

Diocese of Buffalo

Form 1099-NEC, Nonemployee Compensation

What is Form 1099-NEC?

Form 1099-NEC is the Internal Revenue Service (IRS) form used by businesses to report nonemployee compensation. Before 2020, all nonemployee compensation was reported on Form 1099-MISC. Payments made to independent contractors, freelancers, sole proprietors, and self-employed individuals must be reported using Form 1099-NEC.

Who Can File Form 1099-NEC?

Form 1099-NEC, Nonemployee Compensation, must be filed for each person in the course of your business to whom the parish has paid \$600 or more in a calendar year in:

1. Services performed by someone who is not a parish employee; or
2. Payments to an attorney. The term “attorney” includes a law firm or other provider of legal services.

Nonemployee compensation of **\$600 or more** includes fees, rents, professional fees, maintenance, cleaning, snow removal, lawn care, repairs, commissions, and awards for services performed as a nonemployee, and other forms of compensation for services performed for your parish or school by an individual who is not an employee. Payments to independent contractors for related supplies must also be reported.

To report payments to independent contractors/service providers on Form 1099-NEC, parishes must obtain the individual’s taxpayer identification number (TIN). Independent contractors are required to promptly supply their taxpayer identification numbers (TIN). Parishes must use Form W-9 to obtain the individual's TIN, which can either be their SSN or EIN (employer identification number).

*****Vendor names in PDS Ledger must be entered to include the entire business name (e.g., “Company”, “Inc.” or “LLC”). If Form W-9 indicates they are an LLC that is taxed as a sole proprietorship or a partnership, then a 1099-NEC is required.**

Completed W-9 forms must be separately filed in alphabetical order so they can be utilized each year. Always check the W-9 before you issue payments to any vendor who may be required to get a 1099-NEC.

Form 1099-NEC recipients receive this form instead of Form W-2 because the parish does not consider them an employee and does not withhold income tax or Social Security and Medicare tax. They are responsible for paying their own income tax and self-employment tax.

Exceptions to Form 1099-NEC

Payments for which a Form 1099-NEC is not required include:

- Payments to a corporation (including a limited liability company (LLC) which is a C or S corporation). Obtain a W-9 to determine if an LLC must receive a Form 1099-NEC.
- The exception from reporting payments made to corporations does not apply to payments for legal services.
- Payments to a tax-exempt organization, such as another Parish or Regional School, tax-exempt trusts, federal, state, or local government.

IRS Resources:

<https://www.irs.gov/businesses/small-businesses-self-employed/reporting-payments-to-independent-contractors>

<https://www.irs.gov/pub/irs-pdf/p1779.pdf>

<https://www.irs.gov/forms-pubs/about-form-1099-nec>

IRS E-Filing Requirements for Form 1099-NEC

All Parishes and Schools MUST be aware of this change for electronic filing for Forms 1099-NEC.

On February 23, 2023, the Internal Revenue Service (IRS) released final regulations for electronic filing of information returns, significantly expanding mandatory electronic filing of tax and information returns that require almost all returns (for calendar year 2023) filed on or after January 1, 2024, to be submitted to the IRS **electronically** instead of on paper. Under the new rules, filers of **10 or more returns of any type of for a calendar year** must file electronically with the IRS. Previously, electronic filing was required if the filing was more than 250 returns of the same type for a calendar year.

Please see complete details of the new regulations at:

<https://www.federalregister.gov/documents/2023/02/23/2023-03710/electronic-filing-requirements-for-specified-returns-and-other-documents>

This new change will affect all parish and school filers with the IRS of 10 or more information returns, including Forms W-2, Forms 1099 series, and Forms W-2G.



How to count to 10?

The 10-return threshold for mandatory electronic filing is determined on the aggregate number of different types of forms and returns.

*****Note:** Third party payroll processors (including DOB) automatically file all returns electronically, including Form W-2. **The number of employees must be used when determining the aggregate number of forms to be filed.**

Example: Parish/School A has nine employees who will receive Forms W-2 from the payroll processor and will file one Form 1099-NEC, for a total of 10 information returns. Because Parish/School A is required to file a total of 10 information returns, Parish/School A must file the 2023 Form 1099-NEC electronically.

*****Please pay particular attention to the total number of year-end forms (Form W-2, Form 1099-NEC, and Form W-2G), because the new electronic filing threshold is determined based on the aggregate total, not the number of returns per return type.**

How to File?

Form 1099-NEC can be filed electronically at no cost through the IRS's newly released **Information Returns Intake System (IRIS)**. The IRS has provided an instruction video on use of the IRIS system and a general user guide. This free service is available to filers of any size.

- Information Returns Intake System (IRIS): <https://www.irs.gov/filing/e-file-forms-1099-with-iris>
- Instruction Video: <https://www.irsvideos.gov/Business/Resources/HowtoUsetheInformationReturnsPortal>
- Uploading up to 100 forms in bulk using a CSV file:
<https://www.irsvideos.gov/Business/Resources/CSVFileUploadDemonstration>
- IRIS Taxpayer Portal General User Guide: <https://www.irs.gov/pub/irs-pdf/p5717.pdf>

Additionally, if a parish/school is required to file original information returns electronically and subsequently has to amend and/or correct the returns, the filer **must submit the correction electronically**.



To e-file, apply now for a Transmitter Control Code (TCC). Please see page 4 for details.

Deadline

Form 1099-NEC is due on January 31st for both recipient copies and IRS, irrespective of the filing methods (paper or e-filing). The deadline to report Form 1099-NEC for the 2023 tax year is January 31, 2024.

Penalty for Noncompliance

Failure to comply with IRS electronic filing rules is considered a failure to file. The penalties differ based on the type of return. For information returns, such as Forms W-2 and Form 1099 series, the penalty under Internal Revenue Code Section 6721 would apply, which is up to \$310 per information return (for 2023 information returns required to be filed in 2024).

As always, contact an Internal Audit team member for any additional information, remember **EMAIL** is best, we can receive these when we are working on location:

Tim Redinger:	716.847.8745	TRedinger@BuffaloDiocese.org
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Information Returns Intake System (IRIS) Application for Transmitter Control Code (TCC)

<https://www.irs.gov/tax-professionals/iris-application-for-tcc>

To e-file Forms 1099 with **Information Returns Intake System (IRIS)**, you need an IRIS Transmitter Control Code (TCC). This 5-digit code identifies your business when you e-file forms. It can only be used for IRIS. If a parish/school does not have a TCC, they cannot use IRIS.

If you haven't done so, **APPLY NOW for a Transmitter Control Code (TCC)**. It may take up to 45 days for processing. If you don't receive your TCC within 45 days prior to January 31 deadline, you must file for an extension. See below. Once a Transmitter Control Code is obtained, you can e-file Forms 1099 with IRIS.

PLEASE REVIEW THE ATTACHED TUTORIAL BEFORE STARTING APPLICATION. This tutorial provides step-by-step instructions for applying for an IRIS Transmitter Control Code.

<https://www.irs.gov/pub/taxpros/irs-application-for-tcc-tutorial-1.pdf>

You will need the following information, as outlined in the attached IRS tutorial:

- Employer Identification Number (EIN).
- Legal business name, business type, physical and mailing addresses, and phone numbers.
- Information for 2 Responsible Officials (Pastor and Trustees), 0-2 Authorized Delegates, and 2 or more Contacts (Business Manager/Bookkeeper).
- Forms to be filed.
- Transmission methods to be used.

For each authorized user listed on the application, the following information is required:

- Taxpayer Identification Number (TIN): Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN).
- Date of birth and U.S. Citizenship.
- Contact information including email address, title, and phone number.
- Role(s) of the organization.

Filing for Extension

Form 1099-NEC, Nonemployee Compensation, is only allowed **one nonautomatic** 30-day extension of time, and filing must occur on a paper Form 8809 - Application for Extension of Time to File Information Returns.

Extension for filing Form W-2G, Certain Gambling Winnings can also be applied for on Form 8809.

Refer to Form 8809 for more information: www.irs.gov/pub/irs-pdf/f8809.pdf

Filing a Waiver

If you think you won't be able to meet your electronic filing requirement, you may request a waiver. A waiver isn't automatic and, if accepted, is only good for the current filing year. The submission must be a paper Form 8508 - Request for Waiver From Filing Information Returns Electronically. See the form for more information:

<https://www.irs.gov/pub/irs-pdf/f8508.pdf>

Get support with IRIS at **866-937-4130**, Monday – Friday 7:30 a.m. – 7 p.m. Eastern Time

For more information, please visit <https://www.irs.gov/filing/e-file-forms-1099-with-iris>