NJ Local Church Treasury Tips Email Series: 1099 Basics

Part 1:

Over the next month we will cover Form 1099-NEC, which is a form that churches are required to file with the IRS if they have paid individuals or non-incorporated businesses $600 or more for a service over the course of 2022.

In previous years, form 1099-MISC was the form that we used, but in 2020 the requirements changed and now Form 1099-NEC is the form for non-employee compensation. (NEC - Non-Employee Compensation, get it?) 🙃

In the next email, I will show you how to narrow down your list of potential candidates until you have your final candidates. Some treasurers will not have any to file, but a large percentage of our treasurers will end up with at least one 1099-NEC.

The Form 1099-NEC must be in the mail or e-filed by January 31, 2023 at the latest. Any time after January 1 is fine. One copy goes to the person or business, another copy goes to the IRS along with Form 1096 as a coversheet.

Ignoring Form 1099-NEC is not a good option. The current penalty for failure to file Form 1099-NEC is from $50 to $580 for each return filed late, or not filed at all.

If you would rather watch a video on this topic, [here](https://vimeo.com/499364061) is a helpful resource from Georgia Cumberland Conference.

**How do you know if you need to file Form 1099-NEC?**

Did you hire someone to provide a service for your church this year?

Were they an independent contractor?

Were they either an individual or a non-incorporated business?

Did you pay them a total of $600 or more over the course of the year?

If so, the IRS requires that you fill out a Form 1099-NEC, giving one copy to the contractor and filing one copy with the IRS.

This does not apply to anyone who has been paid as an employee. Remember, the letters NEC stand for “Nonemployee Compensation”! So, if you are paying someone as an employee through NJC Local Payroll, they do not need to receive a 1099.

This does not apply to businesses that are incorporated in your state.

This does not apply to someone that you paid less than $600 over the course of the year.

**Here is a detailed list that will help you begin to sort it all out.**

In the “Yes” column, **Form 1099-NEC is Needed**if checks totaling $600 or more in a calendar year, are paid directly to nonemployees or businesses not incorporated in your state for:

 On the “No” side, **NO Form 1099-NEC is Needed**for checks to/for:

|  |  |
| --- | --- |
| YES | NO |
|    Lawn service – business or person  | New Jersey Conference |
|   Cleaning the church – business or person  |   Payroll or insurance to the New Jersey Conference |
|   Treasurer stipend  |   Adventist Book Center or Pacific Press or any magazines or books |
|   Rent you pay to a person (not to a realty company or property management company) |   Any school, church or other non-profit entity |
|   Musicians or song leaders |   Property taxes |
|   Evangelists or speaker for seminar, etc. (for the speaker’s fee, not for expense reimbursements) |   Any purchases of products, equipment, food, supplies |
|   Plumbing, electrical, painting, roofing  |   Utility, water, phone, cable or Internet payments |
|   Remodeling or repairing of buildings or anything on church property |   Reimbursements to members when they turn in receipts |
|   Piano tuning |   Rental **income** (not payments) OR |
|   Heating and air repair and/or installation  |   Benevolent fund disbursements |
|   Pest control  |
|   Security monitoring  |
|   Parking lot paving or sealing  |
|   Window replacement  |
|   Pressure washing  |
|   Locksmith services  |
|   Tree services  |
|   Carpet replacement or cleaning  |
|   New sign, if labor and materials are combined OR (to cover ALL the bases) |
|   Any other Nonemployee Compensation for any type of services |

Next time, I will show you how Jewel assists in sorting through all your payees/vendors, to come up with the ones that need a Form 1099-NEC.

For assistance with 1099s or with other treasury questions please contact us:

Jewel Support in English: Rachel Linares, rlinares@njcsda.org 609-802-0864

Ayuda con Jewel en Español: Edwin Rivera, erivera@njcsda.org 609-802-0857

Part 2:

The next step to successfully completing your 1099 process is to find out just how many candidates you have for a 1099-NEC.

I have attached instructions with diagrams. Contact me if you have questions.

This part of the process is extremely important, so **don't ignore it until January.** You need to either have or obtain a W-9 for each of the vendors on your list, so the sooner you start that process the better. In the next email you will receive instructions on how to do that.

If you want to watch a video of this part of the process, you can click [here](https://vimeo.com/499364196) to hear our friends at Georgia Cumberland Conference explain it.

We will finish this topic next time!

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Part 3:

Now that we have our finalized list, in Jewel, of individuals or businesses that should receive a 1099-NEC, we need to know certain information about that individual or business in order to actually file the form. Things like their mailing address and social security number or EIN. To get that information, we use a different form - a Form W-9. The W-9 is to be filled out by each service vendor and will give you their name, social security number and address.

If you have a person or business that you hire regularly, like a lawn service, you probably already have a Form W-9 that they filled out in a previous year, so there is no need for them to fill it out again. And you may already have asked a vendor for a W-9 when you paid them for the job. If so, great! 🎉🎈🎯🏆

**NOTE:***It is really important to keep all of your W-9s from current and past years in a folder where you can find them, because you don't want to have to duplicate your effort because they got lost. Since these forms contain social security numbers, do not leave any completed W-9s lying around unsecured. All of them for all years should be kept in a securely locked location. (And****don’t scan them****into your computer. Keep the paper copies but keep them locked up.)*

If you look through all your W-9s (including the ones from previous years) and find that you are missing a W-9 for a vendor that is on your 2022 Jewel list, you will need to hand deliver or mail a blank Form W-9 to them. As soon as possible. Because if they don't respond the first time, you will need to try at least 2 more times, documenting each attempt. If you mail it, a stamped, self-addressed envelope may help you to receive it back sooner.

Most of the businesses will be accustomed to filling this out. Some of the individuals may ask what it is for. You can tell them it is a requirement for the IRS and that you are following your auditor’s instructions.

Form W-9 has one page for the form and 5 pages for the instructions, but most people can fill out the form without the instructions. You are just asking for their name, address, Social Security *or* EIN number, and signature.

I am attaching a printable W-9 to this email or you can find one online at IRS.gov.

Try to have a completed Form W-9 from everyone on your Jewel list **by December 31.**

**TIP FOR NEXT YEAR:** It is much easier to get a person/business to fill out Form W-9 while they are doing the work. In fact, before you write them a check that would bring them up to $600 or more for the year, hand them the Form W-9 and say “I will give you this check, but I need this from you first.” Then you won’t have to be scrambling when December comes!

There is one more bit of information you will need in order to fill out your Forms 1099-NEC, And that is your church’s EIN or TIN #. This is a federal number (not your NJ state tax exempt#). You should have, in your permanent files, your IRS Notice from when they issued this number. If you cannot find one of those documents, and you have filled out 1099s before, you can find it on a previous year’s 1099. It is a 9-digit number that is configured like this: XX–XXXXXXX. If you do not know what it is, let us know ahead of time and we can assist you.

Now you have everything you need.

There are two ways to file: On paper, or online.

Here are a few options for filing online:

 <https://www.efile1099now.com/>

 [https://www.tax1099.com/](https://www.tax1099.com/1099-forms/efile-1099-misc-form)

 <https://www.1099online.com/>

The charge is usually less than $5 for each form filed, and it is more than worth it to avoid the hassle of obtaining paper forms, filling them out and mailing them.

If you are not comfortable filing online, haven't done them before and don’t have anyone who can help you, contact us for assistance. We will be happy to walk you through the process.

If you choose to do them by mail, you can order them from the IRS. They will mail them to you for free but are not available until after December 1, 2022. You can also purchase them from an office supply store

However you do it, remember, **every**Form 1099-NEC for 2022 must be in the mail or electronically filed by January 31, 2023. Don’t leave it until the last minute and risk penalties for not filing.

 CLICK [Here](https://vimeo.com/499364489) to watch a video on this topic from Georgia Cumberland Conference if you prefer.

That is all for this topic, hopefully you are feeling a little more confident going into 1099 season! And don't forget, we are here to help you with this.

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