**Form 1099-MISC:**

You are required to report information to the recipient and the IRS, if you have paid anyone who meets the all of the following criteria:

- a non-corporate entity (except an attorney),
- who is not an employee,
- who provided service(s) for you, and
- was paid $600 or more during a calendar year.

In addition, Form 1099-MISC is also used to report the payment of $600 or more for rent (such as office space) during the year.

This information is reported by filing Form 1099-MISC. You are required to distribute a copy of Form 1099-MISC to the recipient (the payee) by **January 31** of the following year and file the forms with the IRS by **February 28**.

**Form W-9, Request for Taxpayer Identification Number.** You should ask the service providers to complete form W-9 and it should be used to complete the 1099 forms. If the service provider feels they are exempt from this filing requirement because they are a corporation, then they should still fill out form W-9 and provide it to you so that you can use that as the justification for not preparing a form 1099MISC.

Also, review the information about the California reporting requirements, involving the payment to individuals for services.

## California Reporting Requirements

Each year, on an on-going basis, the State of California requires businesses to report independent contractors to the Employment Development Department (EDD) **within 20 days** of making payments or entering into a contract for $600 or more within that calendar year. **Form DE 542 Report of Independent Contractor(s)** is used for this purpose.

There have been no changes to the program since the EDD implemented the reporting requirement on January 1, 2001. This requirement is in place to collect delinquent child support. The penalty for failure to report is $24 per instance of non-filing or filing the information late. The penalty is $490 per instance if the failure is willful.

I suggest that you supply each service provider you pay with a **Form W-9 Request for Taxpayer Identification Number** and request the form be returned to you before payment is made. The information thereon will be used to complete the Form DE 542.

In summary, the DE 542 should be issued to:

- individuals (**does not include** partnerships, LLC's or corporations)
- who provide a service to you or your organization, and
- you have or will pay $600 or more for the service.

- if you file Form 1099-MISC, you must file a Form DE 542 (unless the independent contractor is a corporation, partnership or LLC)