



Year End Preparation: The 1099-NEC Form

Year-end holiday preparations, paperwork, and taxes are a challenge for any small business. But preparation now can eliminate some of the last minute panic and running around in January.

If you have paid any non-employees, including independent contractors, freelancers, and other service providers (attorneys or legal services) anytime during 2022, you must report the total of these payments for the year via an IRS Form 1099-NEC.

But what is a 1099-NEC? The 1099-Non-Employee Compensation (NEC) form is used to tell the IRS that your company has paid an independent contractor or other self-employed person \$600 or more in compensation during the course of the tax reporting year.

The 1099-NEC must be prepared and filed with the IRS by January 31 for the previous calendar year. You may use a payroll service provider, CPA or tax professional to prepare and file your 1099-NEC forms, but that will not relieve you of the responsibility to ensure that the forms are filed correctly.

Before the 1099 forms can be prepared, you will need information for each non-employee including a valid tax ID number (Social Security number or federal tax ID number). When hiring a contractor it is best to require a [W-9 form](#) where they provide their tax ID and other identifying information needed to complete the 1099-NEC.

Accounting software programs such as QuickBooks will store the W-9 information associated with each contractor and are capable of producing the 1099-NEC or a report with information for a tax professional to prepare the forms.

The Grants Management Team at BBCetc is ready to assist with your year- end planning.