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File "1099-NECs" Time to Report Nonemployee Compensation

by Jennifer Stobie Schumacher

Starting in 2020, companies that pay at least $600 for services performed by someone who is not their employee are required to use the new Form 1099-NEC to report the nonemployee compensation. The Form 1099-MISC will no longer be used to report such compensation.

Reason for the Change

The Protecting Americans from Tax Hikes (PATH) Act in 2015 accelerated the due date for filing Forms 1099 that include nonemployee compensation from February 28 to January 31 and eliminated the automatic 30-day extension for forms that include nonemployee compensation. Meanwhile, the deadline for reporting other information on the Form 1099-MISC remains at February 28 (for paper filing) and March 31 (for electronic filing).

To alleviate complexities of using the same form to report information with different due dates, the IRS reinstated the Form 1099-NEC (which was last used in 1982).

Compensation Reported on Form 1099-NEC

Compensation of $600 or more including fees, commissions, prizes, awards and other forms of compensation for services performed as a nonemployee are reported on Form 1099-NEC. According to the instructions, excess golden parachute payments (reported in box 13 of Form 1099-MISC) and nonqualified deferred compensation amounts includible in income because the arrangement fails to satisfy the requirements of Code Section 409A (reported in box 14 of Form 1099-MISC) are also reported in box 1 of the Form 1099-NEC.

2020 Filing Deadline

Since January 31, 2021 falls on a Sunday, the 2020 Form 1099-NEC must be filed on or before February 1, 2021, using either paper or electronic filing procedures.

To obtain an extension a company must file Form 8809, *Application for Extension of Time to File Information Returns* and meet any of several conditions, including:

- Having suffered a catastrophic event in a federally declared disaster area that made the filer unable to resume operations or made necessary records unavailable;
- Fire, casualty or natural disaster affected the operations of the filer; or
- Death, serious illness, or unavoidable absence of the individual responsible for filing the information returns, which affected the operation of the filer.

The automatic 30-day extension will no longer apply.