

Completing IRS Form W-9 and 1099-MISC

Parishes interact with many different individuals and suppliers every day, whether it is the parishioner who mows the church lawn or the supply store down the street. Payments, stipends or gifts made to some of these individuals or suppliers require the parish to issue IRS Form 1099-MISC at calendar year end. The ParishSoft ConnectNow Accounting Software allows parishes to create these 1099's with relative ease. You should issue and use an IRS Form W-9 with these individuals or suppliers in order to determine if a 1099-MISC needs to be issued to them at the end of the year.

[IRS Form W-9](#) can be thought of as a “W-4” for vendors (Form W-4 is what employers use to understand tax withholdings, and social security number from their employees.) All vendors should complete Form W-9, which should be retained in the vendor's permanent file. Employees should never submit Form W-9 for themselves to their employer. A parish needs to distinguish who is an employee and who is an independent contractor, as they have different filing requirements. Please see the IRS guidance on determining if someone is an employee or an independent contractor: <http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Independent-Contractor-Self-Employed-or-Employee>

When you receive the completed W-9 from a vendor, the “Check appropriate box for federal tax classification” section is the most important part for determining whether a vendor should receive a [Form 1099-MISC](#):

Check appropriate box for federal tax classification:

Individual/sole proprietor C Corporation S Corporation Partnership Trust/estate

Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____

Other (see instructions) ▶ _____

Generally, you must report payments to independent contractors on Form 1099-MISC in box 7.

Box 7: Nonemployee Compensation

Enter nonemployee compensation of \$600 or more. Include fees, commissions, prizes and awards for services¹ performed as a nonemployee.

What is nonemployee compensation?

If the following four conditions are met, you must generally report a payment as nonemployee compensation.

- You made the payment to someone who is not your employee,
- You made the payment for services in the course of your trade or business (including government agencies and nonprofit organizations),
- You made the payment to an individual, partnership, estate, or attorney²,
- You made payments to the payee of at least \$600 during the year.

For more information regarding when to issue 1099's, please see:

<http://www.irs.gov/instructions/i1099msc/ar02.html>

¹ Note: 1099-MISC only needs to be filed if the independent contractor provides services, not goods. If the independent contractor provides goods and services, the amount on Box 7 of the 1099-MISC should only include the amount associated with services.

² Generally, corporations do not need to be issued a 1099-MISC. However, if payments over \$600 are paid to an attorney, even if they are considered a corporation, they must be issued a 1099-MISC.