

## **2021 Form 1099 Preparation and Filing**

**NOTES:**

- If you are a monthly bookkeeping client, we will prepare your 1099s and you can disregard this letter.

In order to provide more timely and cost-effective service for Forms 1099, we are offering two (2) options for compiling and submitting the data for the 2020 forms. If you would like our assistance in preparing the forms, we must receive your 1099 information in our office **by Monday, January 3, 2022** to guarantee completion by the filing deadline of **Monday, January 31, 2022**. In fairness to all of our clients, 1099s will be prepared in the order in which they are received along with other year-end payroll reports.

Please read through the following pages, and mark Option 1, Option 2, or Self-file below. Please sign, date and return this page, along with additional requested information.

- Option 1** – We'll Prepare Your Forms 1099 Based on the Information You Provide on the Beard Harris 1099 Worksheet
- Option 2** – We'll Prepare Your Forms 1099 After Reviewing Your QuickBooks for 1099 Information
- Self-file** – We'll be Self-Filing our 1099s and Do Not Require Beard Harris' Assistance

\_\_\_\_\_  
Name of Company

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

Return this completed form along with your related 1099 information/worksheet **by Monday, January 3, 2022** by uploading the documents using the link provided at <https://bh-co.com/events/21-1099s-cutoff-date/> or via fax at (972) 503-1120.

## ***1099 Options - And Other Useful Information***

### **Option 1 – Provide us with your data using the worksheet provided in the email**

You can fill out the worksheet included in the email you received and return it electronically via the link provided in the same email. We will prepare 1099s for only the vendors listed on these worksheets. We will not sort through your QuickBooks file for any data. **We will rely solely on the data provided by you on these worksheets.** The fees to prepare the 1099s under Option 1 will be based on the number of forms submitted for preparation. The fee for up to two 1099s will be **\$290**. Each form in excess of two forms will be \$25 per 1099.

### **Option 2 – We will review your QuickBooks for 1099 information**

You will provide us with a QuickBooks back-up or grant us access to your QuickBooks Online file, and we will review it for possible 1099 recipients. This is a much more time intensive preparation process, as it involves us reviewing all of your QuickBooks activity, mapping the correct accounts, and properly setting up the vendors. We will also have to go back and forth with you on a number of payees to try to determine if 1099s are needed. Please understand this process by nature involves a lot of guesswork on our part. **As a result, this service will be significantly more costly than Option 2.** The fees for this option will be based on our time incurred with a **minimum fee of \$825**, which includes up to four 1099s. Each form in excess of four forms will be \$25 per 1099.

### **Self-filing Your Forms 1099**

If you would like to prepare your own 1099s this year, the necessary forms can be purchased from your local office supply store (such as Office Depot).

### **Who is eligible for a 1099?**

- Individuals or businesses that are **not incorporated** and were paid **\$600 or more** during the year for any type of business service (contract labor, repairs, computer consulting, cleaning services, etc.).
- Your Landlord for rent paid.
- All attorneys' fees, medical and health care payments, **regardless** of incorporation, who were paid \$600 or more during the year.
- Note that the only excluded companies are true corporations. The confusing part is that you are required to send 1099s to those businesses formed as LLCs, LPs or partnerships, as well as sole proprietors with "business sounding names" **that are not incorporated**. If the business name ends in "Company" or "Co.," you will need to determine the type of entity in order to determine if a 1099 is required. Having your vendors complete a Form W-9 will help you to determine whether or not a 1099 is required.
- Please note: Beaird Harris, PLLC is a corporation, so you are **not required** to issue a 1099 to us.

### **Helpful Hints**

- If you determine that you have 1099 vendors and plan to file the 1099s yourself, you can obtain 1099 forms from any local office supply store.
- 1099s issued to individuals (those not incorporated or set up as partnerships) must list a social security number as their identification number along with the name for that social security number. **DBAs are not used on 1099s.**
- 1099s issued to corporations or partnerships must list a federal EIN as their identification number.
- Reimbursements for expenses to contractors or employees do not need to be reported on a 1099, as long as the reimbursements are paid under an accountable plan (i.e. receipts are provided for reimbursement).
- Names, addresses, and identification numbers should already be on file with you, as each vendor providing services should have filled out a W-9 before beginning work with you. **If you do not have a W-9 on your vendors, we strongly suggest you do it now.** In our experience, it is very tough to track people down for the required information. [You can download a W-9 here.](#)

## **Penalties and filing issues**

The IRS wants to know if you made any payments during the tax year that would require you to file Forms 1099, and if so, that you did file all required Forms 1099. Please make sure you carefully read and understand the above 1099 reporting requirements and that you are in compliance. By not remaining in compliance, you greatly increase your chances of an IRS audit. We, as tax professionals, are also required to ask if you have filed all required Forms 1099 when we prepare your income tax return.

The filing deadline to provide your vendors with 1099s is **Monday, January 31, 2022**. ***Failure to submit your forms by the deadline will lead to penalties.*** The IRS is now actively enforcing 1099 late filing penalties. The penalty typically ranges from \$50 - \$1,000 per 1099, depending on the timing of the filing delinquency.

Please note that both the Texas Workforce Commission and IRS care a lot about who you classify as an independent contractor versus an employee. There are substantial penalties for misclassification of workers. The determination factors are outside the scope of this letter, but if you have any questions about whether a worker is an independent contractor versus an employee, please let us know and we can assist you with that determination. With a new year comes the opportunity to get a clean start on this issue if needed!

## **We are here to help!**

As always, please free to contact us with any questions. We are here to help you through this process and make this as easy as possible. We recognize this can be tough information to gather and we are here to help! If you need help, now is the time to get help rather than when the deadline is closing in. If you are unsure if a vendor should be issued a 1099, we are happy to walk you through that determination.

We appreciate the opportunity to serve your accounting and tax needs!