

1099-MISC: The Misunderstood and Often Overlooked Form

Internal Revenue Service (IRS) Form W-2 is familiar. Church administrators are comfortable preparing and issuing Form W-2 to church employees. However, the issuance of Form 1099-MISC is often overlooked or ignored by administrators.

As stated above, a W-2 is the annual wage and tax statement given to employees for the preparation of their income tax returns. On the other hand, the 1099-MISC is an annual information form that is required to be provided to all non-employees of the church that meet two conditions:

1. The church pays the entity/individual \$600 or more in a calendar year for services performed for the church through a “contract” business relationship.
2. The entity/individual indicates on Form W-9 that its/his/her federal tax classification is one of the following: individual/sole proprietor, single-member LLC, partnership, trust/estate, LLC with a partnership classification. (Entities that indicate they are “C” or “S” corporations are not issued a 1099-MISC with one exception: attorneys are to be issued a 1099-MISC even if they indicate they are a “C” or “S” corporation when paid \$600 or more in a calendar year for their legal services.)

The recipient of a 1099-MISC may include the local florist, a guest speaker for a service (or multiple services), a guest artist giving a concert at the church, the contracted lawn service, plumber, electrician, or custodial service, just to mention a few examples.

The key to determining whether a 1099-MISC should be issued is obtaining a completed Form W-9 from all vendors, both existing and new, with whom the church does business. All completed copies of Form W-9 should be kept in a file to serve as support for the decision to issue or not issue a 1099-MISC to the church’s vendors.

Form 1099-MISC is complex, and this is a basic memo to start the process of evaluating a church’s filing requirements. Please consult with an accountant or contact the IRS directly if you have any specific questions about Form 1099-MISC, including when and where to file it.

Disclaimer

The information contained in this Toolbox series is of a general nature. It is not offered as specific legal or tax “advice.” Each person and local church board should evaluate their own unique situation in consultation with their local legal and tax advisors.