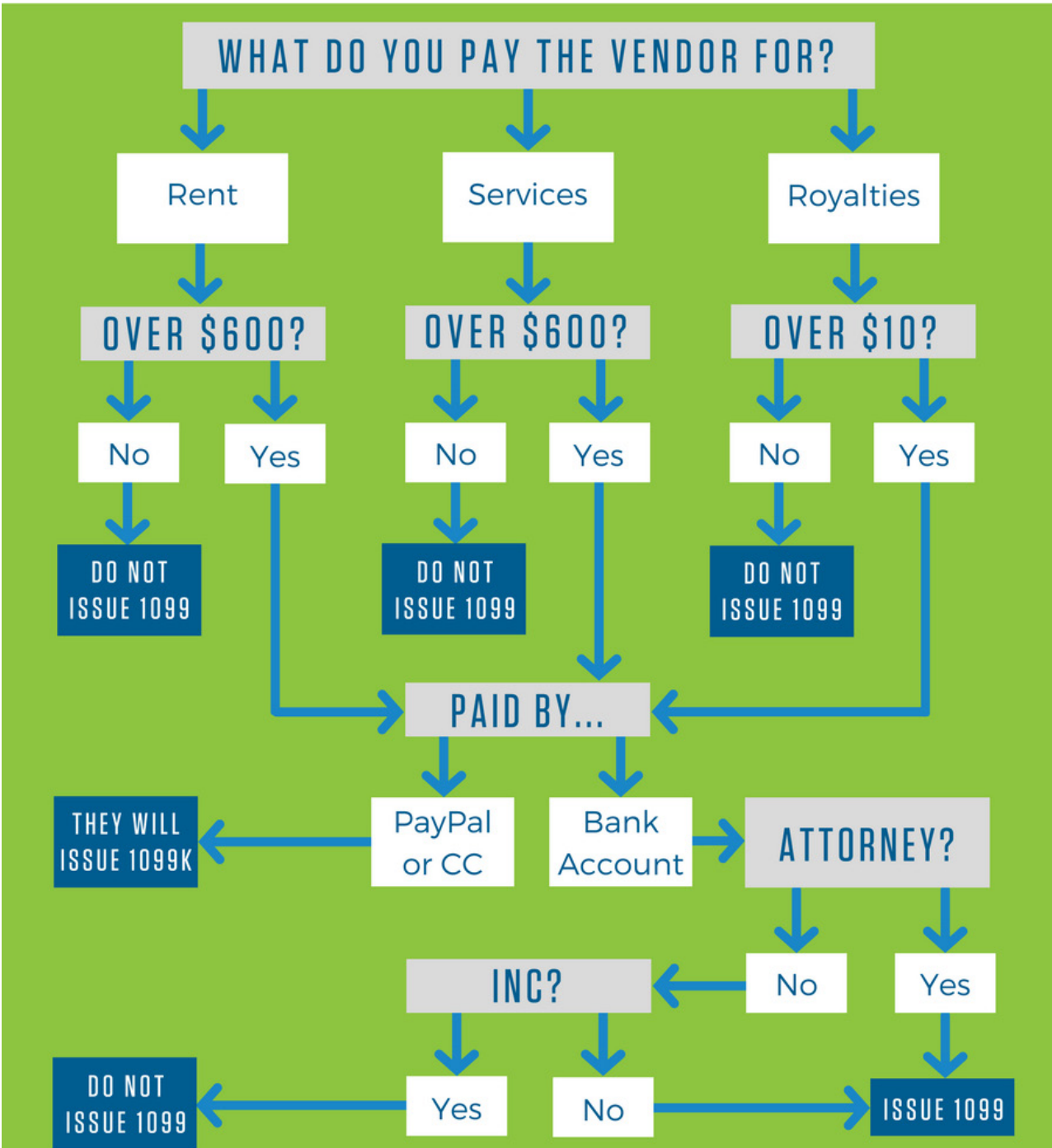
1099-INT

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

File Form 1099-INT for each person:

- To whom you paid interest amounts reportable in boxes 1, 3, and 8 of at least \$10;
- For whom you withheld and paid any foreign tax on interest; or
- 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 US Information Returns

Use Form 1096 to transmit paper Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G to the IRS. 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 five 1099-NEC forms and three 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, for a total of two 1096 forms filed.

Form 1096		Annual Summary and Transmittal of U.S. Information Returns										OMB No. 1545-0108 2022				
Department of the Treasury Internal Revenue Service																
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	1097-BTC 50	1098 81	1098-C 78	1098-E 84	1098-F 03	1098-Q 74	1098-T 83	1099-A 80	1099-B 79	1099-C 85	1099-CAP 73	1099-DIV 91	1099-G 86	1099-INT 92	1099-K 10	1099-LS 16
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1099-LTC 93	1099-MISC 95	1099-NEC 71	1099-OID 96	1099-PATR 97	1099-Q 31	1099-QA 1A	1099-R 98	1099-S 75	1099-SA 94	1099-SB 43	3921 25	3922 26	5498 28	5498-ESA 72	5498-QA 2A	5498-SA 27
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Form 1096		Annual Summary and Transmittal of U.S. Information Returns										OMB No. 1545-0108 2022				
Department of the Treasury Internal Revenue Service																
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	1097-BTC 50	1098 81	1098-C 78	1098-E 84	1098-F 03	1098-Q 74	1098-T 83	1099-A 80	1099-B 79	1099-C 85	1099-CAP 73	1099-DIV 91	1099-G 86	1099-INT 92	1099-K 10	1099-LS 16
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1099-LTC 93	1099-MISC 95	1099-NEC 71	1099-OID 96	1099-PATR 97	1099-Q 31	1099-QA 1A	1099-R 98	1099-S 75	1099-SA 94	1099-SB 43	3921 25	3922 26	5498 28	5498-ESA 72	5498-QA 2A	5498-SA 27
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Independent Contractor vs. Employee

Doctors, dentists, veterinarians, lawyers, accountants, contractors, subcontractors, public stenographers, or auctioneers in an independent trade, business, or profession in which they offer services to the public, are usually classified as independent contractors. However, whether they are independent contractors or employees depends on various factors.

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

- **Behavioral Control** – Does the company control or have the right to control what the worker does and/or 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 (i.e., how the worker is paid, and who provides tools/supplies, etc., are expenses reimbursed)?
- **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 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, 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 determine your tax obligations, 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 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; improper payment/treatment then can occur within the areas of payroll taxes, minimum wage, overtime, paid sick days, workplace safety or other wage and hour law requirements, like providing meal periods and rest breaks. Misclassification, or labeling a worker as an independent contractor when they should be an employee, undermines businesses that correctly follow the rules and comprises fundamental worker protections.

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. Misclassification 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. An employer is required to 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 have no reasonable basis, you may be 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%20occurs%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/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/>