

BNS Accounting Services PS

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Dear Client:

For years it was unclear whether landlords were required to file forms 1099. Our position has been that landlords were not in a trade or business that required the preparing and filing of forms 1099. The IRS has now made it clear that they require, when applicable, that landlords file forms 1099. This letter is being sent to our clients who, in the past year have had a Schedule E for rentals on their tax returns we prepared.

In the case of landlords, these are the forms that might be applicable:

Form 1099-Int (“Int” is for interest) This would be for the payment of interest of \$10.00 or more per year. Loans, such as mortgages for which one receives Form 1098 are exempt from this requirement.

Form 1099-Misc (“Misc” is for miscellaneous) This would be for payments of \$600.00 or more per year for rents and other non-service payments (but not for the purchase of tangible items).

Form 1099-NEC (“NEC” is for non-employee compensation) This would be payments of \$600.00 or more per year for services (e.g. gardeners, subcontractors, etc.)

Exceptions: 1) payments to corporations or LLCs taxed as S corporations.

Exception to the Exceptions: payments of \$600 or more to attorneys, no matter their form of business require the issuance of Form 1099-NEC.

2) payments by credit card (these are reported on Form 1099-K by the credit card companies). Payments to attorneys by credit card would fall under this exception.

On our website bnstax.com under “tax downloads” you will find our client letter 2023 that contains information about the requirements for issuing forms 1099 and a “1099 Request Form.” We will prepare 1099s for you at a charge of \$7.35 for each 1099, and \$9.75 for each 1096 (a form like a cover letter for submissions of each type of form 1099 being submitted).

The Questionnaire on Schedule E:

Did you make any payments in 2022 that would require you to file Form(s) 1099? Yes or No

If “Yes” did you or will you file required Form(s) 1099? Yes or No

Unless we hear from you otherwise we will, in preparing your return, answer “No” to the first question (leaving the second question blank).

Feel free to call us if you have any questions.

Sincerely,

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