

Pastors, Administrators, Moderators, Rectors, Principals, Business Managers, and Bookkeepers,

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>
- 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.**

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:

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