

## Diocese of Covington

### Policies & Procedures Manual

Section: Compliance – Laws and Regulations

Policy: Forms 1099-NEC and 1099-MISC

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**Form 1099-NEC** is a Federal tax form used to report income and compensation paid to non-employees; i.e. contractors and other service providers. It is a “new” form in 2020, mostly replacing, in function, the **Form 1099-MISC** used in prior years

The form must be completed for each non-employee/contractor who earned \$600 or more during any calendar year, whether in a single payment or cumulatively in more than one payment. (An explanation of who is an employee vs. who is a non-employee/contractor is provided in the policy entitled “Personnel – Employee vs. Contractor” by [clicking here](#)).

Internal Revenue Service instructions for completing Form 1099-NEC can be found at [www.irs.gov](http://www.irs.gov) or by [clicking here](#).

In addition to the Payor’s information, the following information must be provided for the Payee:

- Full and legal name
- Mailing address
- Taxpayer Identification number; ie. SSN or FEIN of the payee
  - This number must be obtained before any payment is remitted for services.
  - **Form W-9 (“Request for Taxpayer Identification Number and Certification”)** should be used for this purpose. (This form can be obtained by [clicking here](#)).
  - Form W-9 is to be retained in the institution’s files.
  - If the requested payee taxpayer identification number is not provided, the institution will be required to withhold 31% of the amount of the payment. This is known as “backup withholding.” **Any such withheld taxes must be remitted to the Diocesan Finance Office to be deposited with the IRS.** If such backup withholding is required for any payee, this amount must also be reported on the Form 1099-NEC.
- Total amount paid for the year

**All Forms 1099-NEC will be prepared by the Diocesan Finance Office for submission to the Internal Revenue Service and to payees.** The above information will be requested from the parishes, schools and institutions in early January of each year. This will facilitate the Finance Office being able to file the Forms 1099-NEC with the IRS and payees within the timeline prescribed by the Internal Revenue Code.

**Form 1099-MISC** still exists but is only used for payments over \$600 made to medical providers and payments made to attorneys related to judgements, settlements, or claims in excess of \$600. These are very rare in the context of Diocesan parishes, schools, and entities, but any such payments should also be reported to the Diocesan Finance Office, along with all the other information about the payee that is provided for 1099-NEC payees.