

# Tax Year 2023 – Form 1099 Requirements and Filing Deadline

Filing season is fast approaching for those who need to prepare and file 1099 forms. Whether or not Lotts provides this service to you, we strongly recommend a careful review of your filing obligations. Penalties associated with late filing or failure to file these informational returns are substantial and continue to increase.

## What are the Deadlines?

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The deadline to provide all Forms 1099 to recipients is **Wednesday, January 31, 2024.**

The deadline to file all 1099-NEC forms with the IRS is **Wednesday, January 31, 2024.**

The deadline to file all other Forms 1099 with the IRS is **Wednesday, February 28, 2024.**

**Avoid filing delays by providing necessary information to Lotts by Monday, January 15, 2024.**

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## Why is this important?

The IRS has become more aggressive in its enforcement of 1099 filing requirements. Business tax returns must make an assertion as to whether informational return filing requirements have been met. This is true whether your business is an entity like an S-Corporation or a sole proprietor who files a Schedule C with their personal tax return.

## PENALTIES:

Failure to issue the form or to do so in a timely manner subjects the Payer to possible penalties of:

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**\$60 penalty per 1099** for filing not more than 30 days late

**\$120 penalty per 1099** for filing more than 30 days late and before August 1

**\$310 penalty per 1099** for filing on or after August 1

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Filing 1099 forms accurately and on time is also considerate of the people to whom they're issued. It helps them to complete their tax reporting in a timely manner.

## Who Needs a 1099?

All businesses and self-employed people are required to issue forms 1099 to any non-incorporated person or business paid during the calendar year for the following:

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**Personal Services (Non-Employee Compensation)** of \$600 or more (1099-NEC)

**Rents** of \$600 or more (1099-MISC)

**Legal Services** of \$600 or more regardless of the type of entity the lawyer or firm operates (1099-NEC)

**Interest, Dividends, and/or Royalties** of \$10 or more (1099-INT, 1099-DIV and 1099-MISC)

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Businesses are required to issue 1099s to sole proprietors, partnerships, and LLCs. Businesses are not required to issue 1099s to Corporations (including S Corporations, C Corporations, & non-profits) **unless payment was for legal services. If the LLC is taxed as a corporation per their W-9 (see below), then 1099 is not required.**

Phone: (612) 338-7459

Lotts Tax & Accounting Services, Inc.

How do I know if the vendor is a corporation and is exempt from the 1099 requirement? How can I get the vendor's tax ID number?

- **Obtain a signed Form W-9 form, which will clarify the vendor's entity type and provide their Tax ID number.**  
Blank Form W-9 online: <https://www.lottsa.com/tax/resources/worksheets/>. If the vendor is a sole proprietor, the tax ID number might be their social security number. Obtain a completed W-9 prior to making payment to a vendor.
- **Do NOT rely on the vendor to verbally tell you that they are exempt, nor should you assume they are a corporation if they have "Inc." in the name of their business.** The requirement to file 1099s is yours, and you are responsible for maintaining documentation that supports your decision not to provide a 1099.
- **Vendors are required to provide this information to you.** If they refuse, you will be required to withhold federal taxes from any future payments. Maintain a record of communication attempts to obtain this information. Lottsa can explain your options if this is a problem you are facing.

Once you have determined that you have an obligation to file, a 1099 must include...

- **Your business name, tax ID number, address, and contact information.**
- **The name, tax ID number, and address for each recipient.** (This information should match the name/business to which you made payments in 2021.)
- **The amount paid to each recipient during 2022, and what kind of income it was to them** (e.g. services, rent, interest, royalties, etc.).

Once you have gathered all the information...

Send it all to Lottsa by January 15, 2024. We will create the 1099s and mail a packet to you with instructions for completing the filing.

Lottsa's fee structure for 1099 preparation is:

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• \$55/form type • \$20/each additional form type • \$1/recipient form • \$100/hour process time

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If you know that you do NOT need to file any 1099 forms, or if you prepare the forms yourself, please let Lottsa know by email or phone. By doing so, we can avoid follow up communications in January.

Common mistakes:

- Providing a vendor with a recipient copy is not enough. **You must also file the 1099s with the IRS.**
- The name/Tax ID number on the 1099 must match the name to which you made payments. (If you hired someone with a business named "Acme Painting" but you made checks out to "Jane Smith", then the 1099 must be issued to Jane Smith, with her matching Tax ID number.)
- Rent is often overlooked as a payment requiring a 1099-MISC.

Please do not hesitate to contact Lottsa if you have any questions.

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