



## Contents

IRS Form 1099 Overview .....	1
1099 Process.....	2
About the 1099-NEC.....	2
Compile the 1099 data.....	3
Create 1099s for vendors who need both forms .....	4
Edit 1099s.....	5
Re-compile 1099s, if needed .....	6
Re-compile individual 1099s .....	6
Re-compile all 1099s .....	6
Generate the 1099s .....	7
Print / reprint individual 1099s .....	8
Create the electronic file, if applicable .....	8

## IRS Form 1099 Overview

This document provides an overview of compiling and generating the IRS form 1099.

Miscellaneous and non-employee compensation that exceeds the threshold set by the IRS must be reported. WebSmart keeps this threshold updated in the system.

As of calendar year 2020, the IRS requires non-employee compensation to be reported on the form 1099-NEC, rather than on the 1099-MISC.



## 1099 Process

1. Review the *Vendor List - 1099 Identifier Report* to ensure the 1099 income type and total vendor transactions are correct.
2. If needed, edit *vendor records* to correct the 1099 income type and contact information.
  - You can edit the contact information in Compliance > Federal > IRS 1099, but then you'll need to edit it again the next year.
  - The 1099 income type must be correct in the vendor record in order to generate the proper 1099 — or to generate one at all.
3. Correct *vendor transactions* as needed to correct the amounts to be reported.
4. [Compile the 1099 data.](#)
5. [Create 1099s](#) for vendors who need both 1099-MISC & 1099-NEC.
6. [Edit 1099s](#) as needed, for example, for a vendor who needs both 1099-MISC & 1099-NEC forms.
7. [Re-compile 1099 data](#) as needed.
8. [Generate the 1099s.](#)
9. If applicable, [create the electronic file](#) for the IRS — Admin > Reports > Report Admin > Built In Reports > IRS 1099 Extract.

## About the 1099-NEC

All businesses must file a form 1099-NEC form for nonemployee compensation if all *four* of these conditions are met:

- It is made to someone who is not your employee.
- It is made for services in the course of your trade or business.
- It was made to an individual, partnership, estate, or corporation.
- The payments made to the payee met or exceeded the payment threshold for the year.

Some examples of payments you must report on Form 1099-NEC include:

- Professional service fees to attorneys — including law firms established as corporations — accountants, architects, etc.
- Fees paid by one professional to another — for example, fee-splitting.
- Payments for services including payment for parts or materials used to perform the services if they were incidental to the service.
- Commissions paid to nonemployee salespeople not repaid during the year.

### *Payments to Attorneys*

Use Form *1099-MISC* to report gross proceeds exceeding the threshold, including payments to corporations. Gross proceeds aren't fees for an attorney's legal services; they are amounts paid in other ways, like in a lawsuit settlement agreement, for example.

Use Form *1099-NEC* to report payment of attorney fees for services.

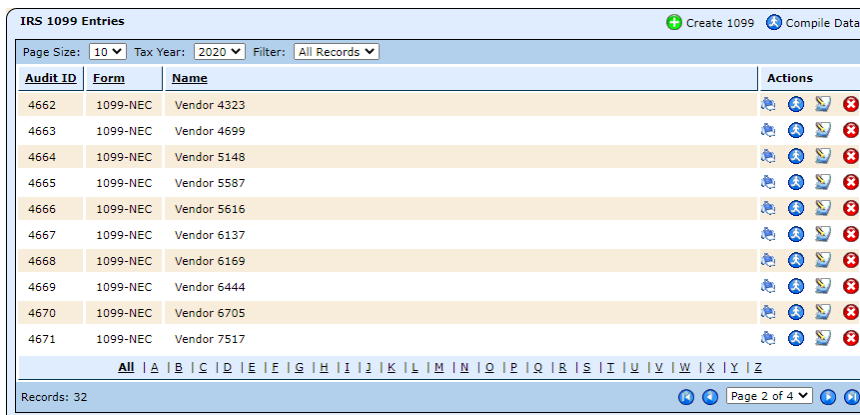
## Compile the 1099 data

Use the *IRS 1099* window to compile or re-compile the 1099 data for all vendors or for individual vendors.

- Compiling the data automatically creates either a 1099-NEC or 1099-MISC based on the income type in the vendor record.
- Compiling the data for all vendors will overwrite all 1099s that were previously generated by the system. If you've edited a 1099 created by the system and then re-compile all 1099s, you'll need to make the same edits again.
- Compiling the data for all vendors will NOT overwrite manually created 1099s.
- If a vendor's income type was switched from non-employee compensation to another income type OR from another income type to non-employee compensation, re-compiling the 1099 will generate the other type of 1099.


### Compile the 1099s for all vendors

1. Select **Compliance** from the **Jump to Module** pull-down list in the upper right corner.
2. Select **IRS 1099** from the **Federal** menu, and the *IRS 1099 Entries* window opens.



The screenshot shows the 'IRS 1099 Entries' window. At the top, there are controls for 'Page Size: 10', 'Tax Year: 2020', and 'Filter: All Records'. Below this is a table with the following columns: 'Audit ID', 'Form', 'Name', and 'Actions'. The table contains 12 rows of data, all with '1099-NEC' as the form type and various vendor names. Each row has a set of action icons (refresh, delete, print, etc.). At the bottom of the window, there is a navigation bar with 'Records: 32' and 'Page 2 of 4'.

Audit ID	Form	Name	Actions
4662	1099-NEC	Vendor 4323	[Icons]
4663	1099-NEC	Vendor 4699	[Icons]
4664	1099-NEC	Vendor 5148	[Icons]
4665	1099-NEC	Vendor 5587	[Icons]
4666	1099-NEC	Vendor 5616	[Icons]
4667	1099-NEC	Vendor 6137	[Icons]
4668	1099-NEC	Vendor 6169	[Icons]
4669	1099-NEC	Vendor 6444	[Icons]
4670	1099-NEC	Vendor 6705	[Icons]
4671	1099-NEC	Vendor 7517	[Icons]


3. Change the **Tax Year** if needed.
4. Click  **Compile Data**, and once the process is complete, the window will list all vendors for whom 1099s have been created, as well as the type of form — 1099-NEC or 1099-MISC.

## Create 1099s for vendors who need both forms


Use the *Create 1099* feature to create a 1099-MISC or 1099-NEC. You'll need to use this feature for vendors who need both 1099-MISC & 1099-NEC.

You can also use it when the wrong type of form was created for a vendor, but in that case, you can also correct the 1099 income type in the vendor record and [compile a new 1099](#) in the IRS 1099 Entries window.

### Create a form 1099

1. Select **Compliance** from the **Jump to Module** pull-down list in the upper right corner.
2. Select **IRS 1099** from the **Federal** menu, and the *IRS 1099 Entries* window opens.
3. Click  **Create 1099**, and the *New 1099 Entry* window opens with the 1099-NEC as the default form.

New 1099 Entry				
New 1099 Entry				Form: 1099-NEC
<b>1099 Details</b> PAYER'S name, street address, city, state, ZIP code, and telephone no. <b>Demo District 1</b> 1776 Constitution Ave Somewhere, TX 00000		2020 Form 1099-NEC	OMB No. 1545-0116 Miscellaneous Income 41-0852411	
PAYER'S federal identification number 00-0000001	RECIPIENT'S identification number	1 Nonemployee Compensation 0.00	2	
RECIPIENT'S name		3		
Address (including apt. no.) Street Line 1		4 Federal Income tax withheld 0.00		
City/State/ZIP TX		FACTA Filing requirement		
Country USA		15 State tax withheld	16 State/Payer's state no.	17 State income
Account number		2nd TIN not.		
Create		Cancel		

4. If needed, select 1099-MISC from the **Form** list.
5. Complete the fields for either the 1099-NEC or 1099-MISC.
6. Click  **Create**, and the form is saved.

## Edit 1099s

**When to edit a 1099:** On rare occasions a vendor may need to receive both a 1099-NEC and a 1099-MISC, but since only one income type can be entered in a vendor record, the system will only generate one form. When that is the case, you'll need to edit the dollar amounts on the existing form and create a new form for the other type.


### Do not edit a 1099:

When the wrong type of form was generated for a vendor. You can't switch from a 1099-MISC to a 1099-NEC or vice versa. You'll need to correct the income type in the vendor record and re-compile the form.



When the contact information is incorrect. You can edit this information in the 1099 Details window, but it's better to correct it in the vendor record so you won't have to correct it again next year.

When the dollar amounts are incorrect. You'll need to fix the amounts in the system and re-compile the form.

### Edit a form 1099

1. Select **Compliance** from the **Jump to Module** pull-down list in the upper right corner.
2. Select **IRS 1099** from the **Federal** menu, and the *IRS 1099 Entries* window opens.
3. Click the  icon for the 1099 you want to edit, and the *1099 Details* window opens.

1099 Details				Return to list	
Edit: 1099 Entry For Vendor 1703 for 2020					
1099 Details				Edit Details	
PAYER'S name, street address, city, state, ZIP code, and telephone no.  Demo District 1 1776 Constitution Ave Somewhere, TX 00000		1 Rents \$958.58	2020 Form 1099-MISC		OMB No. 1545-0115 Miscellaneous Income 41-0852411
		2 Royalties \$0.00			
		3 Other Income \$0.00	4 Federal Income tax withheld \$0.00		
PAYER'S federal identification number 00-0000001	RECIPIENTS'S identification number ZZ-00001703	5 Fishing boat proceeds \$0.00	6 Medical and health care payments \$0.00		
RECIPIENTS's name Vendor 1703		Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale [ ]		8 Substitute payments in lieu of dividends or interest \$0.00	
Address (including apt. no.) 1969 Overland Pass Somewhere, TX 00000		9 Crop insurance proceeds \$0.00	10 Gross proceeds paid to an attorney \$0.00		
		11	12 Section 409A deferrals		
Account number	FACTA Filing requirement	2nd TIN not.	13 Excess golden parachute payments \$0.00	14 Nonqualified deferred compensation	
		15 State tax withheld	16 State/Payer's state no.		17 State income


4. Click  **Edit Details**, and the fields become editable.
5. Make the needed changes, and click  **Save**.

## Re-compile 1099s, if needed


---

- **Remember:** Re-compiling the data for all vendors will overwrite all 1099s that were previously generated by the system. If you've edited a 1099 created by the system and then re-compile all 1099s, you'll need to make the same edits again.
- Re-compiling the data for all vendors will NOT overwrite manually created 1099s.
- If a vendor's income type was switched from non-employee compensation to another income type OR from another income type to non-employee compensation, re-compiling the 1099 will generate the other type of 1099.

### Re-compile individual 1099s

1. Select **Compliance** from the **Jump to Module** pull-down list in the upper right corner.
2. Select **IRS 1099** from the **Federal** menu, and the *IRS 1099 Entries* window opens.
3. Locate the vendor, and click the  icon. The 1099 is re-compiled.

### Re-compile all 1099s

1. Select **Compliance** from the **Jump to Module** pull-down list in the upper right corner.
2. Select **IRS 1099** from the **Federal** menu, and the *IRS 1099 Entries* window opens.
3. Click  **Compile Data**, and once the process is complete, the window will list all vendors for whom 1099s have been created, as well as the type of form — 1099-NEC or 1099-MISC.

## Generate the 1099s

Use the *IRS: Form 1099* report to generate four different PDF files:

- Copy B for the recipient
- Copy C for the district
- Copy A for the IRS — This copy is used to print 1099s on the backer stock.
- Copy A test — This copy is used to print on blank paper to test the alignment before printing on backer stock.


The PDF is created with two vendors on each page, grouped by MISC and NEC. In other words, the file will contain all the 1099-MISCs, then all the 1099-NECs or vice versa.

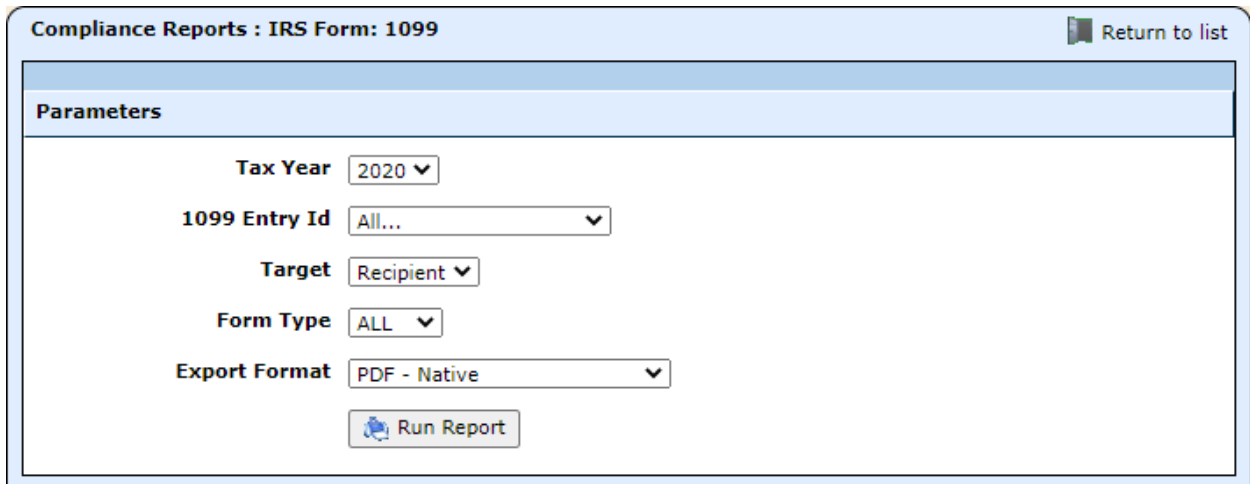
If there are an odd number of either the MISC or NEC, the bottom form on the last page of the MISC or NEC will be filled with nulls in the Recipient field.

When generating the IRS copy, we recommend generating the MISC and NEC forms separately, so that when you send them to the printer, you can ensure you have the correct backer stock loaded.

**Extract to Excel:** When you choose to export to Excel, the spreadsheet reports two vendors per line.

### Generate the 1099s

1. Select **Compliance** from the **Jump to Module** pull-down list in the upper right corner.
2. Click **Compliance Reports**, and the list of reports opens.
3. Click the  for **IRS: Form 1099**, and the report setup window opens.



The screenshot shows a web-based report configuration window titled "Compliance Reports : IRS Form: 1099". In the top right corner, there is a "Return to list" link. Below the title bar is a "Parameters" section with the following fields:

- Tax Year:** A dropdown menu currently set to "2020".
- 1099 Entry Id:** A dropdown menu currently set to "All...".
- Target:** A dropdown menu currently set to "Recipient".
- Form Type:** A dropdown menu currently set to "ALL".
- Export Format:** A dropdown menu currently set to "PDF - Native".

At the bottom of the parameters section is a button labeled "Run Report" with a small icon to its left.


4. Designate the parameters as described below.
  - **Tax Year:** Defaults to the current year, but you may select a previous year.
  - **1099 Entry Id:** Select all or a single vendor. The list indicates whether the selected vendor is receiving a 1099-MISC or 1099-NEC. Note: Some vendors may receive both forms.
  - **Target:** Select which copy to print — recipient, district, IRS, or test.
  - **Form Type:** Select all, MISC, or NEC.
  - **Export Format:** Leave the default PDF - Native.
5. Click **Run Report**.

## Print / reprint individual 1099s

Printing or reprinting a 1099 from the IRS 1099 window generates a PDF of Copy B - For Recipient that can then be printed on backer stock.

The information for the selected vendor will print on the top copy, and the bottom copy will be filled with nulls in the Recipient field.

### Print / reprint a form 1099

1. Select **Compliance** from the **Jump to Module** pull-down list in the upper right corner.
2. Select **IRS 1099** from the **Federal** menu, and the *IRS 1099 Entries* window opens.
3. Locate the vendor, and click the  icon.


## Create the electronic file, if applicable

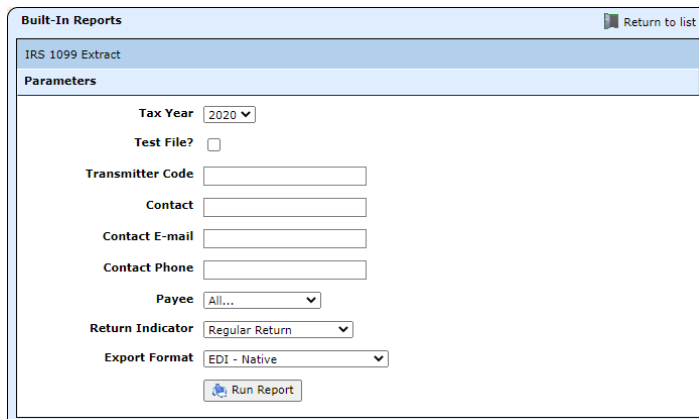
Use the IRS 1099 Extract to create the EDI file to submit vendor 1099s to the IRS.

**Note:** Running the export to Excel to review the information that will be provided in the EDI file generates an 8-sheet spreadsheet with the following:


- Sheet 1 — T record
- Sheets 2 - 4 — records A, B, & C for the 1099-MISC
- Sheet 5 - 7 — records A, B, & C for the 1099-NEC
- Sheet 8 — F record

### Generate the IRS 1099 extract

1. Select **Admin** from the **Jump to Module** pull-down list in the upper right corner.
2. Select **Report Admin**, then **Built In Reports** from the **Reports** menu, and the report list opens.
3. Locate the **IRS 1099 Extract**, and click the  icon. The *Parameters* window opens.



The screenshot shows a web-based form titled "Built-In Reports" with a "Return to list" link in the top right. The main content area is titled "IRS 1099 Extract" and "Parameters". The form contains the following fields and controls:

- Tax Year: 2020 (dropdown menu)
- Test File?:
- Transmitter Code:
- Contact:
- Contact E-mail:
- Contact Phone:
- Payee: All... (dropdown menu)
- Return Indicator: Regular Return (dropdown menu)
- Export Format: EDI - Native (dropdown menu)
- Run Report:  Run Report (button)

4. Make sure the correct **Tax Year** is selected, and complete the remaining parameters.
5. Leave the **Export Format** as EDI - Native.
6. Click **Run Report**.