

Ask the Expert LIVE: Your Top Compliance Questions of 2025 ... So Far

Presented by: Jason Dinesen, EA

Last Names Only?

- Since the IRS only matches vendors by the first four characters of the last name and the EIN, do I need to include the first name when filing 1099-NEC?
- This was asked in June, and your presenter flagged it right away as being a good one (his note was “ooooh”)

Last Names Only?

- In IRS Publication 1220 and IRS Publication 1281, the examples given of individuals all use standard "first name, last name" convention such as Ralph Teak and the IRS pulls the first four letters of the last name (so their computers will log TEAK).
- You can find this example and many others on page 157 of Publication 1220.

Individuals

A name control for an individual is generally the first four characters of the last name on the information return.

- The name control consists of four alpha and/or numeric characters.
- The hyphen (-) or a blank space are the only special characters allowed in the name control. These characters cannot be in the first position of the name control.
- The name control can have less, but no more than four characters. Blanks may be present only as the last three positions of the name control.
- If an individual has a hyphenated last name, the name control is the first four characters from the first of the two last names.
- For joint returns, regardless of whether the payees use the same or different last names, the name control is the first four characters of the primary payee's last name.

Examples – Individuals	
Name	Name Control
Ralph <u>Teak</u>	TEAK
Dorothy <u>Willow</u>	WILL
Joe <u>McCedar</u>	MCCE
Brandy <u>Cedar-Hawthorn</u>	CEDA
Victoria <u>Windsor-Maple</u>	WIND
Joseph <u>Ash</u> & Linda Birch	ASH
Edward & Joan <u>Maple</u>	MAPL

Last Names Only

- While we often say the IRS doesn't care about first names, that is only true for errors with the first name, and the fact that you are not required to correct errors with first names (and, by extension, you are not penalized for such errors).
- For example, if you accidentally show Ralph's 1099 as "Ray Teak," the IRS will not penalize you and you will not be required to correct (unless Ralph contacts you and asks for a corrected 1099).
- The guidance is silent on the subject of simply leaving out a person's first name, but we believe that this would not be proper and could result in the IRS rejecting the form, as the name format would be in a different standard than "first name, last name" which is referred to many times in their guidance.

Wrong Addresses

- Question: Does the address on the 1099 matter to the IRS?
- Answer: No. While of course every effort should be made to have the proper address, you will not be penalized for a wrong address. And starting with 2019 forms, the IRS removed "wrong address" from the list of reasons to file corrections.

Corrections

- Our company paid a beneficiary in 2022, reported in 2023 as 1099-MISC. It has now been brought to the current accounts payable supervisor that the payments were made in error and shouldn't have been made to the individual. If they pay back the full amount will we have to submit a corrected 2023 1099-MISC for the "new" amount of 0.00? Or what would the next steps be if/when they repay?

Corrections

- Repayments generally do NOT require you to issue or correct anything. See these prior discussions:
- <https://www.iofm.com/ask-the-expert/1099-correction-for-a-returned-stipend-payment>
- <https://www.iofm.com/ask-the-expert/reporting-repayment-of-sabbatical>

U.S. Contractor in Another Country

(Variations on this have been asked several times recently): How do you handle a U.S. citizen who is performing services in another country?

- A U.S. citizen is subject to U.S. taxation no matter where they are in the world
- You issue a 1099 to them (if it's a 1099'able transaction) no matter where they are in the world
- Get a W-9 from them
- W-8/1042-S only applies to non-resident aliens (i.e. not U.S. citizens or resident aliens)

Disregarded Entities

(As on the prior slide, variants of this question have been asked several times): how do you handle 1099 reporting for payments to a dba that is a disregarded entity?

- A disregarded entity is an LLC with 1 owner, which has not elected to have the LLC taxed as a corporation
- You ignore the LLC and look to the owner of the LLC, for 1099 purposes
- That Guy owns That Guy, LLC, which is a disregarded entity
 - This is a sole proprietorship
 - Reporting is in the name and TIN of That Guy
 - A proper W-9 will show That Guy on line 1, That Guy, LLC on line 2, and That Guy's TIN (not the EIN of the LLC)
 - Issue the 1099 to That Guy and his TIN
- A corporation can own a disregarded entity LLC – see next slide

Disregarded Entities

- ABC, Inc. owns XYZ, LLC, which is a disregarded entity
 - Ignore XYZ, LLC and look to ABC, Inc. instead
 - The name ABC, Inc. implies this is a corporation – so apply the corporate rules for determining if a 1099 needs issued
 - If a 1099 does need issued, you'd issue to ABC, Inc. (and their EIN), not to XYZ, LLC

Disregarded Entities

- This can make your head hurt
- The LLC exists
- You're getting invoices from the LLC, in the LLC's name
- You're writing checks to the LLC, or authorizing payment to an LLC's bank account
- But when you issue the 1099, you ignore the LLC and issue the 1099 to the owner and the owner's TIN
- Even if you understand this concept, getting your systems set up properly can be a headache
 - The bill-pay side of things needs the LLC's info
 - The 1099 side needs the owner's info

B-Notice Question

- I have a question on sending out B-notice letters for accounts that we filed in 2024 but de-activated the accounts. If we will not have any payments to them in 2025 or the future, do we need to send B-Notice letters or is having the accounts blocked(de-activated) the same as correcting the information?

B-Notice Question

- In FAQ 26 in Publication 1281, the IRS says you should send the B Notice anyway.
- However, they add a note saying a B Notice is not required if "no payments have been made to an account and no return is required for the account for one year."

Is a Hotel “Rent”?

- We made a payment to a hotel as the venue for an event, and the W-9 lists the payee as a trust/estate, does this payment need to be reported on a 1099-NEC?
- (This has been a question attendees, and “minds” in the 1099 world have pondered for as long as your presenter has been teaching on 1099s [2012])

Is a Hotel “Rent”?

- This type of payment could be rent, or it could be contract labor, depending on the nature of what was provided to you.
- Rent would be 1099-MISC (box 1) while contract labor would be 1099-NEC.
- In this prior article, we determined that such a payment is likely rent. <https://www.iofm.com/ask-the-expert/1099s-for-hotel-event-venues>
- However, ultimately, it depends on what exactly you were paying for and what the hotel was delivering to you in return for the payment.
- There is no exemption for trusts or estates, so if the payment is otherwise 1099'able (which it sounds like it is), then you'd send the trust or estate a 1099.

Medical Payments

- Would hazardous waste removal services be classified as "medical services" and thus reportable on a 1099? In this specific example, the vendor providing the services is a "Corporation." Would the corporate exemption not apply in this instance?

Medical Payments

- We always say to think broadly when it comes to medical services. But it would depend on the context of your situation.
- Also, in an oddity of the corporate rules for medical payments, you only need to issue a 1099 if the corporation is in the business of providing medical services. If they're not in the business of providing medical services, then no 1099.
- So, it's a situation that requires more analysis.

Easements

- Our company is paying a landowner for a transmission line easement in the United States. This landowner resides in Norway (lived in Norway his entire life and is not a U.S. citizen). Are there tax treaty benefits with Norway? Or will the landowner be subject to withholding?

Easements

- If we think about how such a transaction would be treated if the landowner were a U.S. citizen: easements of less than 30 years are generally treated as payment of rent (box 1 of 1099-MISC). Easements of 30 years or more are generally treated as a sale of land, and this makes things WAAAAAYYYYYYY more complicated.
- If it's a temporary easement, meaning less than 30 years, it's rent, and you report on Form 1042-S, code 14.
- If it's a permanent easement and thus a property sale, then the "FIRPTA" rules apply. The transaction is not reported on Form 1042-S.
- Instead an entirely different set of requirements come into play. This is beyond the scope of what Ask the Experts can advise on. It is vital to seek out counsel on your side because there may be mandatory withholding, or the property owner might need an ITIN in order to use tax treaty provisions, and an entirely different set of forms is used (not 1042-S).
- As you can see from our discussions here, this is extremely complicated and requires consultation with counsel.

Levy Notices

- Is there a standard process for handling Notice of Levy from IRS?
- (NOTE: this appeared to be a levy notice against a contractor, directing the business to levy funds for the IRS)
- Form 668-A requires the recipient to levy payments owed by the recipient to the taxpayer (presumably a contractor, in this situation) as of the date of the notice. This is a situation to discuss with the applicable party on your side.
- In plainer language: this means, you owe an amount to a contractor or other payee, but the IRS is directing you to pay THEM (the IRS) rather than the payee, because the payee owes back taxes to the IRS.

Trusts

- We received a W9 from a vendor that has selected the Business Entity Type of Trust/Estate. On line 1 of the W9 it has the trustees individual name and on line 2 of the W9 it has the name of the trust. However, they are using an SSN as the TIN. Are Trusts allowed to use an SSN?

Trusts

- It depends on the type of trust. A grantor trust or a revocable trust uses the individual's name and SSN.
- The W-9 does not ask for the details of the type of trust. If in doubt, ask the person who filled out the W-9.
- For issuing 1099s, there are no special exceptions for trusts. If a payment is otherwise 1099'able, you'll issue a 1099 to the trust.

Gift Cards

- Q: If our university willingly gives out gift cards to research participants without obtaining TIN# information, can we pay a specific percentage of taxes to the IRS since we will not be able to send 1099s to the recipients? The amounts would vary – could be as low as \$5 or high as \$50-75 each.
- A: If these gift cards are the only thing people are receiving, then the dollar amount is far below the \$600 reporting threshold (for what seems to be a box 3 of 1099-MISC type of situation). If no reporting is required, then no backup withholding is required.
- Any type of payment for participating in medical research studies (whether in cash – or gift cards in this case) is subject to box 3 reporting, but the \$600 threshold applies.

Garnishments

- Q: What do you do if an attorney (required 1099 situation) you pay for a Garnishment refuses to give you a W9. You have to pay the garnishment to him and how would you even apply backup withholding? For reference, the garnishment is being passed to the attorney and the attorney is the one receiving payment. This is not for a bankruptcy trustee situation.
- A. You would send a 1099-MISC box 10 to the attorney to report any amounts paid to them, as that box is for payment made to a law firm that is not for services rendered to you by that firm.
 - (Exception: if the garnishment is in a bankruptcy trustee situation, which you mention is not the case.)
- Otherwise, the general rule is that you don't report garnishments on a 1099.

Swag Giveaways

- Our HazMat/Lab program is launching a promotional program to promote cleaning products safe for the environment, and it will consist of monetary voucher and non-monetary product giveaway/swag for eligible businesses or individuals.
- Those receiving the monetary voucher (upon registering and meeting the program's requirement) will be issued a Form 1099 at end of the year for payment received.
- Additionally, they will also be given promotional products (i.e. plant-based detergent, environmentally safe cleaning products, etc.) valued about \$50 (under \$100).
- Question: Is the Form 1099 issuance limited to monetary voucher only and should exclude the product giveaways/swag (i.e. plant-based detergents, environmentally friendly cleaning supplies, etc.) ?
- Or if we do need to add the estimated value of the giveaway products to form 1099, how do we process the product giveaway/swag value to be added to the 1099 in system?
- And if we're to include the value on 1099, would the receiver or giver pay any tax (sales tax would already be paid when purchasing the products from vendor)?

Swag Giveaways

- Regarding the promotional products, the fair-market value (FMV) of the product would likely need to be added to other 1099'able amounts paid to the vendor, and added to their 1099.
- If the product is provided to a non-employee, and the total of everything paid or given to the person is less than \$600, you wouldn't need to issue a 1099.
- This prior article in Ask the Expert may help. <https://www.iofm.com/irs-guidance-on-reporting-gifts-branded-items-meals-and-perishables>
- The reference in that article is IRS Publication 5137. The publication, on its very first page, states that the concept of non-taxable fringe benefits generally | (but not always) applies to independent contractors. Also note that a monetary voucher would likely never be excludable from income, whether given to an employee, contractor or anyone else (but keep in mind the \$600 threshold).

Uncashed Checks

- Q: Our company send 1099s are to our contractors and providers and I have a question as far as if we send a check to a contractor and in their possession is that supposed to be reported on their 1099 even if they haven't cashed it? Although we didn't know until after year end that it wasn't cashed.
- A. You would issue the Form 1099 based on the writing of the original check, even if it's not cashed by the other party until the next year. Even if you end up needing to re-issue the check in the next year because the recipient lost it or otherwise didn't cash it in time, it remains a prior-year item (an item in the year payment was originally made).

Employee or Contractor?

- We have an employee at our college that also has a business with her social security number (1099 supplier) and she will be providing services for a speaking engagement through her business. Our practice at the college is to pay them through payroll? What do you think?

Employee or Contractor?

- IRS guidance gives examples of where a W-2 employee might also receive a 1099 as a contractor.
- One example is of an employee at a garden center (W-2). The employee is also a carpenter on the side, and the center pays him (1099) to build a fence. The worker performs this work on the evenings and weekends, outside of their regular work. They also have a "real" side business, and their employer happens to be a customer of that business.
- Does this employee have a legitimate side business? Is the speaking engagement being done as part of their normal duties? Are they speaking as an employee of the college, or are they speaking as a "motivational speaker/life coach, etc." as they would if speaking in any other situation? These are not necessarily questions where Ask the Experts knows the answers. Rather, these are questions you need to consider with appropriate counsel on your side.

ITINs and the W-9

- My company received W9 with individual name W9 line 1 (entity/individual name) and business name W9 line 2 (business name/disregarded entity). In addition, the vendor provided Individual Taxpayer Identification Number XXX-XX-XXXX (Social security number section) and Employer identification number XX-XXXXXXX. Vendor selected Individual/sole proprietor line 3a (tax classification of the entity). As the vendor is 1099 NEC reportable how should my company report this vendor? Should my company report individual name and ITIN number? Should my company report ITIN with SSN format XXX-XX-XXXX or EIN format XX-XXXXXXX?

ITINs and the W-9

- An ITIN uses the same format as a Social Security Number (xxx-xx-xxxx).
- We would suggest asking your vendor for clarification. It is possible for an individual to have an EIN in their name personally. But the fact that they apparently gave you three different numbers makes this a strange situation. You need clarification before proceeding.
- We also suggest asking for clarification on the ITIN vs. SSN — making sure that W-9 and 1099 is appropriate, as opposed to W-8 and 1042-S.

1042-S and IRIS

- Q. We currently file all our returns in FIRE. Can we apply for an IRIS Transmittal code (TCC) at any time during the year? Will the 2025 payments we made and report in 2026 filings for Form 1042-S be allowed this year to be sent through the IRIS filing system, or must we still use FIRE to report them?
- A. You can apply for an IRIS TCC at any time, but it could take up to 45 days to receive it, so it's best to start the process ASAP. The IRS now lists 1042-S as a form which can indeed be filed via IRIS for 2025 forms filed in 2026.

IRIS vs. FIRE

- Q: I've been using the IRS FIRE System, but do I need to set up a new transmitter code for the IRIS System? I believe the IRS Fire System will be going away. Do I need to now file the 1099's to the IRIS System for 2024 1099's? I process Accounts Payable and I'm the one who sends out the 1099's each year.
- A. The IRS is tentatively targeting a December of 2026 end date to FIRE. Note that this is a targeted date, but is not official yet. If that date holds, it effectively means your 2025 forms would be the last you could file in FIRE.
- If you're a FIRE user, you'll need to either get a login and TCC for IRIS, or partner with a third-party vendor to handle your e-filing. But you can still use FIRE in 2026 for filing your 2025 forms.
 - NOTE: your FIRE TCC is not valid for IRIS
- (Your presenter didn't talk about Form 1042 in the original answer, but let's talk about this now – Form 1042 [not 1042-S] uses a different system from IRIS or FIRE.)

Actionable Takeaways

1. Information reporting is sneakily difficult – go slow, and use resources.
2. To that end: take advantage of your IOFM membership to access Ask the Experts.

Please tell us what you think!

- Please scan this QR code using your mobile to access a short feedback survey →
- Also accessible via the mobile app



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