

The new Form 1099-NEC and the revised 1099-MISC are due to recipients soon

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There's a new IRS form for business taxpayers that pay or receive certain types of nonemployee compensation and it must be furnished to most recipients by February 1, 2021. After sending the forms to recipients, taxpayers must file the forms with the IRS by March 1 (March 31 if filing electronically).

The requirement begins with forms for tax year 2020. Payers must complete Form 1099-NEC, "Nonemployee Compensation," to report any payment of \$600 or more to a recipient. February 1 is also the deadline for furnishing Form 1099-MISC, "Miscellaneous Income," to report certain other payments to recipients.

If your business is using Form 1099-MISC to report amounts in box 8, "substitute payments in lieu of dividends or interest," or box 10, "gross proceeds paid to an attorney," there's an exception to the regular due date. Those forms are due to recipients by February 16, 2021.

1099-MISC changes

Before the 2020 tax year, Form 1099-MISC was filed to report payments totaling at least \$600 in a calendar year for services performed in a trade or business by someone who isn't treated as an employee (in other words, an independent contractor). These payments are referred to as nonemployee compensation ("NEC") and the payment amount was reported in box 7.

Form 1099-NEC was introduced to alleviate the confusion caused by separate deadlines for Form 1099-MISC that reported NEC in box 7 and all other Form 1099-MISC for paper filers and electronic filers.

Payers of nonemployee compensation now use Form 1099-NEC to report those payments.

Generally, payers must file Form 1099-NEC by January 31. But for 2020 tax returns, the due date is February 1, 2021, because January 31, 2021, is on a Sunday. There's no automatic 30-day extension to file Form 1099-NEC. However, an extension to file may be available under certain hardship conditions.

When to file 1099-NEC

If the following four conditions are met, you must generally report payments as nonemployee compensation:

- You made a payment to someone who isn't your employee;
- You made a payment for services in the course of your trade or business;
- You made a payment to an individual, partnership, estate, or, in some cases, a corporation; and
- You made payments to a recipient of at least \$600 during the year.

We can help

If you have questions about filing Form 1099-NEC, Form 1099-MISC or any tax forms, contact us. We can assist you in staying in compliance with all rules.

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The Law Office of Eugene Gorrin, LLC
17 Watchung Avenue, Suite 204
Chatham, NJ 07928
973.701.9300
egorrin@gorrinlaw.com
www.gorrinlaw.com