

## **Information Reporting (From DE 542 and 1099) For Independent Contractors**

### **Time Sensitive Information - Your Response is due by January 6, 2018**

Businesses are required to file Form 1099 to report certain payments to reportable vendors. Reportable vendors generally include individuals and partnerships that provide service to a business. For attorneys, corporations are reportable vendors as well. Form 1099 for the 2017 tax year must be **provided to the vendor by January 31, 2018** and **must be filed with the IRS by this date** as well when reporting amounts in box 7 (nonemployee compensation). Most common types of reportable payments are summarized below:

- Rent payments of \$600 or more
- Non-employee compensation (i.e. payment for services to subcontractors) of \$600 or more
- Gross proceeds paid to attorneys of \$600 or more
- Interest payments of \$10 or more
- Royalty payments of \$10 or more

Due to the revised 1099 filing due dates, we will need your information earlier than in prior years. **Please send us your information by January 6, 2018**, to ensure timely filing of the appropriate forms.

**Businesses (for this purpose) include rental activities conducted by individuals (i.e. Schedule E filers).**

In addition, California requires businesses to report to EDD on DE 542 **within twenty days** of either (a) making cumulative payments of \$600 or more; or (b) entering into a contract for \$600 or more with an independent contractor in any calendar year, whichever is earlier. An independent contractor, for this purpose, is defined as an individual who is not an employee of the business or government entity for California purposes and who receives compensation or executes a contract for services performed for the business or government entity either in or outside of California.

**If we have not assisted you in this area in the past and you would like for us to prepare 1099/1096 forms for you for tax year 2017, please fill out the excel template and return to us. We have highlighted the most commonly used information in yellow cells on the top row. If any data indicated in the columns does not apply to you, please leave it blank. Do not delete any columns.**

[1099 Misc Template](#)

[1099 Dividend Template](#)

[1099 Interest Template](#)

**For your reference, here is a sample of what a completed 1099-misc template would look like:**

[Sample 1099 Misc Template](#)

**If we helped you with your 2016 filings, you will be receiving via email a pre-filled excel template from our office based on your 2016 filings. Please update it with 2017 information and return to us at [projects\\_set-up@krostcpas.com](mailto:projects_set-up@krostcpas.com). Unless specifically requested, we will not be sending out pre-filled paper forms this year.**

**KROST will prepare the 1099's and related 1096 required from the information we receive. The information received must be accurate and complete. The Internal Revenue Service could charge penalties for incomplete data received and failure to file 1099's of up to \$260 per information return.**

Preparation fees:

- Minimum fee of \$175 per 1096 with appropriate 1099's.
- In addition to the minimum charge, there is a charge of \$20 per 1099. We will now be mailing out the recipient 1099 copies to each recipient directly. This eliminates the need for you (the payer) to distribute the 1099's to the recipient(s).
- If we need to contact you regarding the information received, because of inaccurate or incomplete data, there will be an additional charge based on our standard hourly rate. Using the excel templates will allow us to directly import the data into our system, which in turn will help us keep your 1099 fees down and allow for faster processing.
- If an accountant is required to correct the information, there will be an additional charge based on our standard hourly rate.
- If you require an additional 30-day extension to file 1099's with the government, there will be an additional fee of \$125. Please note this does not extend your time to provide copies to recipients according to IRS guidelines.
- Starting January 1, 2018, we no longer will be mailing out hard copies for the employer copy of the 1096 and 1099. We will be emailing these to you for no charge. If you require a hard copy, there will be a fee charged of \$75.00

If you have any questions or need additional information, please don't hesitate to contact us.

### Contractor Versus Employee Checklist

The determination of independent contractor versus employee status is based on all of the facts and circumstances surrounding the relationship. The following checklist may help determine whether there is behavioral and financial control of the worker and therefore indicate an employer-employee relationship. None of the identified factors is determinative. In addition, not all factors are present in all employee or independent contractor relationships. Check each statement that is true. If most of the statements are true, the worker would most likely be treated as employee. In addition, we encourage you to go to the IRS website and read how the IRS makes the determination if a person is an employee or independent contractor. We are not responsible for advising you with respect to independent contractor status as part of our services. If you have any questions regarding the classification of employees versus independent contractors, we strongly encourage you to consult with legal counsel experienced in employment practice matters.

True	False	Statement
		You control the time, place, and manner of the work.
		You provide or require training, or require attendance at training meetings.
		You integrate the worker into regular operations.
		You require that the worker specifically perform the work.
		You hire and control the worker's assistants.
		You require the worker to work certain hours or a certain schedule.
		You require a certain number of hours.
		You require work at a specific location.
		You control the order of the work or the technique used.
		You require reports from the worker.
		You pay on a regular basis, rather than on receipt of invoices.
		You pay the worker's work-related expenses.
		You furnish tools or other needed equipment for the job.
		You provide work facilities, rather than the worker maintaining separate space.
		The worker does not risk loss through completion of the job.
		The worker only works for you.
		You may terminate the worker or the worker may quit at any time.