



January 2022

Dear Client:

Any person engaged in a trade or business (including partnerships and nonprofit organizations) that meets any of the following requirements needs to file an information return. (Personal payments are not reportable.)

REMINDER: Form 1099-NEC Nonemployee Compensation should be used to report payments made to outside contractors that were previously reported on form 1099-MISC box 7. Form 1099-MISC has not been eliminated, but the “nonemployee compensation” box has been removed.

DUE DATES:

- **Form 1099-NEC:** January 31, 2022 to the recipient AND to the IRS
- Form 1099-MISC: January 31, 2022 to the recipient and February 28, 2022 to the IRS
- Forms 1099-B, 1099-S and select forms 1099-MISC (if amounts are reported in boxes 8 or 14) have an extended due date of February 15, 2022.
- All other forms 1099 except as noted below: January 31, 2022 to the recipient and February 28, 2022 to the IRS

WHERE TO FILE: California businesses should mail the pink copy (IRS copy) to:

*Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201*

A copy should also be provided to the payee. Other state businesses should contact our office for the appropriate mailing address.

WHAT IS INCLUDED: Attached is a “Guide to Information Returns” detailing the various types of forms required by the IRS. Most businesses will need to file form 1099-NEC for non-employee compensation and/or form 1099-MISC for rents paid to a non-corporate landlord.

EXEMPTIONS FROM 1099 REPORTING:

- Owners of rental real estate are generally not required to report payments of \$600 or more to service providers. However, if your rental real estate qualified as a trade or business (for either the Section 199a deduction or for any other tax benefit), we recommend filing forms 1099.
- Corporations continue to remain exempt from information reporting requirements (except if the payments were made to attorneys or health care providers).
- Payments for merchandise (goods and tangible property), telephone, storage, freight, and other similar items are NOT required to be reported on a form 1099.
- Payments not made in the course of a trade or business (any personal services) are exempt.

FORM 1099-K: “Payment settlement entities” (credit card companies, etc.) are required to report credit card and third-party transaction payments on a form 1099-K. In other words, if you run a business that accepts credit cards, debit cards, or other third-party transaction payments, you should receive a form 1099-K for 2021 if you had more than 200 transactions and had more than \$20,000 gross income paid to you. The IRS does match the amounts reported on Form 1099-K to your tax returns, so please include any 1099-K’s received when providing us your tax return information.

MISSING ID NUMBERS: If the payee fails to provide their taxpayer identification number to the payor or if the ID number is obviously incorrect, the payor must begin “back-up withholding” of federal income tax at a rate of 28% on all accounts paid to the payee and remit this amount to the IRS. If you are provided an incorrect ID number, the IRS will notify you of an invalid number and, unless the number is corrected, you will have to commence “back-up withholding”. We recommend that you request any service provider (the “payee”) to complete a form W-9 at the time the services begin and retain the form in your files.

INTEREST: The interest rate at January 1, 2022 is 3% per year for federal and 3% per year for California.

PENALTIES: Both the IRS and the State of California will disallow a business deduction for any amount that was not properly reported on an information return. The penalty for not supplying timely information statements to recipients begins at \$50 per statement and raises as the length of delinquency increases.

FRIEDMAN AND PERRY, CPA'S: We are not a corporation. If you paid us \$600 or more in 2021 as a business expense, you will need to prepare and send us a form 1099-NEC. Our ID number is 94-3025265.

ELECTRONIC FILING:

- Beginning with 2022 information returns filed in 2023, the threshold for required electronic filing will be reduced to 10 information returns filed by a taxpayer. Currently the threshold is 100 or 250 depending on entity type. **This means that if you need to file more than 10 information returns next January 2023, you will be required to e-file these. This is just a one-year heads-up!**

STATE REPORTING:

- You are no longer required to file forms 1099-NEC separately with the Franchise Tax Board as was the case last year.
- For all form 1099 types, you are only required to file a copy with the California Franchise Tax Board if you withheld state income tax or the state amount is different from the federal amount. Otherwise, the IRS will forward the information to the State of California.
- You must file form DE 542 with the California EDD within 20 days of making payments of \$600 or more or entering into a contract of \$600 or more with an independent contractor, whichever is earlier. This applies to any independent contractor that will require a form 1099-NEC for the calendar year. You are not required to report independent contractors that are corporations, general partnerships, limited liability partnerships, or limited liability companies (individuals or sole proprietorships only). Form DE 542 can be filed electronically through the EDD's e-Services for Business or submitted on paper.
- If you are not a California resident, contact us for the applicable rules of your state.

NEED HELP? If you would like our assistance in preparing any of these reports, please send an email to Becky at becky@friedmanperrycpas.com by January 21. Blank forms can be obtained at your local IRS office (find your local office at <https://apps.irs.gov/app/officeLocator/index.jsp>), the IRS website www.irs.gov and most office supply stores. We no longer will carry the forms in our office.

Sincerely,

Friedman & Perry, CPA's

Assembly Bill 5 (AB 5):

On 1/1/20, AB 5 went into effect and may impact whether your workers are treated as independent contractors or as employees under California law. Under AB 5, the "ABC test" must be used to determine the appropriate classification of workers in most occupations. Under the ABC test, a worker is considered an employee, and not an independent contractor, unless the hiring entity can demonstrate that it meets **all three** of the following requirements:

- A. The individual is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact.
- B. The individual performs work that is outside the usual course of the hiring entity's business.
- C. The individual is customarily engaged in an independently established trade, occupation, or business of the same nature as that involved in the work performed.

The state has launched a new website with information, including Frequently Asked Questions, to help you understand the ABC test, AB 5, and your obligations as an employer. Please visit Labor.ca.gov/employmentstatus.

The table below provides the due dates for filing information returns to the IRS and to the recipient. **If any date shown falls on a Saturday, Sunday or legal holiday the due date is the next business day.**

Dates with an asterisk (*) are due to the IRS on March 31, if filed electronically.

Dates with a double asterisk (**) are due to recipients on March 15 for reporting by trustees and middlemen of Widely Held Fixed Investment Trusts.

General Reporting

What to Report	Responsible Party for this Reporting	Form & Instructions	Amounts to Report	Due to IRS	Due to Recipient
Mortgage Interest (including points)	Persons in a trade or business that receive mortgage interest	<u>1098, Mortgage Interest Statement (Instructions)</u>	\$600 or more	February 28*	(To Payer/Borrower) January 31
Information about the acquisition or abandonment of property that is security for a debt for which you are the lender	There are different rules for multiple owners, governmental units, subsequent holders and multiple lenders (see instructions)	<u>1099-A, Acquisition or Abandonment of Secured Property (Instructions)</u>	All amounts	February 28*	(To Borrower) January 31
Sales or redemptions of securities, futures transactions, commodities, and barter exchange transactions	A broker or barter exchange	<u>1099-B, Proceeds From Broker and Barter Exchange Transactions (Instructions)</u>	All amounts	February 28*	February 15**
Cancellation of Debt	Financial institutions, credit unions, federal	<u>1099-C, Cancellation of Debt (Instructions)</u>	\$600 or more	February 28*	January 31

What to Report	Responsible Party for this Reporting	Form & Instructions	Amounts to Report	Due to IRS	Due to Recipient
	agencies and any organization that lends money on a regular and continuing basis (see specific instructions)				
Distributions, such as dividends, capital gain distributions, or nontaxable distributions, that were paid on stock and liquidation distributions	(see specific instructions)	<u>1099-DIV, Dividends and Distributions (Instructions)</u>	\$10 or more, except \$600 or more for liquidations	February 28*	January 31**
Interest income	Report only interest payments made in the course of your trade or business. Federal, state and local government agencies, as well as nonprofit organizations and nominees/middlemen also must report interest payments. (see instructions)	<u>1099-INT, Interest Income (Instructions)</u>	\$10 or more (\$600 or more in some cases)	February 28*	January 31**

What to Report	Responsible Party for this Reporting	Form & Instructions	Amounts to Report	Due to IRS	Due to Recipient
Payment card transactions	A payment settlement entity (PSE): a domestic or foreign entity that is a merchant acquiring entity (a bank or other organization that has the contractual obligation to make payment to participating payees in settlement of payment card transactions)	<u>1099-K, Payment Card and Third Party Network Transactions (Instructions)</u>	All amounts	February 28*	January 31
Third party network transactions	A payment settlement entity (PSE): a domestic or foreign entity that is a third party settlement organization (the central organization that has the contractual obligation to make payments to participating payees of third party network transactions)	<u>1099-K, Payment Card and Third Party Network Transactions (Instructions)</u>	\$20,000 or more and 200 or more transactions	February 28*	January 31
Services performed by someone who is not your employee (Box 1)	(See specific instructions)	<u>1099-NEC, Nonemployee Compensation</u>	\$600 or more	January 31	January 31

What to Report	Responsible Party for this Reporting	Form & Instructions	Amounts to Report	Due to IRS	Due to Recipient
<p>Cash payments for fish (or other aquatic life) you purchase from anyone engaged in the business of catching fish (Box 1) Payments to an attorney (Box 1) Example: For legal fees.</p>		(Instructions)			
<p>Rents (Box 1) Prizes and awards (Box 3) Other income payments (Box 3) Cash paid from a notional principal contract to an individual, partnership, or estate (Box 3) Medical and health care payments (Box 6) Crop insurance proceeds (Box 9) Fish purchased for resale (Box 11) Section 409A deferrals (Box 12)</p>	(See specific instructions)	<u>1099-MISC, Miscellaneous Information (Instructions)</u>	\$600 or more	February 28*	January 31**
Royalties (Box 2)	(See specific instructions)	<u>1099-MISC, Miscellaneous Information (Instructions)</u>	\$10 or more	February 28*	January 31**

What to Report	Responsible Party for this Reporting	Form & Instructions	Amounts to Report	Due to IRS	Due to Recipient
Payments of any fishing boat proceeds (Box 5) Excess golden parachute payments (Box 13) Nonqualified deferred compensation (Box 14)	(See specific instructions)	<u>1099-MISC, Miscellaneous Information (Instructions)</u>	All amounts	February 28*	January 31**
Substitute payments in lieu of dividends or interest (Box 8)	(See specific instructions)	<u>1099-MISC, Miscellaneous Information (Instructions)</u>	\$10 or more	February 28*	February 15**
Gross proceeds paid to an attorney (Box 10) Example: In a settlement agreement.	(See specific instructions)	<u>1099-MISC, Miscellaneous Income (Instructions)</u>	\$600 or more	February 28*	February 15**
Gross proceeds from the sale or exchange of real estate	(see specific instructions)	<u>1099-S, Proceeds from Real Estate Transactions (Instructions)</u>	Generally, \$600 or more	February 28*	February 15
Timber royalties	(see specific instructions)	<u>1099-S, Proceeds from Real Estate Transactions (Instructions)</u>	\$10 or more	February 28*	January 31

Education Reporting

What to Report	Responsible Party for this Reporting	Form & Instructions	Amounts to Report	Due to IRS	Due to Recipient
Student loan interest received in the course of your trade or business	A financial institution, governmental unit (or any of its subsidiary agencies), educational institution, or any other person who receives student loan interest of \$600 or more from an individual during the year in the course of your trade or business	<u>1098-E, Student Loan Interest Statement (Instructions)</u>	\$600 or more	February 28*	January 31
Qualified tuition and related expenses, reimbursements or refunds, and scholarships or grants	An eligible educational institution, an eligible educational institution that is a governmental unit, or an agency or instrumentality of a governmental unit, or certain insurers	<u>1098-T, Tuition Statement (Instructions)</u>	See instructions	February 28*	January 31
Payments from qualified tuition programs and Coverdell ESAs	An officer or an employee, or the designee of an officer or employee,	<u>1099-Q, Payments from Qualified Education</u>	All amounts	February 28*	January 31

What to Report	Responsible Party for this Reporting	Form & Instructions	Amounts to Report	Due to IRS	Due to Recipient
	having control of a program established by a state or eligible educational institution, or a trustee of a Coverdell education savings account	<u>Programs (Under Sections 529 and 530) (Instructions)</u>			
Contributions (including rollover contributions) to a Coverdell ESA	(see specific instructions)	<u>5498-ESA, Coverdell ESA Contribution Information (Instructions)</u>	All amounts	May 31	April 30

Health Insurance Reporting

What to Report	Responsible Party for this Reporting	Form & Instructions	Amounts to Report	Due to IRS	Due to Recipient
Health insurance premiums paid on behalf of certain individuals	A provider of qualified health insurance coverage (defined in section 35(e)) and you receive advance payments from the Department of the Treasury on behalf of eligible recipients pursuant to section 7527	<u>1099-H, Health Coverage Tax Credit (HCTC) Advance Payments (Instructions)</u>	All amounts	February 28* Notice 2004-47 provides that the HCTC Transaction Center will file and furnish the Form 1099-H unless the provider specifically retains that obligation.	January 31 Notice 2004-47 provides that the HCTC Transaction Center will file and furnish the Form 1099-H unless the provider specifically retains that obligation.

What to Report	Responsible Party for this Reporting	Form & Instructions	Amounts to Report	Due to IRS	Due to Recipient
Payments under a long-term care insurance contract and accelerated death benefits paid under a life insurance contract or by a viatical settlement provider	Insurance companies, governmental units, and viatical settlement providers	<u>1099-LTC, Long-Term Care and Accelerated Death Benefits (Instructions)</u>	All amounts	February 28*	January 31
Distributions from an HSA, Archer MSA, or Medicare Advantage MSA	(see specific instructions)	<u>1099-SA, Distributions from an HSA, Archer MSA, or Medicare Advantage MSA (Instructions)</u>	All amounts	February 28*	January 31
Contributions to an HSA (including transfers and rollovers) or Archer MSA and the FMV of an HSA, Archer MSA, or Medicare Advantage MSA	The trustee or custodian of an HSA, Archer MSA, or MA MSA	<u>5498-SA, HSA, Archer MSA, or Medicare Advantage MSA Information (Instructions)</u>	All amounts	May 31	(To Participant) May 31
Certain information to the IRS and to taxpayers about individuals who are covered by minimum essential	Every person that provides minimum essential coverage to an individual during a calendar year	<u>1095-B, Health Coverage (Instructions)</u>	All amounts	February 28*	January 31

What to Report	Responsible Party for this Reporting	Form & Instructions	Amounts to Report	Due to IRS	Due to Recipient
coverage and therefore are not liable for the individual shared responsibility payment.	must file an information return reporting the coverage				
Transmittal form that must be filed with the Form 1095-B	Every person that provides minimum essential coverage to an individual during a calendar year must file an information return reporting the coverage	<u>1094-B, Transmittal of Health Coverage Information Returns (Instructions)</u>	Not applicable	February 28*	January 31
Each employee who was a full-time employee of the ALE Member for any month of the calendar year.	An ALE Member	<u>1095-C, Health Insurance Offer and Coverage Insurance (Instructions)</u>	Not applicable	February 28*	January 31
Transmittal form that must be filed with the Form 1095-C	An ALE Member	<u>1094-C, Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns (Instructions)</u>	Not applicable	February 28*	January 31

Transfers of Stock Reporting

What to Report	Responsible Party for this Reporting	Form & Instructions	Amounts to Report	Due to IRS	Due to Recipient
Transfer of an employer's stock to an employee pursuant to the exercise of an incentive stock option under section 422(b)	Corporations (see specific instructions)	<u>3921, Exercise of an Incentive Stock Option Under Section 422(b) (Instructions)</u>	All amounts	February 28*	January 31
Transfer of stock acquired through an employee stock purchase plan under section 423(c)	Corporations (see specific instructions)	<u>3922, Transfer of Stock Acquired Through an Employee Stock Purchase Plan Under Section 423 (C) (Instructions)</u>	All amounts	February 28*	January 31

Retirement Reporting

What to Report	Responsible Party for this Reporting	Form & Instructions	Amounts to Report	Due to IRS	Due to Recipient
Distributions from retirement or profit-sharing plans, any IRA, insurance contracts, and IRA recharacterizations	(see specific instructions)	<u>1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs,</u>	\$10 or more	February 28*	January 31

What to Report	Responsible Party for this Reporting	Form & Instructions	Amounts to Report	Due to IRS	Due to Recipient
		<u>Insurance Contracts, etc.</u> <u>(Instructions)</u>			
Contributions (including rollover contributions) to any individual retirement arrangement (IRA) including a SEP, SIMPLE, and Roth IRA; Roth conversions; IRA recharacterizations; and the fair market value (FMV) of the account	(see specific instructions)	<u>5498, IRA Contribution Information</u> <u>(Instructions)</u>	All		