



Diocese of Rockford

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Internal Auditor

MEMORANDUM

To: Parish and Department Business Managers and Bookkeepers
From: Donald Borisch, Jr., Diocesan Internal Auditor
Date: December 18, 2020
RE: NEW – IRS Form 1099-NEC (Nonemployee Compensation) required this year

Parishes and Departments paying companies and independent contractors \$600 or more in calendar year 2020 must use the new 1099-NEC form instead of the regular 1099-MISC form. The due date for the 1099-NEC form is JANUARY 31, 2021.

To reduce tax refund fraud, the IRS has moved all nonemployee compensation income previously reported in Box 7 of the Form 1099-MISC to Box 1 of the new 2020 Form 1099-NEC and shortened the filing deadline. Payments made in the course of a trade or business to US persons and businesses providing services will be reported, going forward, on the Form 1099-NEC. The 1099-MISC will still be used for other income reporting such as rents, etc.

Some Highlights:

- Try to send the NEC forms to the vendors early in January so if there are discrepancies, they can be corrected before sending them to the IRS.
- Requirements for collecting W-9 information and sending a 1099 form to a service provider remain the same.
- Use the 1099-NEC for payments to companies and independent service providers.
- Payments to Attorneys and law firms, including payments for the benefit of others, are reported on 1099-NEC (including corporations). Legal settlements are handled differently. Contact the Diocese if that situation applies to your parish.
- Rent payments to landlords (but not real estate agents or property managers who are not owners), including payments for the benefit of others, remain reported on the 1099-MISC.
- Payments to Health Care Providers, including payments for the benefit of others, are reported on 1099-MISC (including corporations).
- In very rare cases, a vendor may need to receive both a 1099-NEC and 1099-MISC
- Social Security Numbers may be truncated to show only part of the number ONLY on copies sent to the individual/vendor. FULL tax ID numbers are required on the copy sent to the IRS.
- If you print your forms through QuickBooks, make sure the program is updated to handle the new 1099-NEC form. Review and properly tag your vendors in the vendor file.
- Government and QuickBooks forms are available from the Diocesan Accounting Office
- For more information see: [IRS Instructions for Forms 1099-MISC & 1099-NEC](#)
- The Finance Office and Internal Auditor also can answer questions.
- **The January 31st deadline applies to sending forms to the vendors AND the IRS.**