Process 1099 Forms

Table of Contents

Process 1099 Forms

This guide provides the necessary steps to verify and produce 1099-MISC (Miscellaneous Income) and 1099-NEC (Nonemployee Compensation) forms using the Finance application.

Beginning with the 2020 tax year, nonemployee compensation (i.e., payments to a non-employee, such as an independent contractor) totaling $600 or more must be reported on the new Form 1099-NEC. **Previously**, nonemployee compensation was reported in box 7 on Form 1099-MISC.

This guide assumes you are familiar with the basic features of the TxEIS Business system and have reviewed the TxEIS Business Overview guide.

Before You Begin

Review the following information prior to processing 1099 forms:

❑ Complete 1099-NEC filing to the IRS by February 1st, using either paper or electronic filing procedures.

❑ Complete the 1099-MISC filing to the IRS by March 1st if filing by paper or March 31st if filing electronically.

❑ If your LEA has more than 250 1099 forms, you **must** file electronically. This requirement applies separately to each type of form.

❑ If the LEA has less than 250 1099 forms, LEA's can still opt to file electronically. Refer to the IRS Filing Information Returns Electronically (FIRE) homepage for additional information.

❑ LEAs who plan to file by paper must submit Copy A for each recipient along with Form 1096.

Terms:

Term	**Description**
IRS	Internal Revenue Service
SSA	Social Security Administration
SSN	Social Security Number

Term	Description
Form 1099-MISC	File Form 1099-MISC for each person to whom you have paid during the year: ❑ at least $10 in royalties or broker payments in lieu of dividends or tax-exempt interest; ❑ at least $600 in: • rents; • services performed by someone who is not your employee; • prizes and awards; • other income payments; • medical and health care payments; • generally, the cash paid from a notional principal contract to an individual, partnership, or estate; • payments to an attorney; You must also file Form 1099-MISC for each person from whom you have withheld any federal income tax (report in box 4) under the backup withholding rules regardless of the amount of the payment.
Form 1099-NEC	Beginning with the 2020 tax year, file Form 1099-NEC to report Nonemployee Compensation (NEC) for each person to whom you have paid during the year: ❑ At least $600 in: • Services performed by someone who is not your employee (including parts and materials) (box 1); •Cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish (box 1); or • Payments to an attorney (box 1). (See Payments to attorneys, later.) You must also file Form 1099-NEC for each person from whom you have withheld any federal income tax (report in box 4) under the backup withholding rules regardless of the amount of the payment.

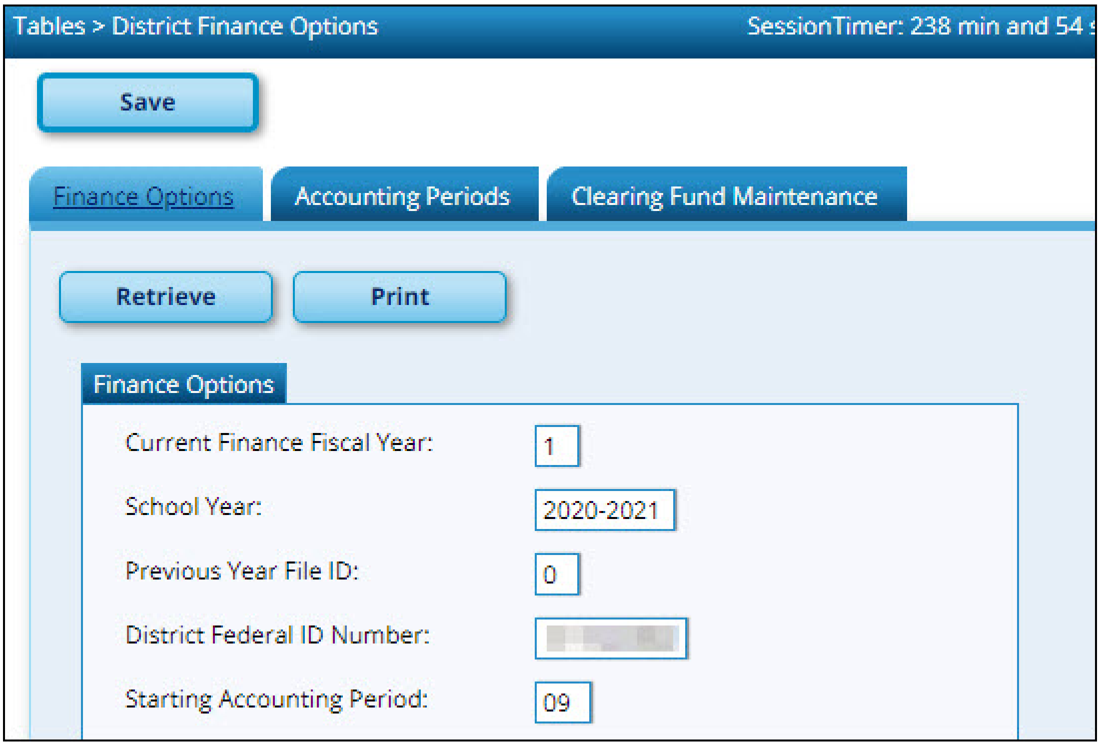
1099 Helpful Links:

IRS Homepage	https://www.irs.gov
Form 1099-MISC	https://www.irs.gov/pub/irs-pdf/f1099msc.pdf
Form 1099-MISC Instructions	https://www.irs.gov/forms-pubs/about-form-1099-misc
Form 1099-NEC	https://www.irs.gov/pub/irs-pdf/f1099nec.pdf
Form 1099-NEC Instructions	https://www.irs.gov/forms-pubs/about-form-1099-nec
Filing Information Returns Electronically (FIRE)	https://www.irs.gov/e-file-providers/filing-information-returns-electronically-fire
Publication 1220, Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G	https://www.irs.gov/pub/irs-pdf/p1220.pdf
Publication 15 (2020), (Circular E), Employer's Tax Guide	https://www.irs.gov/publications/p15

Process 1099 Forms

1. Verify District Finance Options.

   Finance > Tables > District Finance Options > Finance Options

   Verify that the following fields contain accurate information:

   - **Current Finance Fiscal Year**
   - **School Year**
   - **Previous Year File ID** - Verify that the **Previous Year File ID** field is not blank. If the field is blank, check transactions cannot be located for the current calendar year in the previous fiscal year. When creating the 1099 work table, only unique transactions are selected from both file IDs
   - **Starting Accounting Period**

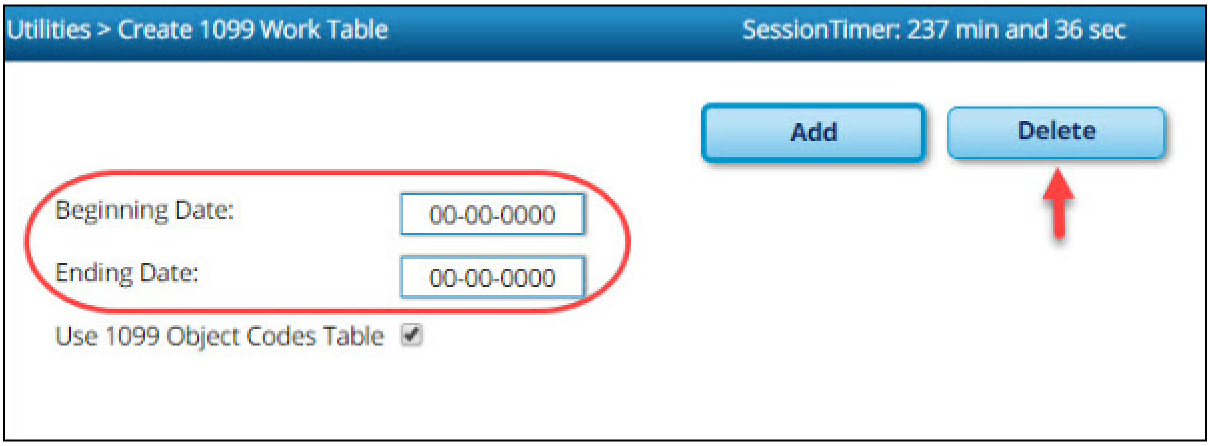
2. Delete the 1099 work table.

   Log on to file ID C.

   Finance > Utilities > Create 1099 Work Table

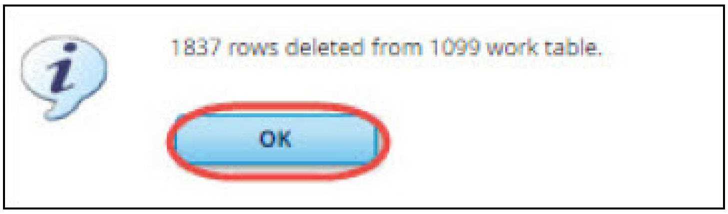
   Use this utility to delete 1099 historical data from the tables before creating the new year 1099 work table.

   Note: The Finance transactions are not affected when the 1099 work table transactions are deleted.



Leave the **Beginning Date** and **Ending Date** fields blank to delete all existing 1099 table data.

Click **Delete**. A message is displayed with the number of rows being deleted from the 1099 work table.



Click **OK** to close the message box.

3. Create the 1099 object codes table.

   Finance > Tables > 1099 Object Codes

   In file ID C, review all of the object codes that were used when paying 1099-eligible vendors. You can add and/or delete object codes as needed. Generally, 62XX accounts are included.

Tables > 1099 Object Codes

Save

Retrieve Print

Delete	Object Code	Object Description	Type Payment
	2110	ACCOUNTS PAYABLE	N - Non-employee compensation
	2112	ACCOUNTS PAYABLE	N - Non-employee compensation
	2190	DUE TO STUDENT GROUPS	N - Non-employee compensation
	2191	DUE TO STUDENT GROUPS-ELEM.	N - Non-employee compensation
	2192	DUE TO STUDENT GROUPS-M.S.	N - Non-employee compensation
	2193	DUE TO STUDENT GROUPS-H.S.	N - Non-employee compensation
	6211	LEGAL SERVICES	N - Non-employee compensation
	6212	AUDIT SERVICES	N - Non-employee compensation
	6213	TAX APPRAISAL & COLLECTION	N - Non-employee compensation
	6219	PROFESSIONAL SERVICES	N - Non-employee compensation
	6223	STUDENT TUITION-NON PUBLIC SCH	N - Non-employee compensation
	6239	EDUCATION SERVICE CENTER SERVS	N - Non-employee compensation
	6249	CONTRACTED MAINTENANCE/REPAIRS	N - Non-employee compensation
	6255	WATER,WASTEWTR TRMT/SANITATION	N - Non-employee compensation
	6259	UTILITIES	N - Non-employee compensation
	6269	RENTALS - OPERATING LEASES	R - Rents
	6291	CONSULTING SERVICES	N - Non-employee compensation
	6299	MISC.CONTRACTED SERVICES	N - Non-employee compensation
	6319	SPLYS FOR MAINT & OPER.	N - Non-employee compensation
	6392	RESERVED FOR FUTURE STATE DEFI	N - Non-employee compensation
	6399	GENERAL SUPPLIES	N - Non-employee compensation
	6413	STIPEND,NON-EMPLOYEE	N - Non-employee compensation
	6499	MISC OPERATING EXPENSES	N - Non-employee compensation
	6624	BUILDING PURCH,CONSTR OR IMPRV	N - Non-employee compensation
	6625	BLDG PURCH,CONSTR OR IMPRV-LOC	N - Non-employee compensation
	6626	BLDG PURCH,CONSTR OR IMPRV-LOC	N - Non-employee compensation

1 / 2 Refresh Description + Add

Note: If the table is not populated with object codes and type payments, all transactions (regardless of object code) for each 1099-eligible vendor are extracted when the Create 1099 Work Table utility is processed. The table must be completed prior to printing the 1099 forms.

Log on to the prior year file ID.

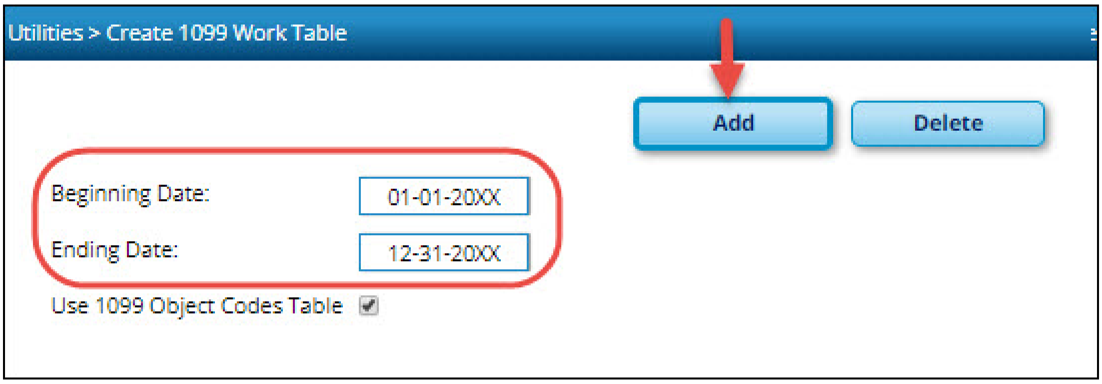
Ensure that the prior and current year file ID object code tables have the same object codes since the amounts spent from January 1 - August 31 exist in the prior year file ID.

4. Create the 1099 work table.

   Finance > Utilities > Create 1099 Work Table

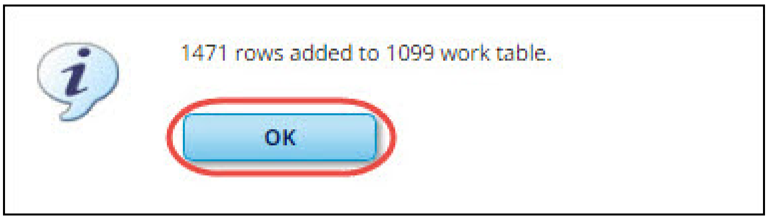
   Process this utility to populate the work table from the check transactions. The table populates the Finance > Maintenance > 1099 Record Maintenance page and allows you to modify entries.

   The create 1099 work table process uses file ID C and the file ID in the **Previous Year File ID** field on the Finance > Tables > District Finance Options > Finance Options tab for file ID C to determine which file IDs to use. After this utility is processed, if check transactions are identified for a file ID other than C and the **Previous Year File ID** field is blank on the Finance Options tab in file ID C, a warning message asking for confirmation to continue is displayed. Click **Yes** to continue (only file ID C is processed).



   Type a **Beginning** and **Ending Date** range.

   Click **Add** to create a 1099 work table. A message is displayed with the number of rows being added to the 1099 work table.

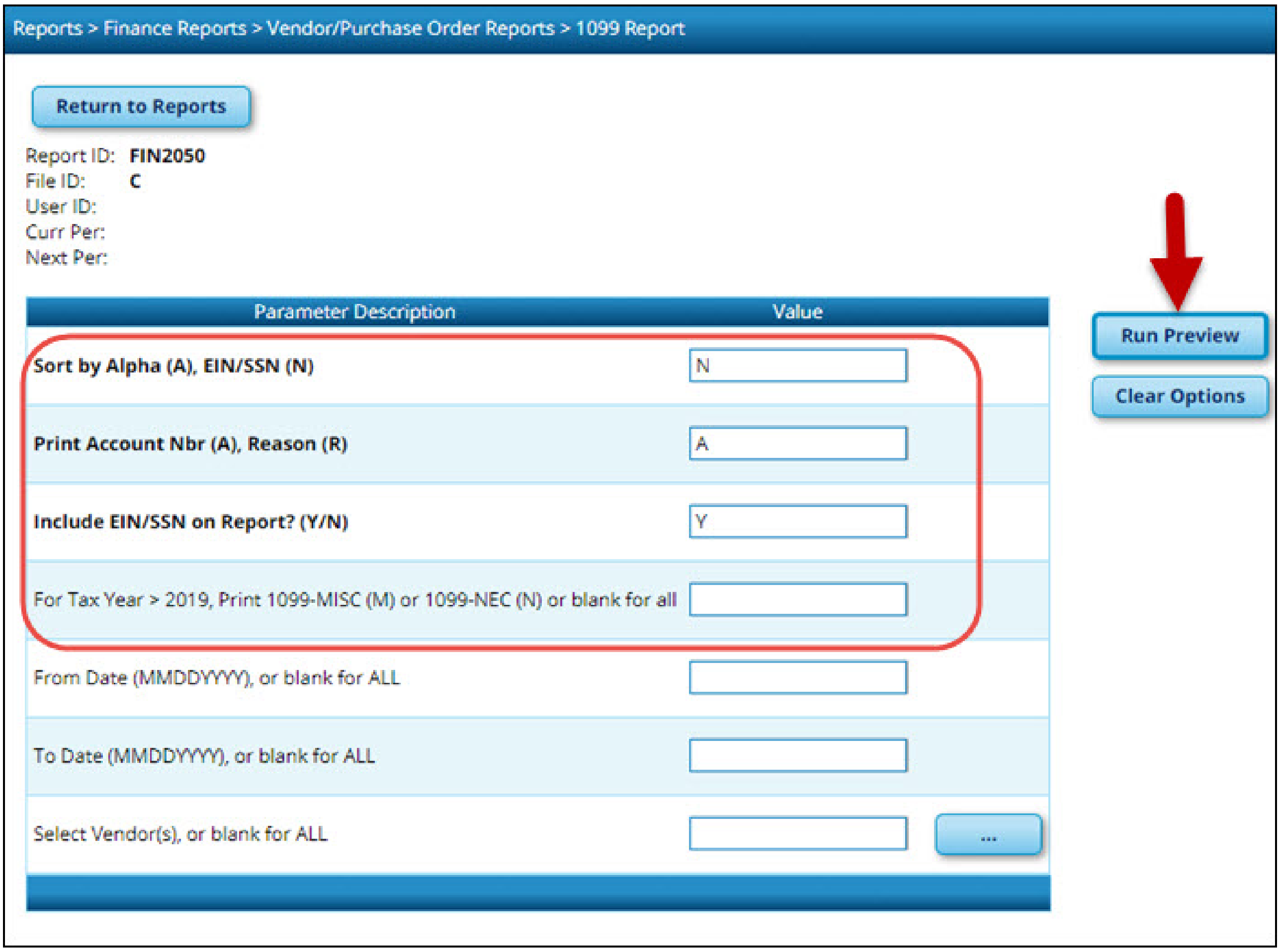


   Click **OK** to close the message box.

5. Generate the 1099 report.

   Finance > Finance Reports > Vendor/Purchase Order Reports > FIN2050 - 1099 Report

   Generate this report to review the vendors and transactions for accuracy. **It is recommended** to sort the report by the Employer Identification Number (EIN)/Social Security Number (SSN). This sorting option allows those vendors without an EIN/SSN to be displayed at the beginning of the report. A 1099 form is not generated for vendors without an EIN/SSN.



Notes:

The 1099-MISC (M) form prints the sum of all transactions (if at least $600) in the 1099 work file except those tied to an object code with a **Type Payment** of *N - Non-employee compensation* on the Finance > Tables > 1099 Object Codes page.

The 1099-NEC (N) form prints the sum of all transactions (if at least $600, excluding credit card transactions) in the 1099 work file that are tied to an object code with a **Type Payment** of *N - Non-employee compensation* on the Finance > Tables > 1099 Object Codes page.

If a vendor is not displayed on the report and should be, verify the following:

- The EIN or SSN is populated and the **1099 Eligible** field is selected on the Finance > Maintenance > Vendor Information > Vendor Name/Address tab.
- The object code used to pay the vendor exists in the object codes table in both the current and prior year file IDs.

If 1099 transactions exist for objects that you do not want to be included in the 1099s, update the 1099 object code table. If you remove a code from the Finance > Tables > 1099 Object Codes page, it is not included on the 1099 form or the 1099 file, but it is displayed on the 1099 Report without a payment type description.

Transactions can be deleted and added by running the Create 1099 Work Table utility again or manually deleting and adding transactions on the Finance > Maintenance > 1099 Record Maintenance page. If you delete a transaction from a vendor and the Create 1099 Work Table utility is processed again, delete the transaction on the Finance > Maintenance > 1099 Record Maintenance tab.

If the student activity check transactions are not maintained in TxEIS, you must manually enter the information on the Finance > Maintenance > 1099 Record Maintenance page.

6. Perform 1099 record maintenance.

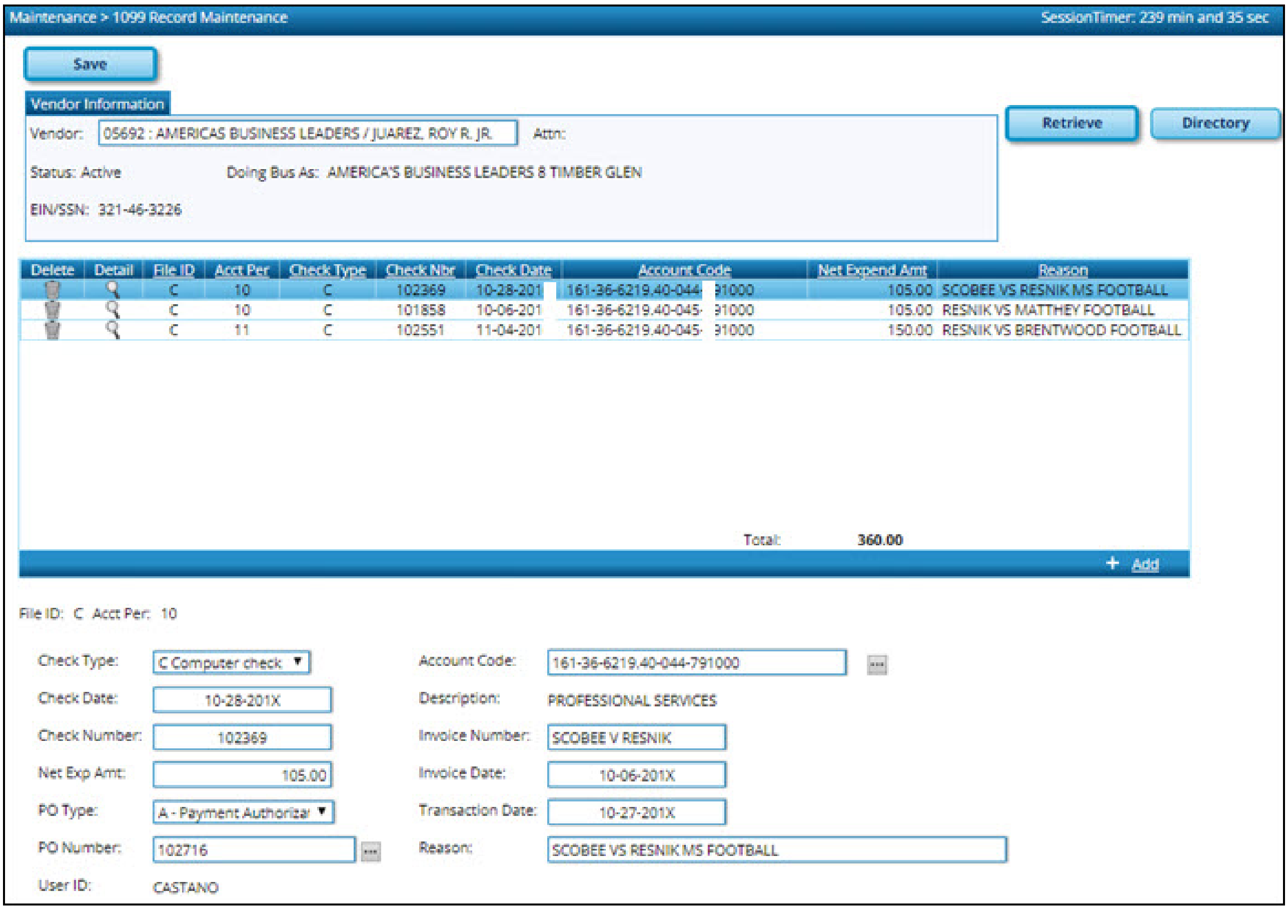
Finance > Maintenance > 1099 Record Maintenance

Perform any necessary updates to the payment information in the 1099 work file. You can verify, add, delete, or update check transactions for each vendor to ensure the accuracy of the vendor 1099 records.

Only transactions that occurred in 2020 with object codes from the 1099 object codes table are displayed.

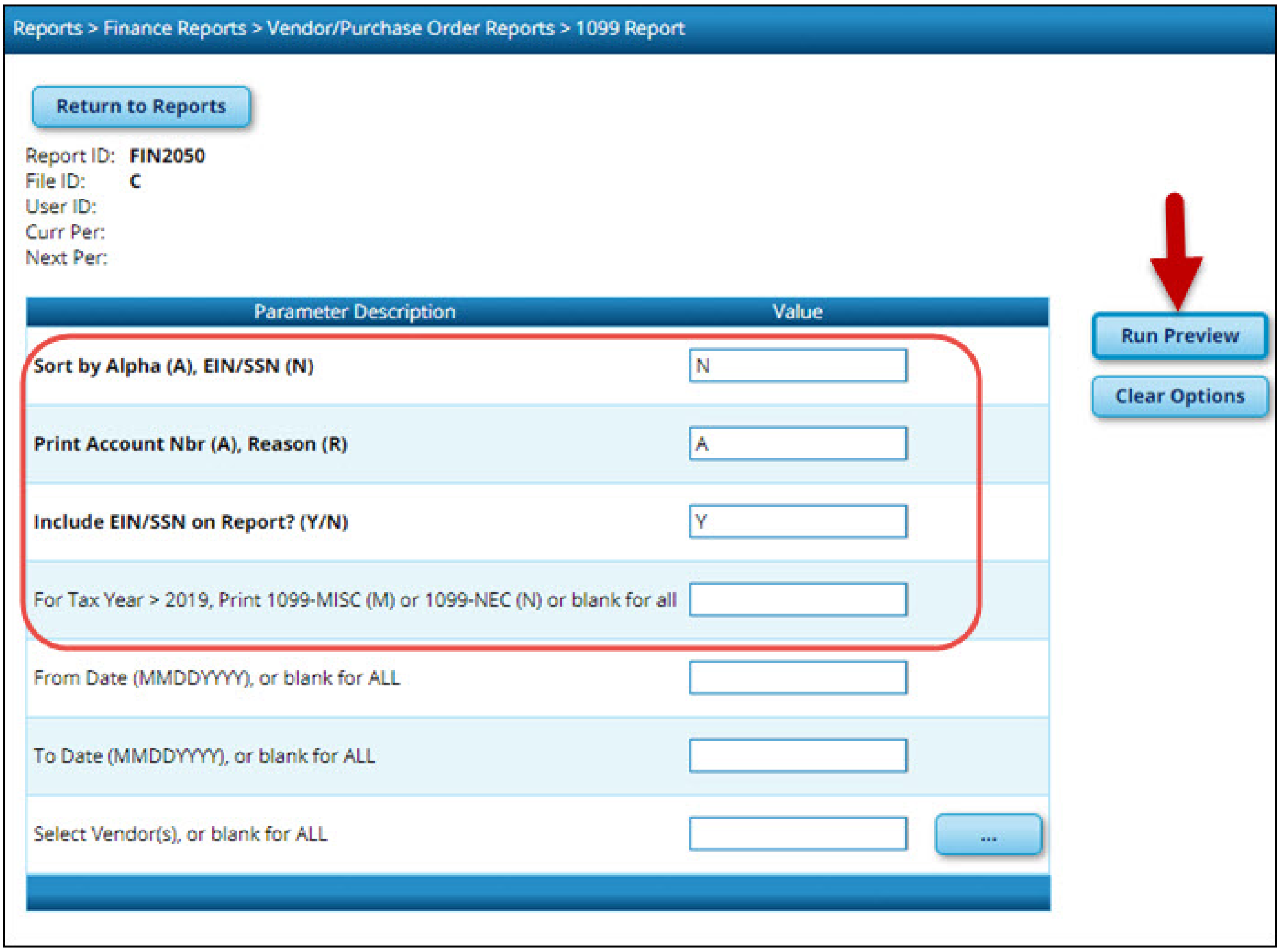
Be sure to delete any transactions that should not be reported (e.g., reimbursements).

Reminder: Any items added or deleted will revert back to the original state if any extract is performed.



7. Verify the 1099 report.

Finance > Finance Reports > Vendor/Purchase Order Reports > FIN2050 - 1099 Report

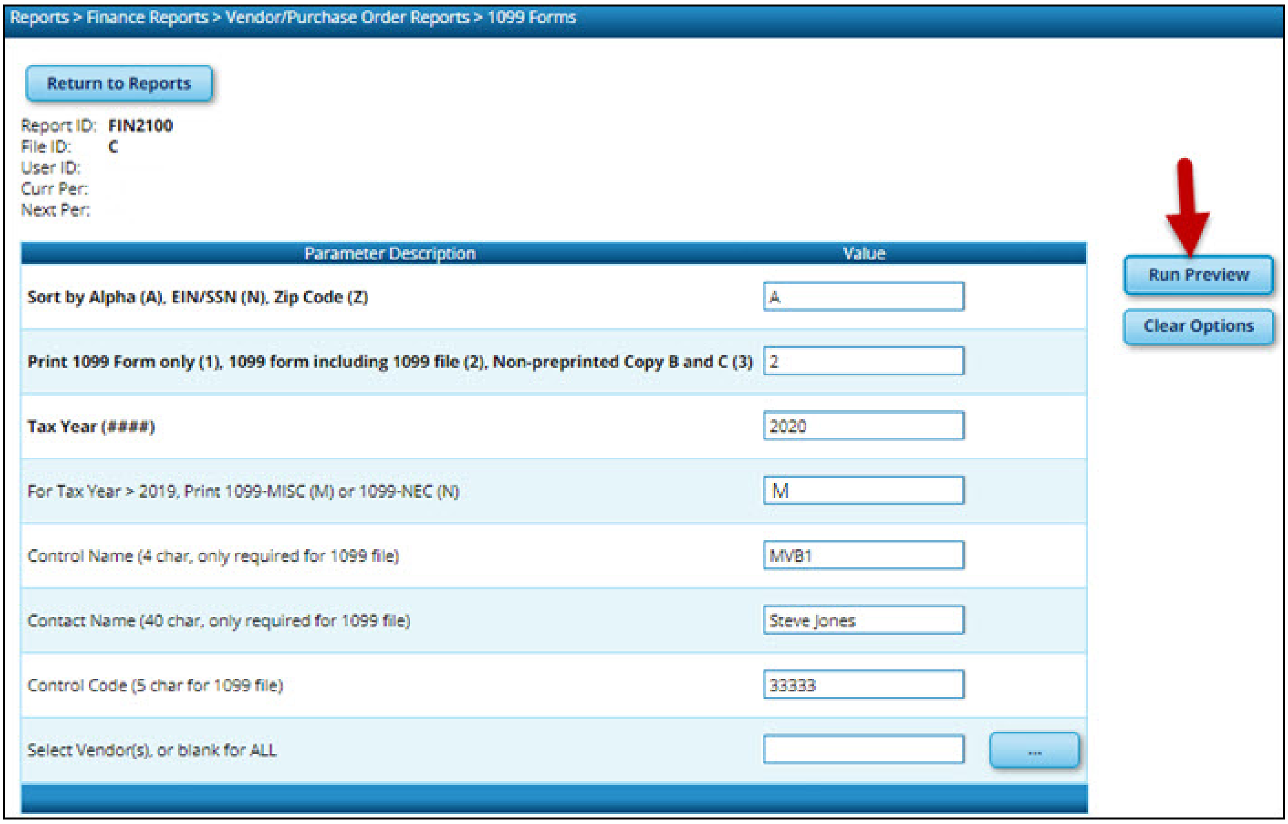


Generate this report again and continue reviewing vendors and transactions for accuracy.

If any vendors and/or transactions are missing, you can manually enter any exceptions on the Finance > Maintenance > 1099 Record Maintenance page, or make the corrections on the Finance > Maintenance > Vendor Name/Address tab and the Finance > Tables > 1099 Object Codes page (if extracting transactions again).

8. Print the 1099 forms.

Finance > Reports > Finance Reports > Vendor/Purchase Order Reports > FIN2100 - 1099 Forms



Generate this report after all of the necessary information is verified

If more than 250 1099 forms are generated, you are required to create a 1099 file for electronic submission to the IRS. This requirement applies separately to each type of form.

All LEAs should run this report using options **2** and **3** in the **Print 1099 Form only (1), 1099 form including 1099 file (2), Non-preprinted Copy B and C (3)** parameter. The following parameters are required when generating the report with option 2 (1099 form including 1099 file):

- **Control Name (4 char, only required for 1099 file)**
- **Contact Name (40 char, only required for 1099 file)**
- **Control Code (5 char for 1099 file)**

9. File 1099 forms.

   Use the IRS Filing Information Returns Electronically (FIRE) system to file electronically.

   Click here for more information about electronic filing.

   If filing by paper, mail all Copy A forms along with a 1096 Form. The submission must be postmarked and mailed to the IRS generally by January 31st. Refer to the IRS website for the exact reporting deadline dates.