

1099-NEC or 1099-MISC? What has changed and why it matters!

In a move that will impact business owners and tax professionals across the nation, the IRS has released the 2020 Form 1099-NEC. The new form replaces Form 1099-MISC for reporting nonemployee compensation.

1099-NEC - IDMS									
ID #1 ☐ VOID ☐ CORR (G) ☐ CORR (C) ☒ Efile ☒ 1096 ☒ Printed									
PAYER'S name, street address, city, state, ZIP code, and telephone number INTEGRATED DATA MANAGEMENT SYSTEMS ACCOUNT ABILITY COMPLIANCE SOFTWARE 555 BROADHOLLOW ROAD SUITE 273 MELVILLE NY 11747-5001 631-249-7744/SALES DEPT					OMB No. 1545-0116 2020 1099-NEC		Nonemployee Compensation		
					1 Nonemployee compensation \$1,545,403.00				
PAYER'S TIN 13-3249958		TIN Type SSN ▼	RECIPIENT'S TIN 102110023						
RECIPIENT'S name JOHN DOE				NAME CTRL JDOE					
Street address 33 EAST 17 STREET UNIT 2101				APT.	4 Federal income tax withheld \$370,896.83				
City NEW YORK		State NY	Zip Code 10003	Zip Ext. 2005					
Account number 234982392L1130JD		FATCA ☐	Foreign ☐	CFSP NJ	USPS DP 28	2nd TIN ☒			
Furnish Copy B to the recipient by Feb 1, 2021 File Copy A with the IRS by Feb 1, 2021					State 1 NY	5 State #1 tax withheld \$154,000.00	6 State #1 ID number 13-3249958	7 State #1 income \$975,000.00	
					State 2 NJ	5 State #2 tax withheld \$72,500.00	6 State #2 ID number 8892556812	7 State #2 income \$570,403.00	
E-Mail: john.doe@abc.com					Browsing				

Farmingdale, Dec 30, 2020 (Issuewire.com) - Why is the 1099-NEC Replacing Form 1099-MISC (Box 7)?

The Protecting Americans from Tax Hikes Act of 2015 (the PATH Act) -- enacted on December 18, 2015 -- created a unique situation for tax filers. In addition to moving the due date for Form 1099-MISC Forms containing data in Box 7; (nonemployee compensation), from February 28 to January 31, the legislation eliminated the automatic 30-day filing extension. If an employer filed a batch of multiple 1099-MISC forms (potentially with data in Box 7 (nonemployee compensation) and without) after the January 31st deadline, the IRS could mistakenly treat them all as of late returns and apply fines. Beyond the time-management and administrative issues for the IRS to properly process the forms, some misaligned deadlines on the taxpayer side opened the door to fraud. To resolve the various issues, the IRS revived Form 1099-NEC, effectively separating Box 7 (nonemployee compensation) from the 1099-MISC, as well as staggering the filing due dates.

The 2020 version of [Account Ability Tax Form Preparation Software](#) includes full support for [Form 1099-NEC User Interface](#) as well as [Form 1099-MISC User Interface](#). Account Ability complies with IRS specifications for the entire family of information returns and annual wage reports.

The screenshot displays the '1099-MISC - User' window of the software. The form is titled '2020 Miscellaneous Income' and is for the tax year 2020. It contains the following information:

- Preparer Name:** Integrated Data Management Systems, Account Ability Compliance Software, 555 Broadhollow Road Suite 273, Melville NY 11747-5001.
- Preparer EIN:** 13-3249958.
- Recipient Name:** JOHN DOE.
- Recipient Address:** 33 EAST ST STREET UNIT 2001, NEW YORK, NY 10003.
- Form Type:** 1099-MISC.
- Box 1 (Rents):** \$178,000.00.
- Box 2 (Royalties):** \$110,250.00.
- Box 3 (Other Income):** \$78,800.00.
- Box 4 (Federal income tax withheld):** \$18,750.00.
- Box 5 (State income tax withheld):** \$0.00.
- Box 6 (Local income tax withheld):** \$0.00.
- Box 7 (Power made direct debit of \$500 or more of consumer products for a paper (check) for note):** \$0.00.
- Box 8 (Substantiated payments in lieu of dividends or interest):** \$0.00.
- Box 9 (Drop advance proceeds):** \$0.00.
- Box 10 (Other proceeds paid to an attorney):** \$0.00.
- Box 11 (Sector NEW Software):** \$0.00.
- Box 12 (Unqualified deferred comp):** \$0.00.
- Box 13 (State 1):** NY, \$17,800.00, 13-3249958, \$178,000.00.
- Box 14 (State 2):** NY, \$110,250.00, 8892556012, \$110,250.00.

Media Contact

IDMS Account Ability

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Source : Integrated Data Management Systems Inc.

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