



DIOCESE OF FALL RIVER
CHANCERY FINANCE OFFICE

To: Diocese of Fall River Pastors
From: Chancery Finance Office
Date: January 10, 2023
Re: 1099 Forms

Each year parishes are obliged to report (non-employee) compensation paid independent contractors to the IRS (with a copy of the forms created sent to the contractor). In 2018 the Chancery provided guidelines in the **Parish Living and Administration Guide** on what was then the 1099-MISC form used to complete this requirement. The IRS tends to make changes to their process every few years, and notably switched this process to the 1099-NEC form in 2020.

The deadline for creating and filing 1099 forms for 2022 is January 31, 2023. QuickBooks Online allows users to create a e-file 1099s in just a few minutes. With this deadline in mind and understanding that changes have been made over the past few years, we have updated our guidance and have attached it herein for your review. We recommend that you forward the attached guidelines to parish staff responsible for parish tax reporting/vendor management.

A copy of these revised guidelines can be accessed on the Chancery Finance page of the Diocesan website using the following link:

<https://www.fallriverdiocese.org/chancery-finance-office/>

Please scroll down to the “Policies and Procedures” section on the bottom right-hand side of the page and select “Parish Administration – Independent Contractors”.

Please do not hesitate to contact me at 508-985-6503 or jharrington@dioc-fr.org if you have any questions.

Sincerely,

Joseph Harrington
Director of Finance
Roman Catholic Bishop of Fall River

Parish Administration – Independent Contractors and 1099s

Proper administration of Independent Contractors is in accord with the Canon Law 1284 guideline to “*observe the precepts of both canon and civil law or those imposed by a founder, a donor, or legitimate authority, and especially be on guard so that no damage comes to the Church from the non-observance of civil laws*”.

What is an Independent Contractor?

An independent contractor is a person or vendor that provides services to a parish for a fee (examples include plumbers, landscapers, electricians). Businesses sometimes have difficulty differentiating between independent contractors and employees. Criterion for classifying independent contractors vs. employees have been provided by the Department of Labor as follows:

Independent Contractor	Employee
Run their own business	Work for someone else's business
Paid upon completion of project	Paid hourly, salary, or by piece rate
Provide own materials tools and equipment	Use employer's materials, tools, and equipment
Work with multiple clients	Typically work for one employer
Temporary relationship until project is completed	Continuing relationship with employer
Decides when and how they will perform work	Employer decides when and how work is performed
Decide what work they will do	Employer assigns the work to be performed
<i>Source: www.dol.gov/agencies/whd/flsa/misclassification</i>	

Independent contractors are typically paid through the accounts payable process and receive a **1099-NEC** form at yearend to report non-employee compensation (more on this below), whereas employees are included on the employer’s payroll and receive a **W-2 form**.

Prior to the commencement of any work performed by an independent contractor, the parish should receive a completed **W-9 form** from the contractor. A W-9 form includes the name, address, and taxpayer identification number of the contractor. A copy of W-9 forms for all contractors should be kept on file in the parish office.

*Please see attached copy of a generic W-9 Request for Taxpayer Identification Number
 Please see attached: Sample Request for W-9 Form*

In some cases, the parish may be responsible for creating and sending out **1099-NEC forms** for these independent contractors that did work for the parish during the preceding year. Unlike the W-9 form, which is never sent to the IRS, the 1099-NEC is sent to both the vendor and the IRS so it is appropriate to address this form in more detail.

What is a 1099-NEC Form?

A 1099-NEC form is an IRS tax form used to report non-employee compensation paid to independent contractors. Prior to the 2020 tax year, employers used a form called the 1099-MISC to report this income. Today the 1099-MISC is used to report payments like rent that are typically not applicable in the parish context.

Please see attached example of a 1099-NEC form.

The 1099-NEC form is important because the income being reported on the 1099-NEC is typically not recorded or withheld elsewhere.

Who is responsible for generating 1099-MISC forms?

This is the important part – if you are a parish or school, and you have an independent contractor (someone not on your payroll), that you paid \$600 or more in “Non-Employee Compensation” to in a calendar year (not our *fiscal* year), then you are responsible for sending a 1099-NEC to that contractor and a copy to the IRS (IRS thresholds are subject to change - \$600 is the current threshold and has been for a number of years). Even though the church is a tax-exempt organization, we still are responsible for creating and disseminating these 1099-NEC forms.

Who gets the forms?

A copy of the form is sent to the independent contractor and a copy is sent to the IRS (Federal and State). Again, forms need to be created only if you have contractors you paid more than \$600 to in the previous year. **You do not need to create 1099 forms for businesses that are incorporated** (The W-9 you get from the vendor should tell you if they are incorporated. If they are, you do not need to file a 1099.) National Grid is a vendor, but they are incorporated and you would not generate a 1099-NEC for National Grid.

When do the forms need to be created?

Because taxpayers need this information to complete their individual returns, the IRS requires that 1099s be filed by January 31st (so a form with 2022 tax information would need to be sent out prior to January 31, 2023).

How do I generate 1099-MISC forms?

Your Quickbooks online software makes creating and e-filing 1099s very easy. Here is a short tutorial that walks you through the process:

<https://youtu.be/Zm3OsoDJW5c>

Please remember:

1. Your focus is on 1099-NEC forms

Parish Living and Administration Guide
Originally approved and promulgated: Fall 2018
Updated January 2023

2. For common payment types – select Nonemployee Compensation (most parishes will not select any other boxes)
3. If you do not see a contractor you expected to see, please make sure the 1099 eligible box is checked in the vendor setup.

It is important that your vendors are set up to track expenses for 1099s. This makes the process of creating 1099s at yearend something that can be completed with just a few clicks. Here is a brief video (one of many you can find online), with step-by-step instructions on editing a vendor. When you access the vendor simply click on the box “Track Payments for 1099”.

<https://www.youtube.com/watch?v=MFdAZUibiug>

What happens if our parish does not create and file 1099s?

You may be subject to penalties ranging from \$50/return to \$570 per return (penalty ranges as-of January 2023).

If you have questions you can contact Lisa Montuori (Lmontuori@dioc-fr.org) or Leslie Moujabber (Lmoujabber@dioc-fr.org) in the Chancery Finance Office.