

# DIOCESE OF BUFFALO INTERNAL AUDIT NEWSLETTER

Form 1099-NEC, Nonemployee Compensation

September 2023

## INTERNAL AUDIT TEAM

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For more information, please visit the IRS website:

Instructions for Form 1099-NEC:  
<https://www.irs.gov/pub/irs-pdf/i1099mec.pdf>

DOB Website Newsletters:  
<https://www.buffalodiocese.org/internal-audit/>

Watch your email each October for instruction on completing Form 1099-NEC.

Please contact the audit team if you have any questions  
716.847.5572

## 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.

## DEADLINE

Parishes must furnish a statement to the recipient and file Form 1099-NEC with the IRS by January 31<sup>st</sup> of the following year. Send Copy A to the IRS, Copy B to independent contractors for their records, and retain Copy C in the parish files. Additionally, parishes must maintain a signed copy of Form 1096, Annual Summary and Transmittal of U.S. Information Returns.