



JMF CPA LLC

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December 4, 2020

Dear Business Owner:

The IRS has a new form this year for the reporting of payments made to independent contractors for services rendered to your operation. Form 1099-NEC takes the place of Form 1099-MISC for these payments. Every business that paid independent contractors at least \$600 this year must have the forms to the independent contractor and the IRS by February 1, 2021.

The only independent contractors who must receive 1099-NEC forms are individuals who do business in noncorporate forms - sole proprietorships, partnerships or disregarded entities or limited liability companies that did not elect to be treated as a corporation - whom you've paid at least \$600 in cash or check (does not include credit card payments). There are two key exceptions:

- Attorneys who do business as corporations must also receive the form.
- Regardless of how much you've paid independent contractors, provide them with forms if you backup withheld on their payments during 2020. If you are unfamiliar with backup withholdings, then you would not fall under this rule.

Having the name "Company/LLC/Limited/LTD" in the title of the business name does not tell you whether they're doing business in a corporate form or not. Provide your vendors with Form W-9 before year end if it looks like you may hit the \$600 mark. Let them know that the return needs to be returned quickly so that there is time to meet the February 1, 2021 deadline. I recommend collecting Form W-9 from vendors before you provide them with their first payment from you. This way, the scrambling at year end to obtain completed forms is not an issue.

Form 1099-MISC still exists and will continue to be used for other payments that require reporting - rents, royalties, other income not subject to SE Tax (such as prizes and awards), settlement payments to attorneys, etc.

If you wish to have us prepare the information returns (Forms 1099-NEC or MISC), please have the necessary details to us no later than January 15, 2021 so that we will be able to return them to you for distribution before February 1, 2021.

Should you have any questions or concerns, please contact at your earliest convenience.

Sincerely,

Joette M. Funderburg CPA



America Counts on CPAsSM

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