

SONRISE

PayMaster\$

It's Time for 1099s Again!

The new year – 2025 – is just about here. For many of us that means we need to be thinking about issuing IRS Form 1099 to various businesses and individuals that we had financial transactions with during the year. Enclosed with this letter are the following items:

1. An information sheet detailing when a Form 1099 needs to be issued as well as some other pertinent information. *Please read the paragraph on potential penalties for not filing and the paragraph on not having the recipient's federal identification number. We don't want you to be penalized!*
2. A Form W-9 to be duplicated and used as needed to gather the name, address and Taxpayer Identifying Number (TIN) of those to whom you make payments for labor, rent or interest and who will need to be issued a Form 1099 at the year's end.
3. A Questionnaire for you to provide us with your 2024 information. We have listed recent recipients of 1099's for your convenience.

For every recipient of a 1099 you must indicate the reason for the 1099:

RENT – indicate with an R

LABOR – indicate with an L

INTEREST – indicate with an I

PRIZES – indicate with a PR

For individual recipients you must provide a Social Security Number
Employer Identity Number (EIN) cannot be used with a personal name
For businesses (using a business name) you must provide an EIN

Please use the form enclosed to enter your information or provide the information in essentially the same format (Name – Address – TIN – Reason – Amount) to facilitate data entry at our end. If we have to chase after missing data there will be additional preparation charges.

See Reverse Side

If you want our office to prepare your forms, please mail, fax, email or drop off the completed Questionnaire by January 10, 2025. The deadline for providing 1099's to the recipient is January 31, 2025. Copy A of the 1099 needs to be transmitted to the IRS by January 31, 2025. We will mail the recipient's copy directly to them before the deadline. Your copy, along with our invoice, will be mailed to you in February. The IRS copy will be transmitted electronically by our office and any forms required to be submitted to PA will be sent by our office.

Note that Sonrise PayMaster\$ handles all W-2 and 1099 preparation. It is an entirely separate company from Sonrise Tax. Please make a separate payment for your 1099/W-2 work - *do not combine it with your income tax fees or payroll fees.* Payment should be mailed to 21 Shirk Drive, Fredericksburg PA 17026. The 1099 processing is done at 21 Shirk Drive, Fredericksburg PA. The email address to use for 1099 submissions is ken@paymasterspa.com and the FAX number for 1099 information is 717 865-5441.

Who Needs to File Form 1099?

Farmers, Business Owners, Landlords & Self-Employed Individuals

You are required to furnish a 1099 to any person, unincorporated business or partnership to whom you have paid \$600 or more for services or rent, or \$10 or more in royalty or interest payments for the calendar year. More detailed information than we have in this notice can be found on the IRS website (www.irs.gov) or you can contact our office if you have a situation not addressed in this notice. Only business related payments require issuance of Form 1099. *Payments made for personal purposes do not require 1099s!*

What Happens if I Don't File a 1099?

The IRS is authorized to assess a **\$60 - \$330 penalty for EACH form** you fail to issue on time. If they believe you intentionally disregarded the rules, the fine increases to the greater of \$660 or 10% of the amount reported per form. If you issue a 1099 with missing or incorrect information the penalty is \$310 per form.

DON'T GET PENALIZED! – USE the W-9 Form

What Do I Report?

In general, you report the following on a 1099:

- Sub-contract labor and other non-employee compensation
- Commissions
- Rent of buildings, land, vehicles or machinery/tools
- Payments for legal, accounting and other professional fees
- Private business loan or mortgage interest of \$10 or more

Farmers:

- All of the general situations above
- Veterinarian fees and breeding fees
- Casual labor and independent contractors
- Custom field work and machine hire
- Rent paid for pasture or equipment use
- Repair shops for parts AND labor on equipment and vehicles

Truckers:

- All of the general situations above
- Lumpers and sub-contract labor
- Truck repairs and maintenance

Contractors:

- All of the general situations above
- Repairs to equipment, tools and vehicles
- Engineering and architectural fees
- Casual labor and independent contractors

Do I include the cost of materials and parts on the 1099?

If the seller of the parts or materials also provided labor to install them for you, then the entire amount paid (labor AND materials/parts) is the amount to be entered on the 1099. If you do the installation yourself or pay someone else (other than the supplier of the material) to do the installation, then you do not include the cost of the parts on a 1099.

Social Security Number or Employer ID Number?

If an individual name is used for the recipient, you must use a Social Security number. Likewise, if a Social Security number is used, the recipient name must be an individual. A business name may be used on a second line in this situation

If a business name is being used for the recipient, you must use a Federal ID number. Social Security numbers may not be used with business names. Doing so will guarantee you a letter from the IRS and possible penalties!

When Can I Skip the 1099?

- Do not issue 1099s to corporations or banks
- Do not issue 1099s for the purchase of inventory or supplies

What If I Don't Have the Recipient's Taxpayer ID Number?

Avoid this situation! Have a Form W-9 completed ***before any money is paid***. This form is included with this letter and may be photocopied. If an individual refuses to give you a completed W-9, federal law requires you to withhold 24% of your payment to them and send it to the IRS on Form 945. Contact us if you find yourself in this situation. Keep in mind the significant penalties the IRS can assess for missing or incorrect information. Your best protection is to use Form W-9.

How Do I Go About Filing the 1099 Forms?

If you want Sunrise PayMaster\$ LLC to complete your forms, please submit your information by January 10, 2025. You can mail it, fax it, email it or drop it off at our Myerstown office (marked for Ken's attention). You are required to provide the 1099 to the recipient no later than January 31st. If we get the information by the 10th, we guarantee to have the 1099 mailed on time. We mail the 1099 directly to the recipient unless you instruct us otherwise. The IRS copy (Copy A) of the 1099 will be transmitted electronically and the state copy will be mailed to PA Dept. of Revenue. You will be provided a copy of the forms for your records.

If you want to prepare you own 1099s, you can get forms from the IRS, Staples or another office supply store. The law requires that all 1099 forms be machine generated!

Hand-written forms are not acceptable!

1099 Preparation Fees for 2025:

Set-Up Fee	\$35.00 (includes 1 1099 group)
Each Recipient	
1099-MISC	7.50 (includes mailing)
1099-NEC	8.00 (includes mailing)
1099-INT	7.00 (includes mailing)
Additional 1099 Group	15.00
Info Rec'd after Jan 20th	15.00

If you have any questions about 1099s, please contact us at 717 820-4156 and ask for Ken or Susie.