

Highlights and Quick References

Summary of 1099 Types and Related Forms

- ❑ **Attorney Payments:** Payments to attorneys, which are not solely for legal fees, are reportable in Box 10 of Form 1099-Misc.
- ❑ **Penalties:** The IRS may assess failure to file Forms 1099 to the IRS and/or failure to provide Forms 1099 to the Payee ranging from \$30–\$250 *each*. This is not a new law, but the IRS is becoming more vigilant in assessing these penalties for revenue generation.
- ❑ **New 1099-NEC:** The PATH Act accelerated the due date for filing Form 1099 that includes nonemployee compensation (NEC) from February 28 to January 31 and eliminated the automatic 30-day extension form forms that include NEC. Beginning with tax year 2020, use Form 1099-NEC to report nonemployee compensation.
- ❑ **Redesigned 1099-MISC:** Due to the creation of Form 1099-NEC, changes in the reporting income and the form's box numbers have been made. Reporting is required if \$600 or more is paid to a business or individual, which is NOT a corporation, for miscellaneous income or rental fees. Note: You must report all payments to attorneys of \$600 or more regardless of their corporate status.
- ❑ **1099-INT:** Reporting is required if \$10 or more of interest is paid by your company to a recipient. The IRS does not recognize interest-free loans. You are exempt from filing Form 1099-INT if the interest is paid to a corporation or tax-exempt organization.
- ❑ **Form W-9:** Request for Taxpayer Identification Number and Certification. When requested from your vendors, Form W-9 will provide you with the appropriate information to determine if Form 1099-MISC is required; as well as provide the information needed to prepare the form.
- ❑ **2020 Filing Requirements to the State of Michigan and Michigan Cities:** When a federal Form 1099-MISC is required and the recipient resides and/or performs services in Michigan, you MUST file a copy of Form 1099-MISC with the State of Michigan. Furthermore, if the recipient resides and/or performs services in a Michigan City, which imposes a tax on its residents/businesses, you are also required to file a copy of Form 1099-MISC within that municipality. For additional 1099-MISC filing instructions with the State of Michigan, see page 4 of this newsletter, or go to the State of Michigan website: www.michigan.gov/tax. Click on "FAQs" located at the top of the site; under the category "Business Taxes FAQs" select "W-2, 1099-MISC and Magnetic Media". You will see the reference to the Public Act mandating this filing requirement as well as additional information. Each municipality has its own filing requirements for Form 1099-MISC. We suggest you call the municipality directly to obtain specific filing instructions.

The following Michigan cities are taxing municipalities:

Albion, Battle Creek, Benton Harbor, Big Rapids, Detroit, East Lansing, Flint, Grand Rapids, Grayling, Hamtramck, Highland Park, Hudson, Ionia, Jackson, Lansing, Lapeer, Muskegon, Muskegon Heights, Pontiac, Port Huron, Portland, Saginaw, Springfield, and Walker

2020 Federal 1099 Information

1099 Reporting

Note: The January 31st deadline applies to certain types of 1099s. If you are filing Form 1099-NEC *Nonemployee Compensation*, then you will need to meet the filing deadline of January 31st. There is a \$30-\$250 penalty for failure to file Forms 1099 with the IRS and/or failure to provide Forms 1099 to the Payee.

Who must file Form 1099?

In general, any business that pays another business or individual and meets the criteria listed below (including non-employee compensation, rents paid, and interest paid) must file Form 1099. Please note that this is NOT a comprehensive list of all Forms 1099 or requirements. Please contact our office if you have specific questions or concerns. You may also visit the Internal Revenue Service website at www.irs.gov for more information.

New Form 1099-NEC, Nonemployee Compensation Beginning with tax year 2020, file Form 1099-NEC for each person in the course of your business to whom you have paid at least \$600 for the following during the year:

- Services performed by someone who is not your employee (including parts and materials)
- Cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade of business of catching fish
- Payments to an attorney (see further specifics below)

Amount to report:

Due date to recipient:

Due date to IRS (paper):

Due date to IRS (electronic):

Applies to \$600 or more

Postmarked by January 31, 2021

Postmarked by January 31, 2021

Transmitted by January 31, 2021

Redesigned Form 1099-MISC, Miscellaneous Income This informational return has multiple uses. File Form 1099-MISC for each person in the course of your business to whom you have paid at least \$600 for the following during the year:

- At least \$10 in royalties or broker payment in lieu of dividends or tax-exempt interest.
- At least \$600 in:
 - Rents
 - Prizes and awards
 - Other income payments
 - Medical and health care payments
 - Crop insurance proceeds
 - Cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish
 - Generally, the cash paid from a notional principal contract to an individual, partnership or estate
 - Payments to an attorney
 - Any fishing boat proceeds

- In addition, use Form 1099-MISC to report that you made direct sales of at least \$5,000 of consumer products to a buyer for resale anywhere other than a permanent retail establishment.

Attorneys – Payments made to attorneys in the course of your trade or business are reportable in Box 1 of Form 1099-NEC. However, if you make a payment in the course of your trade or business to an attorney in connection with legal services and the attorney’s fee is not reportable by you, the total amount paid to the attorney (gross proceeds) must be reported in Box 10 of Form 1099-MISC. For example, an insurance company pays an attorney \$100,000 to settle a claim. The attorney’s fee is not reportable by the insurance company. Therefore, the insurance company must report \$100,000 in Box 10 of Form 1099-MISC.

These rules apply (a) whether or not the legal services are provided to the payer, and (b) whether or not the attorney is the exclusive payee (e.g., the attorney’s and claimant’s names are on one check).

If you paid an attorney any amount from a trust or if it is indeterminable which portion paid to your attorney represents legal fees and which portion represents trust account holdings, please contact our office for further information.

Rents Paid - Form 1099-MISC is used to report rents paid to any person or business that is not a corporation, real estate agent or property manager. Examples of types of rent may include but are not limited to:

- Office space rental
- Machine rental

Amount to report
Due date to recipient:
Due date to IRS (paper):
Due date to IRS (electronic):

Applies to \$600 or more
Postmarked by January 31, 2021
Postmarked by February 28, 2021
Transmitted by April 2, 2021

- Form 1099-INT.** This informational return is used to report interest paid by an individual or a company to the recipient of the interest. For example, either you (as owner of your company) or a friend makes a loan to the business. The IRS does NOT recognize interest-free loans. Therefore, we will need to calculate a reasonable interest amount on the outstanding balance of the loan throughout the year. This interest amount will be included into the income of the person making the loan.

Amount to report:
Due date to recipient:
Due date to IRS (paper):
Due date to IRS (electronic):

Applies to \$10 or more
Postmarked by January 31, 2021
Postmarked by February 28, 2021
Transmitted by April 2, 2021

Note: If the interest is paid to a corporation or tax-exempt organization, you are exempt from filing Form 1099-INT.

State 1099 Information for 2020

- ❑ 1099-MISC forms for services performed in the State of Michigan, regardless of the state of residence of the payee, must be filed with the State of Michigan.
- ❑ File Copy 1 of Form 1099-MISC with Form 5081, Annual Return for Sales, Use and Withholding Taxes, along with any paper W-2s. Mail to the address stated on Form 5081.
- ❑ If you are not registered to pay taxes to the State of Michigan and do not use Form 5081 or if you have already mailed your annual Form 5081 to the State, then send Copy 1 of Form 1099-MISC with a summary letter. Include in the letter your company name, address, Federal Employer's Identification Number (FEIN) or Treasury-assigned account number, total number of Form 1099-MISC, Copy 1, and the total amount of the forms enclosed and mail to:

**Michigan Department of Treasury
Lansing, MI 48930**

- ❑ If you wish, instead of filing Form 1099-MISC, Copy 1 on paper, you may file the forms via magnetic media (CD-R or 3480 or 3490 tape cartridges). Magnetic media files can be sent electronically through MTO for tax years 2017 and beyond. MTO is a free, secure and intuitive way to electronically manage your Treasury business account. Visit michigan.gov/mtobusiness for MTO instruction guides and tutorials. Wage statement files sent through MTO are encrypted and securely stored on Treasury servers.

If you choose to file Form 1099-MISC, Copy 1 using magnetic media, be sure to mail your paper Form 5081 separately to the address on the form. Send the magnetic media, along with a copy of the Transmittal for Magnetic Media Reporting of W-2s, W-2Gs, and 1099s (Form 447), to:

**Michigan Department of Treasury
Returns Processing Divisions
Magnetic Media
Lansing, MI 48930**

**Courier Deliveries: Michigan Department of Treasury, Magnetic Media,
7285 Parsons Drive, Dimondale, MI 48821**

- ❑ Submissions of Form 1099-MISC, Copy 1 must be postmarked by **February 28, 2021**. Currently Michigan does not accept 1099 forms via electronic transmission.

Additional information is available at www.michigan.gov/taxes. A simple search using the phrase "State of Michigan 1099 filing instructions" should bring you to a Michigan.gov/taxes link. Each municipality has its own filing requirements for Form 1099-MISC. We suggest that you call the municipality directly to obtain specific filing instructions.