GREAT LAKES CPA'S
Your Trusted Guides and Financial Management Partners

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December 2021

Dear Valued Client:

Over the past few years, we have received many questions regarding the classifications of subcontractors and the associated 1099 Miscellaneous filing requirements. The IRS requires all individuals (engaged in business) to file the name, address, and social security number of the individual(s) engaged in certain types of business transactions. *Business expenses paid to non-employees or non-incorporated businesses totaling $600 or more, including law corporations, are to be reported on Form 1099- MISC or Form 1099-NEC.*

The IRS has a new form this year the 1099-NEC. This replaces any amounts placed in box 7 (Non Employee Compensation) on 2019 form 1099-MISC. It is our opinion the IRS will be stepping up filing compliance audits for 1099 Forms. To avoid any unwanted penalties, we urge your compliance

PLEASE NOTE: The IRS' 1099 Miscellaneous/NEC Filing Requirements are due 1/31/2022. What this means is not only do you have to send out your 1099 Miscellaneous Forms by *2/1/21*, but you also need to file these forms with the IRS by the same date. **THERE ARE NO EXTENSIONS OR EXCEPTIONS.** Penalties can be substantial, ranging from $50 to $270 per form. If the IRS feels that you have intentionally not filed the forms, the penalty can be as high as **$550 per form.**

FIRST: There are two important boxes that must be marked related to your business: Schedule C (Sole Proprietor), Schedule E (Rentals), Schedule F (Farming), C-Corporations, Sub Chapter "S" Corporations, and Partnerships.

YES or NO

☐ 1. **"Did you, YES or NO, make any business payments in 2021 that would require you to file Form(s) 1099?"**

☐ 2. **"If YES, will you, YES or NO, file all required Form(s) 1099 on your own?"**

*** If NO, we will prepare all 1099 Form(s) for you.**
Please complete the information on the last page and return all pages in the enclosed envelope.
** If we have prepared your 1099's in the past, we may have some of the information regarding your payees from 2021. Please update the list and send us that information

WE ASK THAT YOU PLEASE MARK THE BOX TO ANSWER THE ABOVE TWO (2) QUESTIONS, ALONG WITH **LEGIBLY PRINTING YOUR NAME, SIGNATURE, BUSINESS NAME, TAX ID# (if applicable) AND DATE BELOW. PLEASE RETURN ALL THREE PAGES IN THE ENCLOSED ENVELOPE SO THAT WE RECEIVE IT NO LATER THAN 1/18/2022.**

IF A RESPONSE IS NOT RECEIVED, THE FIRST QUESTION WILL BE MARKED "YES" INDICATING THE FILING OF FORM 1099 MAY BE NECESSARY. THE SECOND QUESTION WILL BE MARKED "NO" PROVIDING THE FIRST QUESTION IS "YES." THE ANSWERS FILED WITH YOUR RETURN MAY TRIGGER AN AUDIT IN THE FUTURE. SO PLEASE UNDERSTAND THE IMPORTANCE OF THESE TWO QUESTIONS AND YOUR ANSWERS. THE TAXPAYER BEARS THE LIABILITY RISK ASSOCIATED WITH NON-COMPLIANCE.

Print name: ______________________________ **Signature:**____________________________________

Business Name and Tax ID# ____ **DATE:**______________________

FORMS FILED LATE WILL BE PENALIZED BY THE IRS. Therefore, if we do not receive your information by 1/18/2022, we will not guarantee filing to the IRS by the 1/31/2022 filing deadline.

PLEASE NOTE: We WILL NOT be responsible for any penalties related to late receipt (after 1/18/2022) of your information, resulting in the late filing of those related forms. That is why it is imperative that we receive your 1099 Miscellaneous/NEC information no later than 1/18/2022. To avoid any penalties or filing issues, we believe the first step is to be in compliance with all of the 1099 Miscellaneous/NEC filing requirements.

The typical expenses paid over $600 are listed on the enclosed 1099 letter/worksheet. In addition, the IRS has instituted penalties for 1099 forms that are corrected. The penalties are $50 if corrected within 30 days within the filing deadline (January 31st); $100 if corrected between February 1 and March 31, and $270 if corrected after March 31st.

SECOND: As with last year, all 1099's and W-2's should be software• generated. If a taxpayer fails to use a software program the IRS will classify the return as "altered, typed, or handwritten." If this condition exists, we are mandated to mark your return as a "Nonstandard W-2 or 1099." Under this condition, your return may be subject to audit as the IRS considers it possible fraud. If we are not already preparing your W-2s, we would be glad to prepare them for you to avoid a possible audit.

Tax preparers can also be reprimanded or lose our license to practice before the IRS for failure to comply with these strict IRS mandates.

We truly appreciate your understanding.

Sincerely,

Great Lakes CPA's

How can I return my completed forms?

- Upload to our Secure Portal at askacpa.com (Call for details if not already using Our Secure Portal)
- Mail to 27865 Clemens Road, Suite 1, Westlake, OH 44145 (Remember: The mail services have not been dependable lately)
- Drop off at 27865 Clemens Road. We will have a safe/secure drop off box located in our vestibule.
- Email to admin@askacpa.com
- Fax to 440-871-5419
- Picture text to 440-490-7363

"PLEASE PRINT OR TYPE SO INFORMATION IS LEGIBLE."

NAME:______________________ YOUR S.S. #______-______-________

BUS.NAME:______________________ BUS. FEDERAL I.D NO:____-________

ADDRESS:______________________ PHONE: (______)________-________

______________________ STATE:____ ZIP + 4: ________-______

Part "A" Report **"Payments/Interest *YOU* Paid"** here:

Name, Address, and Zip Code of Person **You Paid**	Social Sec./ Fed. ID No. **(Required)**	Purpose of Payments (*See Below)	Amount Paid During The Year
1. Name:			
Addr:			
City: Zip:			
2. Name:			
Addr:			
City: Zip:			
3. Name:			
Addr:			
City: Zip:			
4. Name:			
Addr:			
City: Zip:			
5. Name:			
Addr:			
City: Zip:			
		PLEASE TOTAL	$

* State what you paid, i.e., land rent, repairs, trucking, commissions, custom work, interest paid, payments to subcontractors, etc.

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Part "B" Report **"Mortgage Interest *YOU* Received"** here:

Name, Address,and Zip Code of Person From Whom You **"Received Mortgage Interest"**	Social Security No. **(Required)**	Purpose of Receipts	Total Interest Received During The Year
1.			
		PLEASE TOTAL	$

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"PLEASE PRINT OR TYPE SO INFORMATION IS LEGIBLE."

NAME:______________________ YOUR S.S. # ______-_____-________

BUS.NAME:__________________ BUS. FEDERAL I.D NO:_____-__________

ADDRESS:___________________ PHONE: (______)__________-__________

___________________________ STATE:____ ZIP + 4: __________-______

Part "A" Report **"Payments/Interest *YOU* Paid"** here:

Name, Address, and Zip Code of Person **You Paid**	Social Sec./ Fed. ID No. **(Required)**	Purpose of Payments (*See Below)	Amount Paid During The Year
1. Name:			
Addr:			
City:__________Zip:			
2. Name:			
Addr:			
City:__________Zip:			
3. Name:			
Addr:			
City:__________Zip:			
4. Name:			
Addr:			
City:__________Zip:			
5. Name:			
Addr:			
City:__________Zip:			
		PLEASE TOTAL	$

* State what you paid, i.e., land rent, repairs, trucking, commissions, custom work, interest paid, payments to subcontractors, etc.

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Part "B" Report **"Mortgage Interest *YOU* Received"** here:

Name, Address,and Zip Code of Person From Whom You **"Received Mortgage Interest"**	Social Security No. **(Required)**	Purpose of Receipts	Total Interest Received During The Year
1.			
		PLEASE TOTAL	$

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