

2020 Tax Refresher:

Review the Latest Changes Affecting
1099, W-2 and ACA Reporting
Forms

December 2020

What We'll Cover

- Review of 2020 form/filing changes
- 1099 updates
- E-file thresholds update
- COVID-19 reporting
- ACA updates
- Electronic filing

2020 Form and Filing Changes

Penalties

	Within 30 days of filing due date* February 1, 2021	After 30 days of due date but before August 2, 2021	After August 2, 2021
Penalty per form	\$50	\$110	\$280
W-2 and other forms maximum penalty	\$565,000 (\$197,500 for small businesses)	\$1,696,000 (\$565,000 for small businesses)	\$3,392,000 (\$1,130,500 for small businesses)

Note: Penalties continue to increase due to adjustments for inflation

*W-2s and 1099-NECs are due February 1

Other 1099 forms are due on March 1 by paper and March 31 by e-file

Form 1099-NEC

7171 ☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116 <div style="font-size: 2em; font-weight: bold; text-align: center;">2020</div>	<div style="text-align: center; font-weight: bold;">Nonemployee Compensation</div>		
		Form 1099-NEC	<div style="text-align: center; font-weight: bold;">Copy A</div> <div style="text-align: center;">For Internal Revenue Service Center</div> <div style="text-align: center;">File with Form 1096.</div> <div style="text-align: center; margin-top: 20px;">For Privacy Act and Paperwork Reduction Act Notice, see the 2020 General Instructions for Certain Information Returns.</div>		
1 Nonemployee compensation \$		2			
PAYER'S TIN	RECIPIENT'S TIN				
RECIPIENT'S name					
Street address (including apt. no.)					
City or town, state or province, country, and ZIP or foreign postal code					
FATCA filing requirement <input type="checkbox"/>					
Account number (see instructions)	2nd TIN not. <input type="checkbox"/>	5 State tax withheld \$	6 State/Payer's state no.	7 State income \$	
		\$		\$	

Form **1099-NEC** Cat. No. 72590N www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

Form 1099-NEC (cont.)

- IRS published official Form 1099-NEC to be used to report non-employee compensation (e.g., independent contractors) paid in 2020
- Form 1099-NEC was used over 30 years ago
- Form's purpose is to alleviate operational burdens caused by the change in filing due date for all box 7 Form 1099-MISC non-employee compensation filings

Form 1099-MISC Redesign

☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. <div style="background-color: #e0e0ff; height: 100px; width: 100%;"></div>		1 Rents \$ <div style="background-color: #e0e0ff; width: 100px; height: 20px;"></div>	OMB No. 1545-0115 <div style="font-size: 2em; font-weight: bold;">2020</div> Form 1099-MISC	Miscellaneous Income		
		2 Royalties \$ <div style="background-color: #e0e0ff; width: 100px; height: 20px;"></div>				
		3 Other income \$ <div style="background-color: #e0e0ff; width: 100px; height: 20px;"></div>				
4 Federal income tax withheld \$ <div style="background-color: #e0e0ff; width: 100px; height: 20px;"></div>	Copy 1 For State Tax Department					
5 Fishing boat proceeds \$ <div style="background-color: #e0e0ff; width: 100px; height: 20px;"></div>					6 Medical and health care payments \$ <div style="background-color: #e0e0ff; width: 100px; height: 20px;"></div>	
7 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>					8 Substitute payments in lieu of dividends or interest \$ <div style="background-color: #e0e0ff; width: 100px; height: 20px;"></div>	
9 Crop insurance proceeds \$ <div style="background-color: #e0e0ff; width: 100px; height: 20px;"></div>					10 Gross proceeds paid to an attorney \$ <div style="background-color: #e0e0ff; width: 100px; height: 20px;"></div>	
11					12 Section 409A deferrals \$ <div style="background-color: #e0e0ff; width: 100px; height: 20px;"></div>	
13 Excess golden parachute payments \$ <div style="background-color: #e0e0ff; width: 100px; height: 20px;"></div>	14 Nonqualified deferred compensation \$ <div style="background-color: #e0e0ff; width: 100px; height: 20px;"></div>					
15 State tax withheld \$ <div style="background-color: #e0e0ff; width: 100px; height: 20px;"></div> \$ <div style="background-color: #e0e0ff; width: 100px; height: 20px;"></div>	16 State/Payer's state no. <div style="background-color: #e0e0ff; width: 100px; height: 20px;"></div>	17 State income \$ <div style="background-color: #e0e0ff; width: 100px; height: 20px;"></div> \$ <div style="background-color: #e0e0ff; width: 100px; height: 20px;"></div>				

Form **1099-MISC**
www.irs.gov/Form1099MISC
Department of the Treasury - Internal Revenue Service

Form W-2

Wage base for Social Security for the 2020 tax year is \$137,700

22222		VOID <input type="checkbox"/>	a Employee's social security number		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number (EIN)			1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code			3 Social security wages		4 Social security tax withheld	
			5 Medicare wages and tips		6 Medicare tax withheld	
			7 Social security tips		8 Allocated tips	
d Control number			9		10 Dependent care benefits	
e Employee's first name and initial		Last name	Suff.	11 Nonqualified plans		12a See instructions for box 12
f Employee's address and ZIP code			13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
			14 Other		12c	
					12d	
15 State	Employer's state ID number		16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax
						20 Locality name

Form **W-2** Wage and Tax Statement

2020

Department of the Treasury—Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see the separate instructions.

Copy A—For Social Security Administration. Send this entire page with
Form W-3 to the Social Security Administration; photocopies are **not** acceptable.

Cat. No. 10134D

W-2 Masking

- Social Security numbers can appear in the form of IRS truncated taxpayer identification numbers (TTINs) – displaying only last four digits and using X's or asterisks for the first five
 - E.g. XX-XXX-1234
- Regulations permit employers to truncate employees' SSNs to appear in the form of a TTIN on copies of Forms W-2 that are furnished to employees under IRC §6051 (Copy B)
- Truncating may be allowed on the federal level; it may not be allowed in the state you are filing in
- Truncation will not be required; it's up to the employers

Form 8809 Basic Information

- No automatic extensions for Forms W-2 or 1099-NEC (non-employee compensation)
- Extensions can be submitted electronically by completing the fill-in 8809 form through the FIRE system – or filed by paper and mailed
- Form 8809 must be filed by February 1, 2021 for Forms W-2 and 1099-NEC
- One additional extension allowed for other transmittal forms provided the first extension was filed in a timely manner

1099 Updates

1099 Penalties

- Penalty notices proposing penalties for 1099 errors are sent out in August
- Notice 972CG is a penalty notice
- You have 45 calendar days from the date on notice to respond
 - The response is to either agree or disagree with penalty allotted
- Letter must be detailed and explain all errors for which penalties are proposed using language from the "reasonable cause" regulations found in Sec. 6724 of the IRC
- See IRS Publication 1586 for details

1099 Penalties (cont.)

- \$280 for failure to file correctly
- \$50 for corrected returns filed within 30 days of filing deadline
- \$110 for corrected returns filed more than 30 days after filing deadline but before August 1
- \$280 for corrected returns filed after August 1

Reasons for Potential Penalties

- Filer filed late
- Filer filed by paper when required to file electronically
- Filer filed with bad information
 - Name-TIN mismatch
 - Missing TINs
 - TINs not issued to anyone

1099 Deadlines for Filing

- Paper forms

- February 1 for Forms 1099-NEC; no automatic 30-day extension
- March 1 for other Forms 1099
- Automatic 30-day extension for all other Forms 1099

- Electronic file

- February 1 for Forms 1099-NEC; no automatic 30-day extension
- March 31 for all other Forms 1099
- Automatic 30-day extension for all other Forms 1099*

*Submit Form 8809 by original due date of return to request extension, whether automatic or non-automatic

E-File Thresholds

Update to E-Filing Thresholds

- The Taxpayer First Act requires more businesses to e-file informational returns
- Treasury regulations have not been created to implement the law, IRS guidance says the filing threshold remains at 250

Update to E-Filing Thresholds (cont.)

- The filing thresholds apply per form type

Example

An employee has 249 Forms 1099-MISC to file and 250 Forms 1099-NEC. The employer is required to electronically file the Forms 1099-NEC, but may paper file the Forms 1099-MISC

COVID-19 Reporting

FFCRA Reporting

Paid sick leave and expanded family and medical leave

- Required if COVID-19 related
- Applies to certain public employers and private employers with fewer than 500 employees
- Small businesses with fewer than 50 employees may qualify for exemption

FFCRA Reporting (cont.)

- Employers claim credit on employment tax return, report payments to employees in box 14 of form W-2
- Self-employed claim using Form 1040
- May apply to certain households

ACA Reporting Updates

Increased IRS Enforcement

- The IRS is now sending out Letter 226J to notify employers of any penalty assessments
- To date, over 30,000 letters have been sent levying over \$4 billion in fines
- The IRS is now focusing on letters for 2017, 2018 and 2019 filings

Larger Penalties for ALEs

- An ALE may be penalized if it doesn't offer minimum essential coverage (MEC) to at least 95% of its full-time employees and their dependents
- In calendar year 2021, the per-employee penalty for not offering MEC to eligible employees increases to \$2,700 annually per full-time employee
- A second penalty may occur if coverage is offered, but it isn't affordable or doesn't provide the minimum value
- In calendar year 2021, the penalty increases to \$4,060 annually per full-time employee who receives a tax credit for calendar year 2020

Penalties for Delays

- In addition to satisfying coverage requirements, ALEs must report information to the IRS and send summary statements to employees via the 1095-C form (and 1094-C transmittal)
- For tax season 2020, late filings due in 2021 result in a \$50-\$280 penalty*
- The penalty for intentional disregard is now \$560 per form**

*The penalty for filing after August increased by \$10 from \$270 to \$280

** The penalty for intentional disregard increased by \$10 from \$550 to \$560

Penalties for Delays (cont.)

- Penalties incurred per form, including IRS information return and employee statement
- If employers fail to file a correct 1095-C with the IRS and don't provide a correct statement to the recipient/employee, they may face two penalties

2020 ACA Filing Deadlines

The deadlines for filing are:

- March 2, 2021 — Mail copies to recipients/employees
- March 1, 2021 — IRS paper-filing deadline
- March 31, 2021 — IRS e-filing deadline

E-Filing

IRS Requirements for E-Filing

- Electronic file is uploaded to IRS FIRE system
- Must be formatted according to the rules in IRS Publication 1220
- IRS Publication 1220 Tax Year 2020 has been released

Efile4Biz Demo

1. Create an account



Get Started

Enter your email address below to create your free account.
If you don't already have an account, we'll send you a link to get started. You'll be ready to file your forms in no time.

By creating an account, you agree to our [Terms](#)

Continue

[Log In](#)

2. Set up payer records



Add Payer

TIN ☐ EIN ☐ SSN ☒ Unknown

Payer Name

Address 1

Address 2

Country
United States

City

State
Select State

ZIP Code

Phone

Email

Department/Contact

[Cancel](#)

[Save](#)

Manually add or bulk upload

This is an example of manual input

3. Set up recipient records



Tech Inc

Dashboard
Payers
Filings
Reports

Payer Details [Edit](#)

TIN: XX-XXX7777
TIN Not Yet Validated
[Validate Now](#)

Contact Info
Tech Inc
[8546 870-3300](#)

Recipients

Recipient Name	TIN	Address
Brian Schwartz	XXX-XX-5555	8848 24th St SE

Add Recipient

☐ EIN ☐ SSN ☒ Unknown

Country

City

State

After entering recipient information, all SSNs will be masked

4. Fill out forms



Dashboard

Payers

Filings

Reports

2020 Form 1099-NEC

Payer Details

Select a Payer ▾

1

To get started, select a payer above, then a recipient below. Should you need to make changes to their details, click Payers from the navigation.

Recipient Details

Select a Recipient ▾

2

Next, select a previously entered recipient or choose to add a new recipient.

[Cancel](#)

Income

1 Nonemployee compensation

2

3

4 Federal income tax withheld

5 State tax withheld	6 State ▾	6 Payer's state no.	7 State income
5 State tax withheld	6 State ▾	6 Payer's state no.	7 State income

Save & File More

Save

5. Review and submit



Dashboard

Payers

Filings

Reports

My Cart

Ready to file your forms? Please review the following information carefully. Making changes after checkout will result in additional fees. When you are ready, proceed to checkout.

Form	Recipient	Filing Option	State Filing	Filing Fees
▼ Tech Inc (1)				
1099-NEC	Brian Schwartz	E-File, Print & Mail		\$4.75

[Move All Forms back to In Progress](#)

Summary

Federal Filing Fee	\$4.75
State Filing Fee	\$0.00
Other Fees	\$0.00
Subtotal	\$4.75
Estimated Tax <small>(calculated upon checkout)</small>	\$0.00


Apply


Total Amount **\$4.75**


Proceed to Checkout


By placing your order, you agree to our [Filing Terms](#)

Dashboard



Dashboard



Payers



Filings


Reports


Dashboard


0
Forms in Progress



0
Forms in Cart


0
Filed Forms


Ready to file a new form?

**Create a Form**
Get started with a single form in our guided experience

Select Form ▾

**Import My Forms**
Use our Excel template to import your form data


View Import Options

**Connect to Software**
Import your form data using your accounting software

Select Your Software

Getting Started

- Add your first payers and recipients**
Setting these up in advance will ensure creating and filing forms is quick and easy
- Create or import your first forms**
Choose from a variety of options to enter your form data. Then, you're ready to start filing

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Upload Payers and Recipients



Dashboard



Payers



Filings



Reports

Otter Accounting

Payer & Recipient Import

Save time by importing your payers and recipients ahead of time. Start by downloading the Excel template below, then enter your data. When ready, select the file to import.

Import via Excel



Select File to Import

Must be .xlsx files using our Excel template below



Excel Template

Download our pre-made, easy-to-use Excel template to enter your data.

[Instructions](#)

[Download](#)

Form Import Options



Dashboard



Payers



Filings



Reports

Form Import Options

Save time by importing your forms via Excel or using one of our software integrations below. If using Excel, download the template below, enter your data, and then select the file to import.

Import via Excel



[Select File to Import](#)

Must be .xlsx files using our Excel template below



[2020 Excel Template](#)

Download our pre-made, easy-to-use Excel template to enter your form data.

[Instructions](#)

[Download](#)

Connect & Import from Your Software



[QuickBooks](#)

Available Soon

[Instructions](#)

[Connect](#)



[Xero](#)

Available Soon

[Instructions](#)

[Connect](#)

Forms in Progress



Dashboard



Payers



Filings



Reports

Forms in Progress

Below are saved but not yet filed forms for the current filing year. Review your forms to ensure you are not filing duplicates. When you're ready, select the ones you want to add to your cart to continue filing.

<input type="checkbox"/>	Form	Recipient Name	Status
✓ <input type="checkbox"/>	Tech Inc (1)		
<input type="checkbox"/>	1099-NEC	Brian Schwartz	Ready to File



Bulk Edit

Print Preview

Select your filing option:

- ☒ **E-File, Print & Mail** RECOMMENDED
Your forms are e-filed with the IRS and/or SSA with copies physically mailed or emailed to your recipients.
- ☐ **E-File Only**
Your forms are e-filed with the IRS and/or SSA only, allowing you to print PDFs to deliver on your own.
- ☐ **Print & Mail Only**
Your forms are printed and mailed to your recipients so that you may file with the IRS and/or SSA separately.

☐ Unmask TIN on delivered forms

Add to Cart

Questions



Thank you for attending!
Have a great season

Save 15% off your 1099 and W-2 filings.
Enter WEBCPE at check out.
Offer expires 1/27/2021.

Discount cannot be used for Direct-to-State Filing, Edits, Corrections, TIN Matching, subscription plan or combined with any other offer or applied to previously placed orders. Limit one discount per customer.