



KongBasileConsulting

# KBC 1099 Process Overview

Mandy Myers and Dan Shinstrom

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# AGENDA

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## BONUS:

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# 1099 Planning

- Consider 1099 planning as if you are planning your Wedding!
- Start the planning yesterday if you want to get married on Feb 1, 2021, which happens to be the deadline for 1099 filing.
- Collect the W9's from your vendors just like you will collect information about florist, baker, chefs months in advance.
- Send the wedding invitations (1099's) by mid Jan if you want your guests to show up on Feb 1st (of course with a mask on 😊)
- You really do not want to wait till your Wedding Day (deadline for 1099 filing). Your better half (IRS) will not be happy if no guests (1099's) show up and things can get expensive. You don't want to pay Penalties to IRS just because you did not entertain the guests on time.
- **So PLAN NOW, EXECUTE and ENJOY!**

# What is FORM..

## FORM definitions

- **Form 1099 (-MISC and -NEC)** is one of several IRS tax forms used in the United States to prepare and file an information return to report various types of income other than wages, salaries, and tips (for which Form W-2 is used instead).
- **Form W-9** This is a tax document that includes an individual or entity's tax ID number (typically SSN or FEIN number) as well as denotes the legal structure of the vendor. This document is needed to understand if an entity requires a 1099 (individual vs partnership vs corporation) as well as provides essential info (tax ID) used in filing the 1099 form.
- **Form W-8 BEN(e)** Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting for Individuals (BEN) or Entities (BENe). If the foreign contractor is not a U.S. taxpayer, and all of the contracted services were performed outside the U.S., a Form 1099 is not required. Instead, you will need to ask the contractor/entity to complete a Form W-8BEN(e). The Form W-8BEN certifies that the foreign contractor/entity is not a U.S. taxpayer. The Form W-8BEN is never submitted to the IRS, however, it needs to be held in your files in case of an audit. If you are audited by the IRS, the Form W-8BEN will support your reasoning for not issuing a 1099.
- **Form 3921** This is filed when employees exercised incentive stock options (ISOs) last tax year.
- **Form 3922** is required when a corporation records a transfer of legal title of shares acquired under an Employee Stock Purchase Plan (including to a broker or other financial institution) when either (a) the purchase price of the shares was less than the fair market value of the shares of stock on the date of grant or (b) the purchase price of the shares was not fixed or determinable on the date of grant.

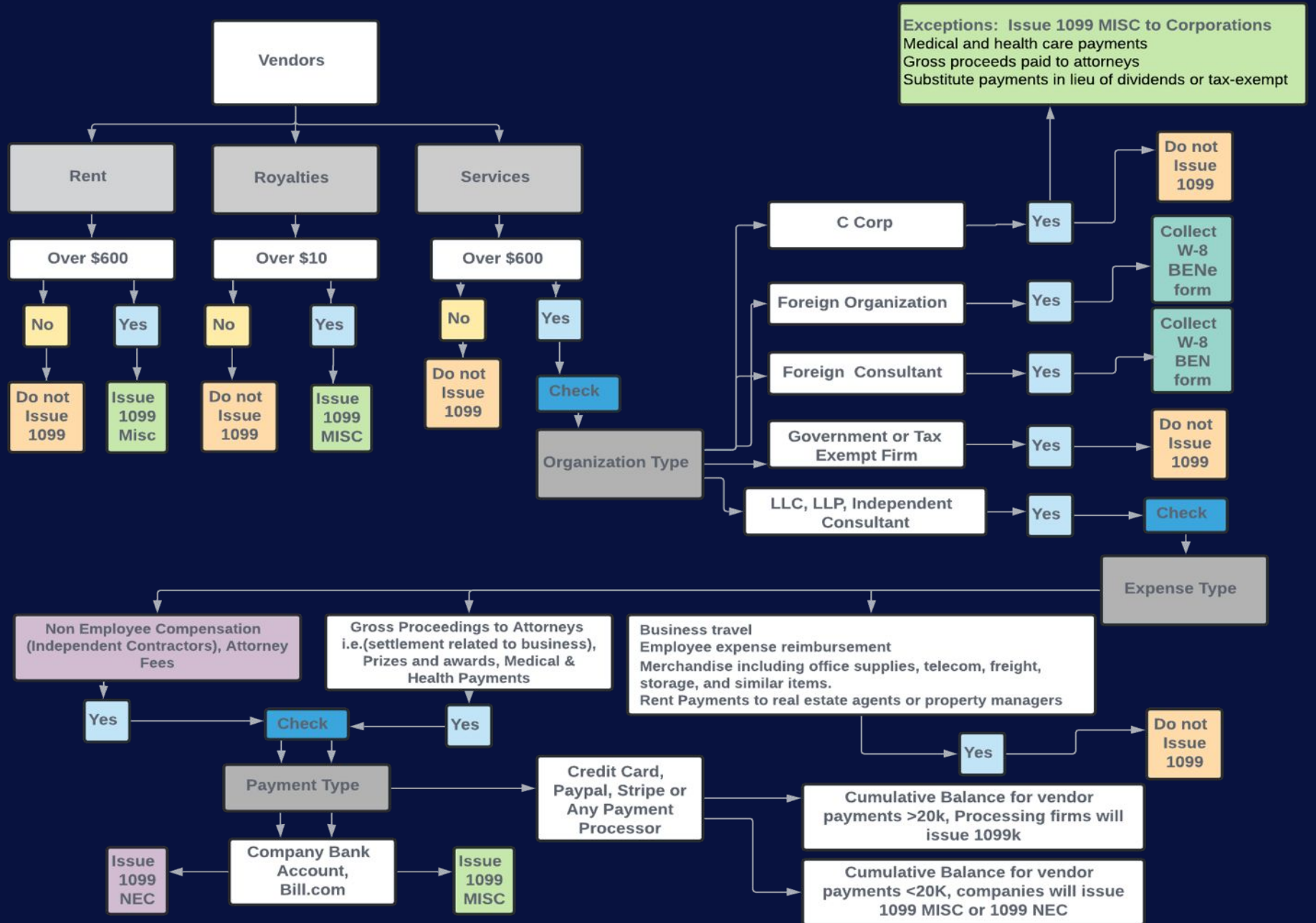
# What's New

## Meet the NEW Form 1099-NEC

The image shows the top portion of Form 1099-NEC for the year 2020. At the top left, there are checkboxes for 'VOID' and 'CORRECTED'. The main header area includes the OMB No. 1545-0116, the year '2020', and the title 'Nonemployee Compensation Form 1099-NEC'. The form is divided into several sections: a large box for 'PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.', a box for 'PAYER'S TIN', a box for 'RECIPIENT'S TIN', a box for 'RECIPIENT'S name', a box for 'Street address (including apt. no.)', a box for 'City or town, state or province, country, and ZIP or foreign postal code', and a box for 'Account number (see instructions)'. On the right side, there are boxes for '1 Nonemployee compensation', '2', '3', '4 Federal income tax withheld', '5 State tax withheld', '6 State/Payer's state no.', and '7 State income'. A 'FATCA filing requirement' checkbox is also present. The bottom right corner indicates 'Copy 1 For State Tax Department'. The footer contains the text 'Form 1099-NEC', 'www.irs.gov/Form1099NEC', and 'Department of the Treasury - Internal Revenue Service'.

- Vendors who previously received a 1099-MISC with box 7 Non-employee compensation income (this is the overwhelming majority of 1099 recipients) will now receive the 1099-NEC instead.
- Using the Form 1099-NEC is mandatory for 2020
- The 1099-NEC is straightforward:
  - Box 1 is for non-employee compensation
  - Box 4 is for federal withholding for that contract employee.
- Due to the creation of Form 1099-NEC, IRS has revised Form 1099-MISC and rearranged box numbers discussed later.

# 1099 Flowchart



# Where to enter?

1099-MISC		
Box 1	Rents	
Box 2	Royalties	
Box 3	Prizes and Awards	Other Income Payments
Box 5	Any Fishing Boat Proceeds	
Box 6	Medical & Health Care Payments	
Box 7	Payer Made Direct Sales of over \$5k	Put X in the Box. Amount will go in one of the other Boxes

1099-MISC	
Box 8	Substitute Payments in Lieu of Dividends or Interest
Box 9	Crop Insurance Proceeds
Box 10	Gross Proceeds Payments to an attorney
Box 12	409A Deferral
Box 13	Excess Golden Parachute Payments
Box 14	Non Qualified Deferred Compensation
Box 15-17	State Information

1099-NEC		
Box 1	Independent Contractors	Attorney Fee
Directors Fees and remuneration including Retirement payments	Fish Purchases in Cash over \$600	
Commission Paid to Lottery ticket Sales agent	Payment made on behalf of another person	
Box 4	Federal Income Tax Withheld	

# Deadlines, Penalties & Other Issues

## Due Dates.

- The due date for 1099-NEC is **Feb. 1, 2021**, to both the IRS and to recipients.
- The new 1099-MISC due date is pushed back to March 31, 2021, for IRS e-filing, since it no longer contains Box 7. It is still due to recipients on **Feb. 1, 2021**.

## 1099 Penalties for Businesses

- No more than 30 days late; \$50 per statement, up to a maximum of \$194,500.
- More than 30 days late but before August 1st: \$110 per return; up to a maximum of \$556,500.
- After August 1 or not at all: \$270 per return; up to a maximum of \$1,113,000.
- Intentional disregard; \$550 per return

- **State Requirements** - Individual state filing requirements are yet unknown for some states. Hoping that the IRS will make the 1099-NEC part of the Combined Federal/State program. Filers of Form 1099-NEC need to monitor how states are handling this change in federal tax forms, including whether states would adopt new forms or procedures to accommodate the 1099-NEC federal reporting.
- **Corrections for a prior-year 1099-MISC.** If a company has to correct a Box 7 amount on a 2019 1099-MISC and the new 1099-MISC Box 7 no longer exists? The IRS says corrections to 1099-MISC box 7 for tax years 2019 and earlier will remain on the old 1099-MISC form.



# Form W-9

- Request a W-9 from the entity who will be receiving the 1099
- Name, address, contact info, TIN (EIN/SSN) & signed.
- Valid email address – preferably an accounting department.
- Confirm the info is up to date if W-9 was received in a previous year.

**Form W-9**  
(Rev. November 2017)  
Department of the Treasury  
Internal Revenue Service

**Request for Taxpayer Identification Number and Certification**  
▶ Go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9) for instructions and the latest information.

**Give Form to the requester. Do not send to the IRS.**

1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.

2 Business name/disregarded entity name, if different from above

3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only **one** of the following seven boxes.

Individual/sole proprietor or single-member LLC

C Corporation

S Corporation

Partnership

Trust/estate

Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ▶ \_\_\_\_\_

Other (see instructions) ▶ \_\_\_\_\_

**Note:** Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is **not** disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any) \_\_\_\_\_

Exemption from FATCA reporting code (if any) \_\_\_\_\_

(Applies to accounts maintained outside the U.S.)

5 Address (number, street, and apt. or suite no.) See instructions.

6 City, state, and ZIP code

7 List account number(s) here (optional)

**Part I Taxpayer Identification Number (TIN)**

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

**Note:** If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number

\_\_\_\_ - \_\_\_\_ - \_\_\_\_\_

Or

Employer identification number

\_\_\_\_ - \_\_\_\_\_

**Part II Certification**

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
- I am a U.S. citizen or other U.S. person (defined below); and
- The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

**Sign Here** Signature of U.S. person ▶ \_\_\_\_\_ Date ▶ \_\_\_\_\_

**General Instructions**

Section references are to the Internal Revenue Code unless otherwise noted.

**Future developments.** For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9).

**Purpose of Form**

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following.

- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See *What is backup withholding*, later.

Cat. No. 10231X

Form **W-9** (Rev. 11-2017)

# Best Practices - Form W-9

- Collect the W-9 when onboarding any new vendor
- Common practice among large corporations, this should be added to current AP process
- Create a doc (Excel/Google Doc), to track your 1099 vendors/collected W-9s. Categorize the list for 1099-MISC and 1099-NEC in advance.
- Centralize all W-9s in a folder (or attach to vendor in AP system) and separate vendor.

# Form W-9 - Challenges to Filing

## Collecting W-9s can be a challenge

- **Don't accept any pushback** regarding sending W-9s. A vendor should always be able to send one.
- Make it a requirement to collect a signed W9 form from independent contractors along with their consulting agreement.
- Make sure all info on 1099s are correct before filing, corrections can be time consuming.

# KBC Tips & Tricks - Filing 1099s – Track1099

- Track 1099 website <https://www.track1099.com/>
- Software platform that allows you to upload CSV and/or plug into certain systems to upload vendor info
- Electronically sends all 1099s to recipient AND IRS automatically
- Reasonable pricing, ESPECIALLY with large 1099 volumes
- Other tools/options: Quickbooks (requires user to mail forms), 1099Fire, manually filling out yourself

## Pricing Calculator

How many total 1099, W-2, 1095, 1042-S, T4A & 94x forms?

Average price per form:

**\$2.19 each**

First 10 forms	\$2.99 each
Next 150 forms	\$1.99 each
Form 161-500	\$1.19 each
Form 500+	\$0.69 each

# KBC Tips & Tricks - Track1099 Upload

- For new clients “Add New Payer” and then “Import Data”.
- For clients that we used Track1099 for last year, select client and then “Import Data”.
- CSV data import is generally the cleanest and easiest way to import data.
- CSV templates are available on the CSV Import landing page. You will upload a separate csv template for each type of filing.
- NOTE: Updated 1099-MISC and 1099-NEC CSV upload files are not available in Track 1099 yet.

The screenshot displays the Track1099 web interface. At the top, there's a navigation bar with 'Track1099' logo, 'FAQ', 'IRS Info', 'State Info', 'W-9', 'Videos', 'Corrections', and a user greeting 'Welcome, Mandy Myers'. Below this is a year selector (2019, 2018, 2017, 2016, 2015) and a 'All Payers' section with a breadcrumb trail: 'Overview > 1. Add New Payer > 2. E-file All > 3. Mail All > 4. Download All > Import Data'. The main content area asks 'How will you add recipient forms for your new payer?' and offers 'Manual entry or CSV' (All form types) and 'Import Options' (qb, xero, and CSV). The 'CSV Import' page provides instructions: 'If you can export a spreadsheet of Recipients/Employees from your accounting software, we can import it to Track1099.' It includes links to 'Watch our CSV video' and 'QB Pro/Premier/Enterprise clients, please see our QB 1099 CSV export instructions.' The steps are: 'First: Download the correct CSV template for your forms.' (with buttons for 1099-MISC, W-2, 1095-C, and More Forms...), 'Next: In your accounting software, create a 1099 or W-2 report and export it to CSV format.', 'Third: Copy and paste the data from your report to our CSV template. Do not rearrange the columns.', 'Fourth: Save the filled-in template as a CSV file, not xls. Check leading zeros in Zip Code.', and 'Finally: Click Select File below, then Import CSV.' A 'Select File' button shows 'None selected'. At the bottom, an 'Import CSV' button is accompanied by the text: 'A "New CSV Payer" will be created for these recipients. You can rename the payer after import.'

# What you can do NOW!

Run the transaction list by vendor report and start walking through the flowchart.

For each vendor that does or may require a 1099, ensure that:

- You have a form W9 on file (saved in folder or AP system)
- You have a vendor email

**BONUS: 3921/3922s**



# Form – 3921 and 3922 Overview

**Form 3921** – Filed when employees exercised incentive stock options (ISOs) in the current year.

- This data can be accessed in Carta. If your client does not use Carta, reach out to whomever is managing the cap table for this information.
- It is very common that our clients require Form 3921s to be filed.

**Form 3922** – Filed when a corporation records a transfer of legal title of shares acquired under an Employee Stock Purchase Plan (including to a broker or other financial institution) when either (a) the purchase price of the shares was less than the fair market value of the shares of stock on the date of grant or (b) the purchase price of the shares was not fixed or determinable on the date of grant.

- Does your client have an ESP Plan? Discuss with your manager/director to determine if this filing is required.
- It is less common that our clients require Form 3922 to be filed.



# Filing Form 3921s and 3922s in Track1099

Literally the same process as filing 1099s in Track1099,  
but use the 3921 and 3922 csv templates

# Filing 3921s in Carta

- You can file 3921s directly through Carta. It is an upgrade in Carta that may cost additional \$\$, but it is an option.
- To see if you have this option already included in the current tier of service go to Compliance > Form 3921.

The screenshot displays the Carta user interface. At the top left, there is a logo and the text 'ACCOUNT' followed by a redacted name. On the top right, there is a 'Tasks' dropdown menu. Below this is a navigation bar with several menu items: 'Company', 'Securities', 'Capitalization', 'Stakeholders', 'Transactions', 'Compliance', and 'Board'. The 'Compliance' menu is highlighted in yellow, and its dropdown menu is open, showing options: '409A', 'Expense reporting', 'Form 3921' (highlighted in yellow), and 'Rule 701 disclosures'. Below the navigation bar, there are two main content areas. The left area is titled 'Stakeholders' and has a redacted name and a right-pointing arrow. The right area is titled 'Fully diluted shares' and has a redacted value. Below these are two more sections: 'Latest transactions' on the left and 'Cap table summ' on the right.

# Resources/Documents

- 1099 NEC PDF - <https://www.irs.gov/pub/irs-prior/f1099nec--2020.pdf>
- 1099 MISC PDF - <https://www.irs.gov/pub/irs-pdf/f1099misc.pdf>
- Instructions for Filing Form 1099 NEC and 1099 MISC - <https://www.irs.gov/instructions/i1099misc>
- Track 1099 CSV upload tutorial - <https://youtu.be/Z-QrR7pVeL0>
- 1099K PDF - <https://www.irs.gov/pub/irs-pdf/f1099k.pdf>
- 1099K Instructions for Payment Processors (IRS) - <http://www.irs.gov/pub/irs-pdf/i1099k.pdf>
- Filing Deadlines - <https://www.irs.gov/pub/irs-pdf/i1099gi.pdf>
- W-9 PDF - <http://www.irs.gov/pub/irs-pdf/fw9.pdf>
- Track1099 FAQ - <https://www.track1099.com/info/faq>
- Track1099 Pricing - <https://www.track1099.com/info/pricing>
- Generating Form 3921 in Carta - <https://support.carta.com/s/article/generating-form-3921-in-carta>
- Uploading 3921 (Form A) to IRS FIRE - <https://support.carta.com/s/article/uploading-3921>
- Basics on Forms 3921/3922 - <http://www.irs.gov/pub/irs-pdf/i3921.pdf> & <http://www.irs.gov/instructions/i3921/ar02.html>
- Form 3921/3922 - <https://www.irs.gov/pub/irs-pdf/f3921.pdf> & <https://www.irs.gov/pub/irs-pdf/f3922.pdf>
- E-File with the IRS – <https://fire.irs.gov/LearnTheBasics.aspx>

# Questions?

Feel free to email us at  
[ask.us@kongbasile.com!](mailto:ask.us@kongbasile.com)