A 1099 looks like this:

	ECTED		
PAYER'S name, street address, city or town, province or state, country, ZIP or foreign postal code, and telephone no.	1 Rents	OMB No. 1545-0115	
	s	2013	Miscellaneous
	2 Royalties		Income
	s	Form 1099-MISC	
	3 Other income	4 Federal income tax withhele	t l
	\$	\$	Copy 1
PAYER'S federal identification number RECIPIENT'S identification number	5 Fishing boat proceeds	6 Medical and health care payment	³ For State Tax Department
	\$	\$	
RECIPIENT'S name	7 Nonemployee compensation	8 Substitute payments in lieu dividends or interest	of
Street address (including apt. no.)	\$	\$	
	9 Payer made direct sales of \$5,000 or more of consumer	10 Crop insurance proceeds	
City or town, province or state, country, and ZIP or foreign postal code	products to a buyer (recipient) for resale	\$	
	11 Foreign tax paid \$	12 Foreign country or U.S. possessio	n
Account number (see instructions)	13 Excess golden parachute payments	14 Gross proceeds paid to an attorney	
	\$	\$	
15a Section 409A deferrals 15b Section 409A income	16 State tax withheld	17 State/Payer's state no.	18 State income
	\$		\$
\$ \$ Form 1099-MISC www.irs.gov/form1099	\$		\$

- 1. You are the PAYER, so should write your name, mailing address, and phone number in the first box.
- 2. PAYER'S federal identification number is most likely your personal Social Security Number. It could be your Employer Identification Number, but if you are an organization that does not have employees, you probably do not have an EIN.

NOTE: If you do not want to use your Social Security Number in the future, you can apply for a Tax Identification Number (TIN). This number, once obtained, will appear on the 1099s you send out. A common misconception about Tax Identification Number (TIN) is that a separate Tax ID = incorporation. An individual can have a TIN without having incorporation.

A common reason an individual may request a Tax Identification Number (TIN) to use in place of a Social Security Number is as a privacy measure. Social Security Numbers are more easily exploited in cases of identity theft than Tax Identification Numbers.

- 3. RECIPIENT'S Identification Number is almost always a Social Security Number unless he or she has provided a tax identification number (TIN) instead.
- 4. RECIPIENT'S Name, Street Address are all for the person you have paid in the last year. Remember, a 1099 is needed in cases where you have paid an individual more than \$600 during the previous calendar year.
- 5. Enter the amount of money you paid to the contract worker throughout the year in box 7, which is titled "Non-employee compensation" on the 1099 form.

- 6. If applicable, write down how much federal or state income tax you withheld from the contract worker's pay in either box 4 or 11. Given the fact that you worked with an independent contractor, it isn't likely that you withheld taxes.
- 7. Enter the state where your company is located in box 12. The IRS prefers that you use a 2-letter abbreviation for your state (MN) instead of writing out the full name.

1099 MAILING AND DEADLINES

- 1. Mail or give Copy B of the 1099 to your contractor no later than January 31.
- 2. Mail both Form 1099 and "Copy A For Internal Revenue Service" of the 1099 that you prepared for your contract worker to the IRS by **February 28**. If you complete your taxes electronically, the deadline is **March 31**.

TIP: Allow some time for your contractor to review the 1099 before you mail it in to the IRS. This makes it easier to make corrections, if needed.

3. Keep Copy C of the 1099 for your own records. It is recommended that you retain copies of all of your tax documents for at least 4 years.

A Note About Filing 1099s With the State

It is unlikely that you would need to send the portion of the 1099 labeled "Copy 1 For State Tax Department." You only have to do this if you deducted income tax from the contractor's pay in the state in which he or she resides. If you have withheld taxes for their home state, you'll need to send this copy by **February 28**.

The state of Minnesota allows you to submit paper copies of the 1099 if you have a total of 10 or fewer forms (W-2s plus 1099s). In that case, you may submit paper copies by mailing them to:

Minnesota Revenue Mail Station 1173 St. Paul, MN 55146-1173

Otherwise, you should submit your 1099s online.

Getting Help With Your 1099s

Some electronic tax preparation tools will charge a small fee but make this process easier, such as <u>http://www.1099online.com/</u> or packages such as TurboTax. Any accounting software package will include tools to create necessary tax returns. You can also hire a bookkeeper to help you file your project taxes and generate the 1099s you need.

Free and reduced-cost tax preparation resources are offered by organizations locally. These services have some restrictions and advanced appointments are either required or highly recommended.

Accountability Minnesota: http://www.accountabilitymn.org

University of Minnesota: http://uofmtaxes.org

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