Steps to Prepare for 1099 Processing

What's the difference between…

Form 1099-NEC (nonemployee compensation) **vs Form 1099-MISC** (miscellaneous)

Starting in 2021, Form 1099-NEC was reintroduced to specifically capture non-employee compensation. It is the primary form for capturing payments paid to a contractor of more than $600 in a tax year. Form 1099-MISC is used to capture rent, legal settlements, or prize or award winnings, etc.

Video Learning Tools



For employees who are new to the 1099 Process: An Escape webinar can be found at: *Escape > Online Resources > Learning Opportunities > Events (on top ribbon) > On Demand Events Drop down > 1099 Verification (Scroll down to find the video)* (approx. 50 minutes)

For employees who would like a quick refresher, four additional videos in the learning center. *Escape > Online Resources > Learning Opportunities > Finance (Desktop) > 1099 Processing > 1099 Reporting Checklist:*

- 1099 Quick Checklist, 1099 (Extended), TIN Verification File, 1099/W2 Indicators (approx. 18 minutes)

STEP 1 – Collecting W-9s/TIN Matching/Vendor Records Complete (all year long)

1. Collect W-9s from vendors prior to releasing payment (see *Reminders below)
2. Sign up for a Taxpayer Identification Number (TIN) account with the IRS.
   - Perform TIN matching (at IRS website) to verify that the name and number match
   - Upload and store W-9 and TIN match document with vendor record in Escape (there are penalties for submitting incorrect information to the IRS)

   When a new vendor is set up in Escape, districts should enter the information and TIN Match through the online IRS TIN Matching electronic process.
3. Review Vendor Records for completeness

*Reminders:



- ✓ If you are notified by the IRS of an incorrect filing of an information return, take action immediately to solicit a new W-9 from the vendor(s)
- ✓ Correct the vendor record in Escape upon receipt of the new W-9 to avoid a penalty for filing another incorrect information return for the same vendor
- ✓ In the event that a vendor does not respond to your solicitation for a new W-9, reference the IRS publication 1281 "Backup Withholding for Missing and Incorrect Name/TIN(s)" which can be found at the following IRS link: https://www.irs.gov/pub/irs-pdf/p1281.pdf

STEP 2 - Reviewing 1099 Eligible Vendors (November / December)

- Review and modify vendor records → *Finance > Processes > Tax Reporting > Vendor 1099*
    - Review and modify the vendor record, update issues as necessary, make manual adjustments, etc. using the vendor quick links
    - Run the ReqPay16 to double check your work (dollar amounts look correct, 1099 flag set correctly, etc. → *Finance > Reports > ReqPay > ReqPay16*

For full text regarding the above process, see **Reviewing the 1099 List** in Escape Online Resources Documentation.

Helpful Hints:



- ✓ The IRS only allows 40 characters on one line as the street address for 1099s – an additional address record can be created in the vendor record and flagged as the address to use on the 1099.
- ✓ If the 1099 Form Box is left blank in a vendor record, the system uses the objects in the accounts to determine the 1099 box.

- Verify dollar amounts
- Object Codes – SBAS has the following boxes as defaults – please review and update if necessary

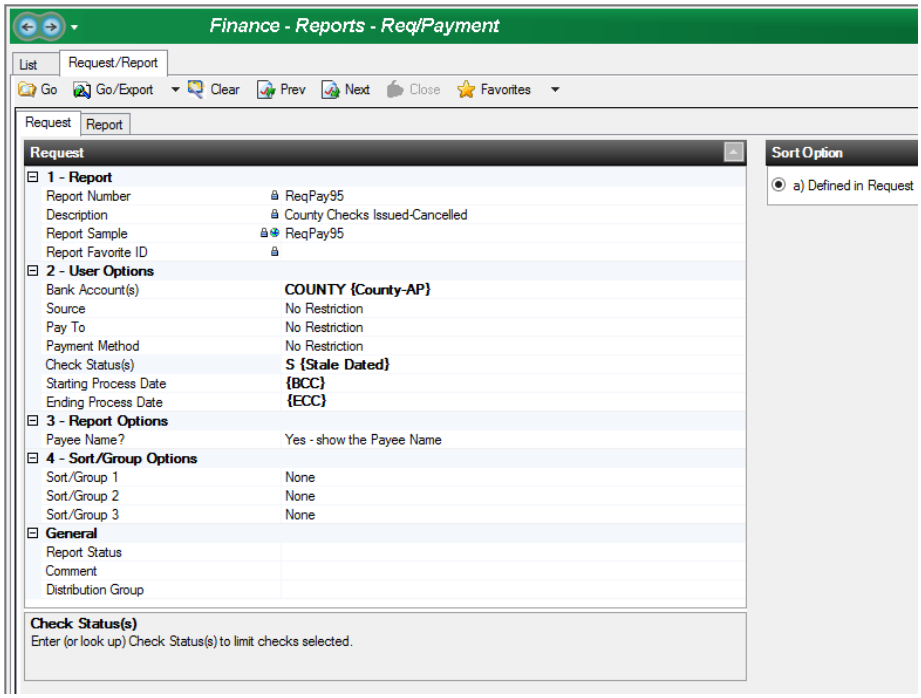
Object	Title	Box		Object	Title	Box
5100	Subagreements for Services	7		5800	Professional/Consult/Operate Expense	7
5200	Travel and Conferences	7		5900	Communications	7
5300	Dues and memberships	7		6100	Land	7
5400	Insurance	7		6200	Buildings/Improve-Buildings	7
5500	Operations/Housekeeping Services	7		6300	Books/Media for New School	7
5600	Rentals/Leases/Repairs	7				

- 1099 Descriptions with Box Numbers

Code	Description	Amt Minimum
1	Rent (1099-MISC Box 1)	$600 or more
2	Royalties (1099-MISC Box 2)	$10 or more
3	Other (1099-MISC Box 3)	$600 or more
6	Medical Payments (1099-MISC Box 6)	$600 or more
7	Nonemployee Compensation (1099-NEC) This is the default. Any payment with an object code not specified for one of the other amounts will be added to this form.	$600 or more
13	Excess Golden Parachute Payments (1099-MISC Box 13)	ANY payments
14	Gross Proceeds Paid to an Attorney (1099-MISC Box 10)	$600 or more
99	SIT Withheld (1099-MISC Box 15)	ANY amount

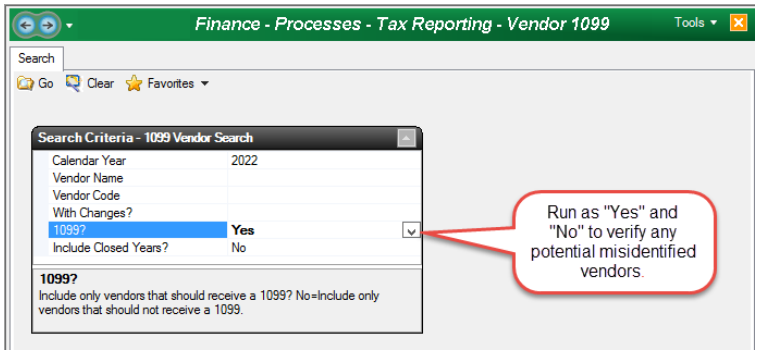
STEP 3 - Review Stale-Dated Checks (December)

- The 1099 process ignores stale-dated checks. Please review payments from stale-date account to determine if any payments should be included in the 1099. If yes, you can add the account as an adjustment. The report below will identify stale-dated payments within the calendar year.



STEP 4 - Generate 1099 List (December)

- *Finance > Processes > Tax Reporting > Vendor 1099* (this populates 1099 tables so that reports can be run) → See screen shot.



- Any formatting problems or missing information will be identified and can be corrected in the vendor record from this activity by clicking on the vendor in the list and opening the record
- Adjustments can be made to add in amounts paid through ASB or a revolving fund account for vendors appearing on the list
- If a vendor does not appear on the list, the vendor can be added to the list by clicking the new button and entering in the vendor ID and the adjustment amount (the vendor must exist in the system).
- A snapshot of the actual 1099 Form can be viewed for each vendor
- Run 1099 Reports: ReqPay16 (Vendor 1099 Detail) and ReqPay07 (Vendor 1099 log) to review and correct information.

STEP 5 – 1099 Corrections (as necessary) – Contact SBAS (January and beyond)

Both SBAS and the District will need to be aware of the timing of the correction to ensure that the files sent to the IRS are adjusted if necessary (to include the correction).

Therefore, if a 1099 needs to be changed, please contact the Finance Systems Supervisor at ext. 5372 to receive instructions on how to make the correction.