

To: Treasurers

From: Esther J. Barker
General Accounting Manager

Date: November 2018

Re: 2018 Form 1099-MISC & 1096 Filing Instructions & Deadlines
W-9 Form Request for Taxpayer Identification Number
How to correct a 1099 after the original has been filed.
Examples of where each part of the 1099 & 1096 forms get filed.

When the year comes to an end, there are many tasks that need to be accomplished. There will be three mailings that you need to be aware of. **The deadlines have changed for tax year 2018.**

We would like to remind you about **mailing Copy B of Form 1099-MISC by January 31, 2019 to individuals.** The timeliness is important since the individuals who receive 1099's should not file their 2018 personal income tax returns until they receive the Form 1099-MISC from you.

Secondly, you will need to file by mail Copy A of Form 1099-Misc and Form 1096 Transmittal Form by January 31, 2019 to the IRS. (These are the red copies of both forms)

Third, you are required to file Copy 1 of the Form 1099-Misc and a Photostat of the Form 1096 with the Mass. Dept. of Revenue by January 31, 2019. It is your responsibility to see that these forms are completed on a timely basis and filed with the Internal Revenue Service. The IRS has strict deadlines and imposes severe penalties for noncompliance.

The following pages are to help assist with most questions that you may have. If you need help completing Form 1099 or Form 1096, you can call the IRS at (866) 455-7438, Monday – Friday, 8:30 a.m. to 4:30 p.m. Also, please do not hesitate to call me at (413) 737-4786 or (800) 332-8513, ext.115, with any questions that you may have as you prepare the Form 1099-MISC and 1096 Transmittal Form. I am available Monday – Friday, 7:30am to 3pm.

FORM 1099-MISC (BOX 7) CHECKLIST

The Form 1099-MISC is one of the most neglected church reporting requirements. Here is a simple test that may help. In general, a church must issue a 1099-MISC to an individual if all of the following five conditions are satisfied:

- the church is “engaged in a trade or business” (includes nonprofit activities)
- the church pays the person compensation of \$600 or more during the calendar year
- the person is self-employed, rather than an employee
- the payment is in the course of the church’s “trade or business”
- no exception exists

The 1099-MISC form is one of the most important tax forms that most churches are required to issue. Yet, many church treasurers are unaware of this reporting requirement, or are unsure how to complete the form. The 1099-MISC form must be issued to any “non-employee” who is paid compensation of at least \$600 during any year. It is designed to induce self-employed persons to report their full taxable income. The key point is this – the purpose of the 1099 reporting requirement is not to impose a “burden” on churches and other organizations. Rather, it is to insure that self-employed persons can validate their income & pay their fair share of taxes.

A church must issue a form 1099-MISC to non-employee persons, if the following five requirements are satisfied: (1) the church is “engaged in a trade or business”; (2) the church **pays the person compensation of \$600 or more in cash or property** during the calendar year; (3) the person is self-employed (**a “non-employee” not on payroll**); (4) the payment is in the course of the church’s “trade or business”; and (5) no exception exists. The income tax regulations specify that the term “person engaged in a trade or business” includes not only “those so engaged for gain or profit, but also organizations the activities of which are not for the purpose of gain or profit” including organizations exempt from federal income tax under section 501(c)(3) of the Code. This includes churches and other religious organizations. There is no doubt that churches are required to issue 1099 forms if the other requirements are satisfied.

Monetary Payments to Non Employees: A church should issue a 1099-MISC form to any non-employee person to whom it pays \$600 or more in a year. Examples include some part-time custodians and certain self-employed persons who perform miscellaneous services for the church (plumbers, carpenters, lawn maintenance, etc.) who are not incorporated.

Non-Monetary Payments to Non Employees: Churches also must issue a 1099-MISC to a self-employed person who is paid in property other than money. The regulations state that “if any payment required to be reported in Form 1099 is made in property other than money, the fair market value of the property at the time of payment is the amount to be included on such form.”

All Gifts to Employees: If a church pays an employee in the form of monetary compensation or other property, the fair market value of the property must be reported on their W-2. This would include bonuses of money or gifts given to employees.

The amount of these gifts to employees would be given to Susan Olbon, HR manager, so that she can add that income to their W-2. You would not issue a separate 1099 for employees. These figures need to be given to Susan no later than **December 1st, 2018**

Exceptions. The income tax regulations specify that *no form 1099-MISC is required* with respect to various kinds of payments, including the following:

1. Payments of income required to be reported on Forms W-2 or 941. This means that a church should not issue a 1099-MISC to any worker who is treated as an employee for income tax and payroll tax reporting purposes.

2. Payments to a corporation. Let's say that a church purchases supplies or equipment from a local business, or hires a local landscaping company to maintain the church grounds. In either case, there is no need for the church to issue a 1099-MISC if the company is a corporation. Note, however, that this exception only applies to corporations—and not to partnerships.

3. Payments of bills for merchandise, telegrams, telephone, freight, storage, and similar charges. According to this exception, a church need not issue a 1099-MISC to the telephone company, UPS, or to vendors from which it purchases merchandise. Payments for merchandise or expenses made to individuals are exempt so long as the church has receipts for the merchandise or documenting the expenses. If no receipts are given to the church, then the payment is NOT exempt from 1099 reporting requirements.

4. Travel expense reimbursements paid under an “accountable” reimbursement arrangement. According to this exception, a church need not report on a 1099-MISC the amount of travel and other business expense reimbursements that it pays to a self-employed worker under an accountable reimbursement arrangement. On the other hand, travel expense reimbursements (or advances) paid to a self-employed person under a “nonaccountable” plan must be reported as compensation on the 1099-MISC. An example of a nonaccountable reimbursement would be a car allowance paid to a non-employee without any requirement that the non-employee substantiate that the allowances were used to pay for business expenses. Another common example of a nonaccountable reimbursement would be a church's reimbursement of a guest speaker's travel expenses based on the speaker's oral statement or estimate of the amount of the expenses (without any documentary substantiation).

The \$600 requirement. Churches need not issue a person a 1099-MISC form unless the individual is paid \$600 or more in compensation. There are two considerations to note. First, there is no need to issue a 1099-MISC to persons paid *less* than \$600 in self-employment earnings during the year. Second, since reimbursements under an accountable business expense reimbursement arrangement are not included in the reportable income of self-employed persons, such reimbursements need not be considered in computing the \$600 figure.

1. Where can I get the forms?

The 1099 Form is a five-part form. This means that you will have five duplicate forms for each individual.

You will need to complete one set of Form 1099-MISC for each non-employee recipient who receives \$600.00 or more in 2018.

One 1096 is required for each type of miscellaneous income being reported. If you are only reporting Misc. income, then you will need only one 1096 in addition to the 1099 forms.

a. The Form 1099-MISC and Form 1096 are free at your local IRS office.

b. They can be purchased through most office supply vendors or major office supply stores such as Staples. When you purchase the 1099's, the Form 1096 may not be included with the packet. These forms may need to be purchased separately. You need to check the package you select for purchase. If you cannot obtain a copy of the Form 1096, contact the IRS at 1-800-TAX FORM.

c. The Diocese has a very limited number of extra forms that are available on a first-come basis. Please call me on or after January 15th and check if I anticipate having any leftover forms. My phone number is (413) 417-2338 (direct).

2. Completing the 1099-MISC. A 1099-MISC is easy to complete. Please refer to the example page at the end of this document. A church (the "payer") should list its name, street address (no post office box numbers), and employer identification number on the form, as well as the name, address, and social security number (or other tax identification number) of the recipient. There are 12 numbered boxes on the 1099-MISC form. The key boxes are numbers 1, 3, and 7. Let's look at these individually.

Box 1. Report in this box amounts paid to recipients for all types of “rents,” such as real estate rentals paid for office space, machine rentals, and equipment rentals (e.g., hiring a bulldozer to clear land for a parking lot).

Box 3. Report compensation paid to a worker that is not subject to self-employment tax (and is not reported anywhere else on Form 1099).

Box 7. This is the most important box, since it reports all “nonemployee compensation.” This box contains the compensation paid to a non-employee (i.e., a self-employed person) in the course of the payer’s “trade or business.” For example, if the church is required to issue a 1099-MISC to a contractor or other self-employed person who performs services on behalf of the church, the church reports the compensation in this box.

Repairs. The instructions to Form 1099-MISC clarify that “payment for services, including payment for parts or materials used to perform the services” are reported as non-employee compensation “if supplying the parts or materials was incidental to providing the service

3. When to file. Federal law requires that the Form 1099-MISC be completed and submitted to the **recipient** of non-employee compensation on or before **January 31, 2019**. If you are required to file a return, a negligence penalty or other sanction will be imposed on you if this income is taxable and the IRS determines that it has not been reported.” By **January 31, 2019**, the church must transmit to the IRS a copy of each 1099 form that is issued for the prior year along with a transmittal Form 1096.

In addition, a copy of the 1096 and the state copy of the 1099, must be filed with the Massachusetts Dept of Revenue by **January 31, 2019**

4. What goes where?

The 1099 Form is a five-part form. This means that you will have five duplicate forms for each individual. Below is a summary of where these five parts go once you have completed the form.

Copy A - is to be filed with the Internal Revenue Service, Austin, Texas 73301 along with your 2016 Form 1096 Transmittal Form by **January 31, 2019**.

Copy B & Copy 2 – mailed to the individual who is listed as Recipient on Form 1099-MISC by **January 31, 2019**.

Copy C – is to be filed with parish for their records.

Copy 1 – is to be filed with the Massachusetts Department of Revenue, 1099 Tax Reporting, P.O. Box 7045, Boston, MA 02204 – along with a Photostat copy of the 2018 Form 1096 Transmittal Form by **January 31, 2019**.

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Summary of Reporting Dates & Addresses for Paper Filing for Tax Year 2016:

January 31, 2019 2018 1099 Forms to Recipients

January 31, 2019 1096 and 1099 forms to Federal Address for Massachusetts:

Department of the Treasury
Internal Revenue Service Center
Austin, TX 73301

January 31, 2019 Massachusetts Form 1099 Reporting
Copy of Federal Form 1096 filed and “Copy 1” of the 1099’s issued

Mass. DOR
Form 1099 Reporting
P.O. BOX 7045
Boston, MA 02204

Enclosures:

Samples enclosed of **Form 1096** and **Form 1099-MISC** are for reference use only. These cannot be copied, so you will need to purchase forms. If you are hand-writing or typing them you will want to purchase forms that have carbon or you will have to reproduce them five times. If you are using your accounting software to fill these forms out, you will want to purchase printer compatible forms.

W-9 Form - is to be used by you internally. You can give this form to individuals you deal with and have them fill it out and return it to you for your records. Best business practices strongly advocates getting this form filed out before making the first payment to a new vendor. At the end of each year you at least have an address and social security number on record to help in preparing the Form 1099-MISC.

Filing Corrected Returns on Paper Forms

If you filed a return with the IRS and the Massachusetts Dept. of Revenue (Mass DOR) and later discover you made an error on it, you must:

1. Correct it as soon as possible and file Copy A, of the corrected 1099, and a new 1096 with the IRS and the Mass DOR.
2. Furnish the recipient with corrected copies of their 1099 showing the correction.

Identify the correction need as Error Type 1, 2 or 3, then follow the steps to make the corrections and file the form(s).

ERROR TYPE 1: No Payee TIN (SSN or EIN) or incorrect TIN, or incorrect name and address. This requires two separate transactions to make the correction properly.

Transaction 1:

1. Prepare a new 1096 form.
2. This form 1096 will be used to transmit your corrected returns. Therefore, complete Form 1096 showing your name, address, and TIN, and in other boxes enter only information about corrected returns. For example, enter in Box 3 of Form 1096 only the number of corrected returns being submitted.
3. Prepare a new 1099 form
4. Enter an “X” in the “CORRECTED” box at the top of the form 1099.
5. Enter the payer, recipient and account number information exactly as it appeared on the original returns; HOWEVER, enter “0” (zero) for all money amounts..
6. File Form 1096 and Copy A of the 1099 with the IRS and the Mass DOR.
Do not include a copy of the original return that was filed incorrectly.

Transaction 2:

7. Prepare a new 1096 form (you are preparing a separate 1096 from the one you prepared in transaction 1).
8. Enter the words “Filed to Correct TON, Name and/or Address” at the bottom margin of the form. Provide all requested information on the form as it applies to the 1096 being prepared.
9. Prepare a new 1099 form
10. Do NOT Enter an “X” in the “CORRECTED” box at the top of the form 1099. Submit the new forms as though they were the originals.
11. Include all correct information on the return, including the correct TIN.
12. File the new Form 1096 and Copy A of the 1099 with the IRS and the Mass DOR.
Do not include a copy of the original return that was filed incorrectly.

ERROR TYPE 2: Incorrect Money Amounts.

1. Prepare a new transmittal Form 1096. Use the instructions in Error1, steps 1 & 2.
2. Prepare a new 1099 form.
3. Enter an “X” in the “CORRECTED” box at the top of the form.
4. Enter the payer, recipient and account information exactly as it appeared on the original returns; However, enter all correct money amounts in the correct boxes as they should have appeared on the original returns and enter the recipients correct address.
5. File Form 1096 and Copy A of the 1099 with the IRS and the Mass DOR.
6. Do not include a copy of the original return that was filed incorrectly.

ERROR TYPE 3: Original Return was filed using the WRONG type of return.
For example, a Form 1099-INT was filed when a Form 1099-MISC should have been filed. This requires two separate transactions to make the correction properly.

Transaction 1:

1. Prepare a new transmittal Form 1096. Use the instructions in Error1, steps 1 & 2.
2. Prepare a new 1099 form. Follow the instructions under Error1, using the same type of form that was used initially (i.e. the wrong one)

Transaction 2:

3. Prepare a new transmittal Form 1096 (you are preparing a separate 1096 from the one you prepared in transaction 1).
4. Enter the words “Filed to Correct Document Type” at the bottom margin of the 1096 form. Provide all requested information on the form as it applies to the 1096 being prepared.
5. Prepare a new 1099 form
6. Do NOT Enter an “X” in the “CORRECTED” box at the top of the form 1099. Submit the new forms as though they were the originals.
7. Include all correct information on the return, using the proper type of form.
8. File Form 1096 and Copy A of the 1099 with the IRS and the Mass DOR.
9. Do not include a copy of the original return that was filed incorrectly.
