

# START 2022 RIGHT BY PREPARING MANDATORY 1099S NOW

Contact your Mauldin & Jenkins Trusted Advisor today for more information.



A new year has begun, full of hope and promise. What better way to position your business for success in 2022 than by getting a jump on your tax responsibilities? The first few weeks in January is the time to start preparing mandatory tax reporting forms for vendors, contractors, and others that provide services or receive nonemployee compensation from you and your organization.

Form 1099 comes in many different flavors, but many businesses file only one or two of the most common:

- **Form 1099-NEC, Nonemployee Compensation** – Anyone who provided \$600 or more in nonemployee compensation to one or more recipients must file Form 1099-NEC. This type of compensation can include commissions, benefits, fees, and other payments for services rendered by those who are not employees of the business or individual. The form is due to recipients of the compensation and the IRS by January 31, 2022.
- **Form 1099-MISC, Miscellaneous Information** – Most nonemployee compensation for contractors, freelancers, and similar service providers now belongs on Form 1099-NEC, but the more familiar 1099-MISC still has multiple uses. Provide it to recipients for payments for, but not limited to, rents, royalties, prizes, and nonqualified deferred compensation arrangements. Form 1099-MISC operates as a “catch-all” form for the IRS, with many different types of payments requiring disclosure. Form 1099-MISC, and all other 1099 forms, are due to the IRS by February 28 if filed on paper, or March 31 if filed electronically.

With due dates for both forms approaching quickly, there’s no room for delay. Noncompliance is more expensive than it used to be; the IRS has increased the penalties for late or missing 1099s to \$50 per form— but only for the first 30 days beyond the due date. After that, the fines increase to \$110 for forms filed after the date due but before August 1. Forms filed beyond that point (and those not filed at all) incur a late penalty of \$280.

In case that’s not scary enough, bear in mind that those penalties can add up fast; they apply to each Form 1099 not provided to an individual recipient *and* each 1099 not filed timely with the IRS. And don’t forget—if you don’t file the 1099 then you may not deduct the cost of the labor or other expenses that should have been reported on the form.

The IRS prefers that all taxpayers file Form 1099 electronically, but those with fewer than 250 may choose to file paper forms instead. That number is subject to revision, however. The agency has proposed new regulations lowering the minimum threshold for mandatory electronic filing but as of January 2022, the older rules remain in place.

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Filing Form 1099 isn’t overly complicated, but getting the job done correctly and on time is crucial. For help with this important reporting obligation, contact your Mauldin & Jenkins advisor.