



Certified Public Accountants

November 30, 2023

Dear Valued Client:

As the 2023 tax year draws to a close, we encourage you to begin assembling information that will be needed to prepare and file your 2023 Annual Information Tax Returns, including Forms 1096, 1099 and 1098 (Mortgage Interest Statement), as applicable. Form 1099-NEC is used to report non-employee compensation. Form 1099-MISC will continue to be used to report a variety of other payments such as rents, royalties and other income that is not considered non-employee compensation. Form 1099-INT is used to report interest paid whereas Form 1099-DIV is used to report dividends paid. Entities or individuals who collect mortgage interest on any one mortgage in the calendar year must file Form 1098 to report the interest to the payor.

We ask you to organize your records now so that you can timely file the applicable information tax returns. Please review your files and records to make certain that you are well-prepared to comply with current information tax return reporting requirements. Verify that you have the current address and contact information for recipients of 1099s and 1098s in prior years, and also that you have a current Form W-9 for new service providers. **You must provide the appropriate Forms 1099s and 1098 to the recipients no later than January 31, 2024.** The different information tax returns have different due dates, but in most cases, the returns should also be filed on paper or electronically with the Internal Revenue Service by January 31, 2024. Your information returns will be filed electronically unless you notify our office that you prefer to paper file.

While preparing your records for compliance with the filing requirements, make sure payments made using peer-to-peer money transfer applications such as PayPal, Venmo, Cash App and Zelle are accurately included/excluded from the 1099 vendor list you provide to us. For payments made using PayPal and Venmo, if all business payments are properly sent with “goods and services” selected as the payment type, these payments will be correctly included in the 1099-K reporting done directly by PayPal and Venmo and do not need to be included with your 1099 reporting. If you have sent any business payments for services rendered with “friends and family” selected as the payment type, and you will be claiming a business deduction for these on your tax return, these payments will need to be added to your 1099 vendor list for separate reporting. Likewise, payments made using Cash App will report the qualifying transaction on Form 1099-K, but only if the account is set up as a Business account. Any payments made from a personal Cash App account will need to be added to your 1099 vendor reporting list. Zelle will not be issuing a 1099-K on any payments, so all business payments made using Zelle will need to be included on the 1099 vendor reporting list you provide to us.

Periodically, taxpayers receive a notice from the Internal Revenue Service that there is a discrepancy between the tax identification number provided by 1099 recipients and the information on record with the Internal Revenue Service. If you received correspondence like this during 2023 resulting from the forms filed for tax year 2022, we recommend that you send a Form W-9 to the parties identified on the notice to make certain your records are accurate and to avoid similar correspondence regarding your 2023 submissions. Please instruct these parties to complete and sign a new Form W-9 and return it to you no later than December 31, 2023. We also recommend that you consider sending a Form W-9 to all new vendors to ensure you have current mailing addresses and tax identification numbers on file. You can find a copy of Form W-9, Request for Taxpayer Identification Number and Certification, to send to any potential 1099 recipients for whom you have incomplete information or wish to update your records, at <https://www.irs.gov/pub/irs-pdf/fw9.pdf>.

For our California clients, the Employment Development Department requires that Form DE-542, Report of Independent Contractor(s), be filed within twenty days of either making payments of \$600 or more, or entering into a contract for \$600 or more, with an independent contractor in any calendar year. Form DE-542 and filing instructions for the form can be found at [https://edd.ca.gov/siteassets/files/pdf\\_pub\\_ctr/de542.pdf](https://edd.ca.gov/siteassets/files/pdf_pub_ctr/de542.pdf). This report can also be filed online through your e-Services for Business account at [https://edd.ca.gov/en/Payroll\\_Taxes/e-Services\\_for\\_Business](https://edd.ca.gov/en/Payroll_Taxes/e-Services_for_Business).

Note that 1099s are not required to be issued to certain corporate vendors, and therefore, you do not need to send those vendors a Form W-9. See additional information below for which corporate vendors need to be issued a 1099.

The following lists will be helpful in determining who is required to receive a 1099 and what information we will need to facilitate the timely preparation of these information returns for you.

A 1099 is required to be issued to each person or other unincorporated entity that you have paid:

- \$10 or more in royalties, interest, or dividends.
- \$600 or more in rents, services, prizes and awards, and other income payments to individuals and unincorporated entities.
- \$600 or more in legal services and gross proceeds paid to an attorney, including incorporated entities.

We recommend that you issue a 1099 if you receive a Form 1099 for amounts that belong to another person or business.

A 1098 is required to be issued to the payor of mortgage interest paid to you if you received \$600 or more in interest.

Payments for which a 1099 is not required:

- Payments to a corporation (*excluding* legal fees and gross proceeds paid to attorneys)
- Payments for rent to real estate agents
- Payments for goods
- Payments made by credit card
- Payments for personal (non-business related) expenses

When you send us the information to prepare your 2023 annual information returns, please include the following:

- A copy of the signed Forms W-9, Request for Taxpayer Identification Number and Certification, completed by the recipients you contracted for service during the 2023 calendar year. If you received a notice from the Internal Revenue Service stating that information reported on the 2022 form did not match the information in the IRS records, please provide a signed copy of the updated Form W-9.
- Updated addresses for any recipients you previously provided to us, as applicable.
- If the recipient is a sole proprietor or an individual, please provide the individual's full name, social security number, payment amount, and mailing address. The regulations provide that the social security number be used to report payments made to individuals and sole proprietors.
- If the recipient is not a sole proprietor or an individual, please provide the entity's name, their employer identification number, payment amount, and mailing address.

**To be assured that the Internal Revenue Service receives your Forms 1096 and 1099 by the January 31, 2024 filing due date, please arrange to have your information to our office no later than January 15, 2024. If you are unable to provide us the information needed to complete the preparation of the information returns by January 15, 2024 we can submit Form 8809, Application for Extension of Time to File Information Returns, that extends the filing deadline for 30 days. We will need to be notified in writing no later than January 18, 2024 if you want us to prepare the extension request. The fee to prepare Form 8809 will be \$100.**

If you have any questions about the filing of the 2023 information tax returns, please do not hesitate to call our office and you will be directed to one of our team members who will be able to address your question.

Best wishes to you all during this holiday season.

Sincerely,

A handwritten signature in black ink, appearing to be 'S. Price', written in a cursive style.

Scott B. Price, CPA  
Scott B. Price & Company

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