


BEHYMER SORENSON & PRICE LLC
CERTIFIED PUBLIC ACCOUNTANTS

December 10, 2021

To our valued clients and friends,

As in years past, we are providing basic information regarding the filing of the 1099 series of forms.

All businesses, all profit and non-profit corporations, and some investment property owners are subject to the Internal Revenue Service requirements to file information returns (Form 1099 series). IRS penalties for non-compliance currently range from \$50 for each form filed late but within 30 days of the due date, to \$560 per information return not filed due to intentional disregard of the filing requirements.

Additionally, as we have become more familiar with the tax deduction for qualified business income (created under the Tax Cuts and Jobs Act of 2017), it has become clear that rental income is includable as qualified business income. You may be receiving this letter because we believe that there may be an opportunity to utilize this tax deduction for your rental activities. However, in order to do so, you must satisfy the IRS requirements for filing information returns. Because of this, we are providing you the following basic information regarding the filing of the 1099 series of forms.

All business tax returns (Sch. C, Sch. E, Partnership, Corporation and S-Corporation) ask these questions: Did you make any payments during the year that would require you to file Form(s) 1099? If yes, did you or will you file all required Forms 1099?

Form 1099-NEC:

Consistent with last year, non-employee compensation is reported on Form 1099-NEC. Non-employee compensation includes payments of \$600 or more to someone who is not your employee for services in the course of your trade or business. Include payments to an individual, partnership or estate, and, in some cases, corporations. Examples of payments include, but are not limited to:

- Landscaping work and premises maintenance
- Janitorial services
- Accounting services
- Attorney fees (including corporations)
- Commissions
- Director's fees
- Finder's fees
- Payments to contractors even if the payments include materials charges. (For example: \$1,750 paid for painting a business building. \$700 is for paint, \$1,050 is for labor. The 1099-NEC reports the total \$1,750.)

Form 1099-NEC is due to both recipients and the IRS by January 31, 2022, regardless of whether filing electronically or by paper. Oregon requires electronic filing of Form 1099-NEC. The due date to file your Oregon 1099-NECs is also January 31, 2022. For guidance in transmitting electronically, go to www.oregon.gov/DOR/programs/businesses/pages/iwire.aspx.

Form 1099-MISC:

Payments to report on Form 1099-MISC include payments made in the course of your trade or business for rent for business or office space, residential rent collected as a property manager, prizes and awards, gross proceeds to attorneys, certain medical and health care payments, and royalties over \$10

Form 1099-MISC is due to recipients by January 31, 2022. However, these forms are not due to the IRS until February 28, 2022 (paper filing) or March 31, 2022 (electronic filing). Oregon requires electronic filing of Form 1099-MISC. The due date to file your Oregon 1099-MISCs is March 31, 2022.

DO NOT INCLUDE PAYMENTS MADE WITH A CREDIT CARD OR “DEBIT” PAYMENT CARD, as these transactions must be reported on Form 1099-K by the payment settlement entity under section 6050W and are not subject to reporting on Form 1099-MISC.

In addition, you may have a requirement to file Forms 1099 for other payments made in the course of your trade or business, including (but not limited to):

- Interest of \$600 or more (Form 1099-INT)
- Dividends of \$10 or more (Form 1099-DIV)
- Sales of real estate (the person or company who closes the transaction) (Form 1099-S)

Please remember, this is a very brief outline of the current requirements for filing Forms 1099. Comprehensive information is available in the IRS forms instructions, which are available at www.irs.gov, and if there are later, additional tax law changes that affect Form 1099-NEC or 1099-MISC, you can find them at www.irs.gov/form1099nec and www.irs.gov/form1099misc.

We recommend that you furnish Form W-9, Request for Taxpayer Identification Number and Certification, to independent contractors when first engaging their services. Form W-9 is downloadable from the “Forms and Instructions” area at www.irs.gov, or contact Terry in our office to obtain a blank Form W-9 if you do not have access to the internet.

If you have any questions regarding the opportunity for the tax deduction for qualified business income or have questions or need clarification regarding filing of the 1099 series forms, please do not hesitate to contact us. Please note, due to available staff time and the accelerated IRS filing date, we do not provide preparation of Forms 1099-MISC or 1099-NEC for our clients.

Sincerely,

BEHYMER SORENSON & PRICE LLC
Certified Public Accountants