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*Tax and accounting services for individuals and
their businesses, estates and trusts.*

December 2021
2021 1099-NEC/MISC TOOLKIT

To our clients and friends:

Forms 1040 Schedules C, E, & F and forms 1065, 1120, 1120-S specifically ask if you are required to file forms 1099-NEC & MISC. AND if you do, have you or will you do so?

You should be sure to have the appropriate W-9's from payees you are required to issue a 1099-NEC & MISC.

In addition, Pennsylvania now requires you to withhold PA individual income tax of 3.07% on payments to non-Pennsylvania resident payees on Pennsylvania source income. It is incumbent upon you to request form REV-1832 from payees to inform you of their withholding status. It may seem obvious that your business pays its rent to John Doe of Mohnton, PA. However, the instructions for PA REV-1832 state that "ALL" payees must complete and return to payer.

Now is the time to review your 2021 1099-NEC & MISC filing requirements and underlying documentation.

Your Forms 1099-NEC & MISC are due January 31, 2022 for eligible payments made during 2021.

The substantial federal penalties associated with late or non-filed returns are:

Penalties:

Late not more than 30 days	\$50 per 1099	Maximum \$186,000
31 days late but before August 31	\$100 Per 1099	Maximum \$532,000
After August 31 (or not at all)	\$260 per 1099	Maximum \$1,064,000
Intentional disregard	\$520 per 1099	No limitation

Any Pennsylvania withholding must be remitted according to payroll tax withholding rules. Late payments are also subject to penalties and interest.

It is your responsibility to determine the proper classification of workers among employees, independent contractors and statutory employees AND file the proper employment or information returns. This is even more important in 2021 because of the now effective Tax Cuts & Jobs Act.

Attached please find the following:

2021 1099 worksheet for new recipients in 2021.

Form W-9 to request a payees' correct name, SSN/EIN & address

Form REV-1832 to request a payee's Pennsylvania withholding status

A form letter to utilize to request the above documents

IRS guide lines – Independent Contractor or employee?

If we prepared 1099's for you in the past, we will mail a list of 1099-NEC & MISC recipients prepared for you last year and 2021 1099 worksheet for new recipients in 2021.

If you have any questions, please contact us immediately. This information is also available in our website <https://www.mdarochacpa.com/endofyear.html>

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1099 WORKSHEET
CALENDAR YEAR 2021
 PLEASE COPY FOR EACH PAYEE AS REQUIRED

Payer

Your name or Company Name	
Address	
City State, ZIP	
Federal Employer Identification Number	

Payee

Name:	
Address	
City, State , ZIP	
EIN or SSN	
Type of payments	Total Amounts for 2021
Rents	\$
Other payments – Describe	\$
Non-Employee Compensation	\$
Interest	\$
Dividends	\$
Royalties	\$

Payee

Name	
Address	
City, State , ZIP	
EIN or SSN	
Type of payments	Total Amounts for 2021
Rents	\$
Other payments – Describe	\$
Non-Employee Compensation	\$
Interest	\$
Dividends	\$
Royalties	\$

Please copy as necessary

Request for Taxpayer Identification Number and Certification

▶ Go to www.irs.gov/FormW9 for instructions and the latest information.

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

Print or type. See Specific Instructions on page 3.	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.		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) _____ <small>(Applies to accounts maintained outside the U.S.)</small>
	<input type="checkbox"/> Individual/sole proprietor or single-member LLC	<input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate	
	<input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ▶ _____ 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.		
	<input type="checkbox"/> Other (see instructions) ▶		
	5 Address (number, street, and apt. or suite no.) See instructions.		Requester's name and address (optional)
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																							
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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 ▶
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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.

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-INT (interest earned or paid)

- 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.

THE PAYEE COMPLETES THIS FORM AND SUBMITS IT TO THE PAYOR. THE PAYOR KEEPS THIS FORM WITH THEIR RECORDS.

SECTION I PAYOR INFORMATION

Payor Name		FEIN
Address		
City	State	ZIP Code

SECTION II PAYEE INFORMATION

Payee Name		Social Security Number or FEIN
Address		
City	State	ZIP Code

SECTION III EXEMPTION REASON (mark only one oval)

By marking the appropriate oval below, the payee certifies the reason Pennsylvania personal income tax is not required to be withheld on the payment of non-employee compensation, business income, or lease payments:

Individual - PA Resident

I certify that I am a resident of Pennsylvania and I reside at the residence shown above. If I become a nonresident at any time, I will promptly notify the payor. See the instructions.

Trust - PA Resident

I am the fiduciary of the above-named trust. The trust was established by a Pennsylvania resident at the time of death or by operation of the trust agreement by a Pennsylvania resident. The trust will file a PA-41, Fiduciary Income Tax Return. See the instructions.

Estate - PA Resident

I am the executor of the above-named person's estate. The decedent was a Pennsylvania resident at the time of death. The estate will file a PA-41, Fiduciary Income Tax Return. See the instructions.

Not Subject to PA Income Tax

The payee is not subject to PA personal income tax for the following reason:

- Payee is a corporation
- Payee is a partnership or multi-member limited liability company
- Payee is a nonresident with no PA-source income
- Payee is a disregarded entity owned by a corporation or partnership, or PA resident
- Other: please provide reason _____

SECTION IV CERTIFICATION OF PAYEE

Payee must complete and sign below.

Under penalties of perjury, I declare that I have examined the information on this form, including accompanying instructions and statements, and to the best of my knowledge and belief, it is true, correct, and complete. I further declare under penalties of perjury that if the facts upon which this form are based change, I will promptly notify the payor.

Payee's Name (print)	Payee's Title	Telephone Number
Payee's Signature		Date

REV-1832 IN (EX) 11-19

GENERAL INFORMATION

Tax withholding is required on certain payments of non-employee compensation, business income and lease payments made to nonresidents.

Tax withholding is required on payments that exceed \$5,000 annually. Refer to Informational Notice Personal Income Tax 2017-01, for additional information about this withholding.

PURPOSE OF FORM

Use the REV-1832, 1099-MISC Withholding Exemption Certificate, to determine the residency status of individuals, estates or trusts or to identify the type of entity for determining whether Pennsylvania personal income tax withholding is required on payments of nonemployee compensation or lease payments, such as rents, royalties, bonus payments, damage payments, delay rents or other payments pursuant to a lease.

WHO MUST COMPLETE

The payee completes the REV-1832 and provides a copy to the payor. Payors must provide the REV-1832 to all payees for the payees to complete if the payor is not going to withhold on the payments to the payee.

FORM INSTRUCTIONS

SECTION I

PAYOR INFORMATION

The payor must enter their name, address and federal employer identification number (FEIN) in the appropriate spaces provided on the form.

SECTION II

PAYEE INFORMATION

Payees must enter their name, address and Social Security number or FEIN in the appropriate spaces provided on the form. Disregarded entities should use the home address of the single owner.

SECTION III

EXEMPTION REASONS

The payee must complete this section. A payee may select only one reason for being exempt from the withholding requirement.

Individual – PA Resident

Mark the oval if you are a Pennsylvania resident individual.

Trust - PA Resident

Mark the oval if you are the fiduciary of a trust established by a Pennsylvania resident at the time of death or a trust

that was established by operation of a trust agreement by a Pennsylvania resident at the time the trust was formed and business income, rents or lease payments from the payor will be reported on the PA-41, Fiduciary Income Tax Return, of the trust.

Estate – PA Resident

Mark the oval if you are a personal representative in charge of an estate for a decedent who was a Pennsylvania resident at the time of death and business income, rents or lease payments from the payor will be reported on the PA-41, Fiduciary Income Tax Return, of the estate.

Not Subject to PA Income Tax

Mark the oval if you are not subject to Pennsylvania personal income tax. Reasons for not being subject to tax may include:

- Payee is a corporation;
- Payee is a partnership or multi-member limited liability company;
- Payee is a nonresident who does not have PA-source income; or
- Other; provide reason (such as payee is a tax-exempt entity, a retirement plan or IRA).

Please use the following link for more information on who is not subject to Pennsylvania personal income tax: <https://revenue-pa.custhelp.com>. Type in "1099-MISC" in the search box for a list of Frequently Asked Questions.

SECTION IV

CERTIFICATION OF PAYEE

The payee must enter their name, title (if applicable), telephone number, sign, and date the form. The payor is then relieved of the withholding requirements if the payor relies in good faith on a completed and signed REV-1832 unless notified by the department that the form should not be relied upon. If the payor receives an incomplete certificate, the payor is required to withhold tax on payments made to the payee until a valid certificate is received.

FORM RETENTION

Do not send this form to the PA Department of Revenue. The payor must retain the signed REV-1832 form for a minimum of four years or until the payee's status changes and must provide the form to the PA Department of Revenue upon request.

CAUTION: Failure to provide an Exemption Reason, failure to provide the payor with the REV-1832 form or failing to sign the REV-1832 form will not permit the payor to exempt the payee from withholding.

Your Company Name

Here

Type return address here

SAMPLE

DATE

Type recipient's address here

Dear Sir or Madam:

Because we may be required to issue a form 1099-MISC to you, attached please find a form W-9 - Request for Taxpayer Identification Number and Certification.

You are required by law to provide us with your TIN. Please complete the attached form W-9 and return to us promptly.

It is important that your information is **COMPLETE** and matches the IRS database in order to eliminate the need for answering needless correspondence with the IRS. Failure to comply with this request may subject you to withholding tax of 28% and possible additional penalties.

Additionally, Pennsylvania requires withholding on certain payments to out of state residents. You must complete form REV-1832 and return it to us so that we know you are or are not subject to PA withholding on these payments.

Thank you for your cooperation.

Regards,

Type your name here
Type your job title here

Enclosure

Determining Whether the Individuals Providing Services are Employees or Independent Contractors

Before you can determine how to treat payments you make for services, you must first know the business relationship that exists between you and the person performing the services. The person performing the services may be -

- An independent contractor
- An employee (common-law employee)
- A statutory employee
- A statutory nonemployee
- A government worker

In determining whether the person providing service is an employee or an independent contractor, all information that provides evidence of the degree of control and independence must be considered.

Common Law Rules

Facts that provide evidence of the degree of control and independence fall into three categories:

1. Behavioral: Does the company control or have the right to control what the worker does and how the worker does his or her job?
2. Financial: Are the business aspects of the worker's job controlled by the payer? (these include things like how worker is paid, whether expenses are reimbursed, who provides tools/supplies, etc.)
3. Type of Relationship: Are there written contracts or employee type benefits (i.e. pension plan, insurance, vacation pay, etc.)? Will the relationship continue and is the work performed a key aspect of the business?

Businesses must weigh all these factors when determining whether a worker is an employee or independent contractor. Some factors may indicate that the worker is an employee, while other factors indicate that the worker is an independent contractor. There is no "magic" or set number of factors that "makes" the worker an employee or an independent contractor, and no one factor stands alone in making this determination. Also, factors which are relevant in one situation may not be relevant in another.

The keys are to look at the entire relationship, consider the degree or extent of the right to direct and control, and finally, to document each of the factors used in coming up with the determination.

Form SS-8

If, after reviewing the three categories of evidence, it is still unclear whether a worker is an employee or an independent contractor, Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding PDF can be filed with the IRS. The form

Independent Contractor versus Employee

may be filed by either the business or the worker. The IRS will review the facts and circumstances and officially determine the worker's status.

Be aware that it can take at least six months to get a determination, but a business that continually hires the same types of workers to perform particular services may want to consider filing the [Form SS-8 PDF](#).

Employment Tax Obligations

Once a determination is made (whether by the business or by the IRS), the next step is filing the appropriate forms and paying the associated taxes.

- [Forms and associated taxes for independent contractors](#)
- [Forms and associated taxes for employees](#)

Employment Tax Guidelines

There are specific employment tax guidelines that must be followed for certain industries.

- [Employment Tax Guidelines: Classifying Certain Van Operators in the Moving Industry PDF](#)
- [Employment Tax Procedures: Classification of Workers within the Limousine Industry PDF](#)

Misclassification of Employees

Consequences of Treating an Employee as an Independent Contractor

If you classify an employee as an independent contractor and you have no reasonable basis for doing so, you may be held liable for employment taxes for that worker (the relief provisions, discussed below, will not apply). See Internal Revenue Code section 3509 for more information.

Relief Provisions

If you have a reasonable basis for not treating a worker as an employee, you may be relieved from having to pay employment taxes for that worker. To get this relief, you must file all required federal information returns on a basis consistent with your treatment of the worker. You (or your predecessor) must not have treated any worker holding a substantially similar position as an employee for any periods beginning after 1977. See [Publication 1976, Section 530 Employment Tax Relief Requirements PDF](#) for more information.

Misclassified Workers Can File Social Security Tax Form

Workers who believe they have been improperly classified as independent contractors by an employer can use [Form 8919, Uncollected Social Security and Medicare Tax on Wages PDF](#) to figure and report the employee's share of uncollected Social Security and Medicare taxes due on their compensation.

Voluntary Classification Settlement Program

The Voluntary Classification Settlement Program (VCSP) is an optional program that provides taxpayers with an opportunity to reclassify their workers as employees for future tax periods for employment tax purposes with partial relief from federal employment taxes for eligible taxpayers that agree to prospectively treat their workers (or a class or group of workers) as employees. To participate in this voluntary program, the taxpayer must meet certain eligibility requirements, apply to participate in the VCSP by filing Form 8952, Application for Voluntary Classification Settlement Program, and enter into a closing agreement with the IRS.