

MASTER COMMISSIONER 1099 FAQ SHEET

1. What is the purpose of Form 1099?

The Internal Revenue Code Section 6041 requires the issuing of the Form 1099 whenever you pay \$600 or more to an individual or partnership for services. These services would include real property and personal property appraisals paid by the master commissioners. This would also include any other services that the master commissioners paid to one individual or partnership during the year.

There are several different types of 1099 forms, each for a variety of purposes. However, they all serve a similar general function, which is to provide information to the IRS about certain types of income from Non-Employment related sources. The payers of these types of income must send one copy of the form 1099 to the IRS and another copy to the recipient of these payments.

2. What types of 1099 forms would apply to Master Commissioners?

According to the Kentucky Division of Statewide Accounting, the two types of 1099 forms that have been filed in the past by Master Commissioners were the 1099-MISC and the 1099-S. However, your accountant or bookkeeper will need to determine which type of 1099 forms need to be filed for recipients each tax year.

3. What is a 1099-MISC?

Form 1099-MISC is the most common tax form used to submit information for income paid to independent contractors. This form serves a similar purpose to an independent contractor as a W2 does for an employee. The form reports the total amount of payments made to a single person or entity that provided services to you during the year.

The form includes personal information such as name, address and either Social Security Number (SSN) or Employer Identification Number (EIN). Most importantly, it will classify each type of payment in separate boxes depending on the reason for the payment. Generally, if you made a payment for contract work, then the annual earnings will be considered Non-Employee Compensation.

If a third party or independent contractor, such as an appraiser, performed services for a Master Commissioner and the individual was paid \$600 or more for their services, then a 1099-MISC would be required for that appraiser.

1099-MISC Instructions are available on the IRS website at <https://www.irs.gov/pub/irs-pdf/i1099misc.pdf>.

**MASTER COMMISSIONER
1099 FAQ SHEET**

4. What is a 1099-S?

The 1099-S is for reporting proceeds from real estate transactions. For the sales or exchange of certain real estate, the person responsible for closing a real estate transaction must report the real estate proceeds on a 1099-S.

There are exceptions for transactions that are not reportable and do not require a 1099-S. These exceptions are listed in the IRS Instructions for Form 1099-S available at <https://www.irs.gov/pub/irs-pdf/i1099s.pdf>.

Exception #4 on page 2 of the IRS instructions states: “*A transfer in full or partial satisfaction of a debt secured by the property. This includes a foreclosure, a transfer in lieu of foreclosure, or abandonment.*”

This exception would most likely apply to the majority of Master Commissioners’ transactions and a 1099-S would not be necessary. However, your accountant or bookkeeper would need to make this determination.

5. Why does the Commonwealth of Kentucky issue and submit 1099s for Master Commissioners?

There are certain situations where it is applicable that the Commonwealth’s TIN is used when preparing a Form 1099 for individuals who perform services for a Master Commissioners office. However, Master Commissioners are not authorized as an employer to file any tax documents to the IRS using the Commonwealth’s TIN.

IRS regulations state that if 250 or more forms are being submitted, they must be submitted electronically or penalties may incur. Since the number of forms the Commonwealth files annually greatly exceeds this amount, the Division of Statewide Accounting is the only agency permitted to submit Forms 1099 to the IRS on behalf of the Commonwealth. A singular agency submitting the 1099s insures that not only is the Commonwealth in compliance with the IRS regulations, but we also have a record of all forms submitted under our TIN for accounting purposes.

Therefore, a 1099 of any type that Master Commissioners need to file using the Commonwealth’s TIN must be submitted to the SSCRB.

6. What are the Social Security Coverage and Reporting Branch’s responsibilities for completing the 1099s for Master Commissioners?

The SSCRB will collect and coordinate the data, print and mail the recipient copies and prepare an electronic file to submit with the IRS. We will then forward the electronic file to the Division of Statewide Accounting who will transmit the data to the IRS.

**MASTER COMMISSIONER
1099 FAQ SHEET**

Note: The Division of Statewide Accounting is the only agency authorized to submit a 1099 file to the IRS on behalf of the Commonwealth of Kentucky.

7. How do you determine if the Master Commissioner or the SSCRБ should issue and submit a 1099?

If the individual was paid from the escrow account using the Commonwealth's TIN, the SSCRБ is responsible for preparing and filing the 1099 form.

If the individual was paid from an account using the Master Commissioner's TIN, the Master Commissioner is responsible for preparing and filing the 1099 form.

Your accountant or bookkeeper would need to make this determination.

8. How do Master Commissioners Report 1099 data to the Social Security Coverage and Reporting Branch?

The Social Security Coverage and Reporting Branch will provide a 1099 Excel Workbook to all Master Commissioners by e-mail. The spreadsheet will need to be completed and returned by e-mail to tammy.taylor@ky.gov by January 10th.

The required 1099 data must be submitted on the Excel Workbook provided. **Paper copies of the 1099 will not be accepted.** Once received, the data will be uploaded directly from the workbook to the 1099 software.

This process allows Master Commissioners to report 1099 data efficiently to the Branch and reduces the chance of typing errors that could occur when manually entering the data from a paper copy to the software.

9. Who does the recipient contact if they need a duplicate or replacement copy of their Form 1099?

Contact the Social Security Coverage and Reporting Branch at (502) 564-6915 or by email at tammy.taylor@ky.gov to request a duplicate or reissued copy of Form 1099. If sending a request by email, please include the recipient's correct mailing address and email address. While the original form must be mailed, copies of the form can be emailed.

10. How do I determine if a 1099 is necessary?

To determine whether you need to file a 1099 form, there are a number of questions to ask about the relationship with a contractor, and amount paid over the course of the previous year. The following steps can assist you in making this determination:

MASTER COMMISSIONER 1099 FAQ SHEET

Step 1: Determine what type of relationship you have with a person or company to decide if you need to issue a 1099 to document the relationship. Typically, you need to supply a 1099 to independent contractors, janitorial services, 3rd party accounts, third-party public-relations firms that are not on your regular payroll or any other company or worker that you paid for services that is not on your payroll.

Step 2: Once you conclude a person meets the criteria from Step 1 to be eligible for a 1099, next you should determine the total amount of money you paid the person or company over the year. If you paid more than \$600 throughout the entire year for the services provided, you need to issue a 1099 form.

Step 3: Check your records for payments made to attorneys. Attorney payments are documented using a 1099.

Step 4: Check the type of corporation the third party is. For example, companies that are sole proprietors, partnerships or LLCs who received money from your company should receive a 1099. C corporations, S corporations or LLCs that are taxed as C or S corporations do not require a 1099.

Step 5: File a 1099 if you are unsure. If you file one but did not need to, there is no harm done. However, if you fail to file one and one was required, you could be penalized heavily.

The penalty for not issuing a Form 1099 is \$50 per form and the penalty for not filing such forms with the Internal Revenue Service also is \$50 per form. This is a total of \$100 for each Form 1099 not filed and issued.

Reminder: The above steps are only to help determine if a 1099 is necessary. Who is responsible for issuing and submitting 1099 forms for individuals that provided services for Master Commissioners is based on which account the payments were made from. For more on how to make this determination, see question #7 on page 3 of this FAQ sheet.

This fact sheet was designed to provide awareness of social security coverage and reporting responsibilities for Master Commissioners of the Commonwealth of Kentucky. This fact sheet should not be cited or used as authority with respect to federal employment taxes. The Internal Revenue Code and the Social Security Act along with the associated regulations rulings and case law are the only valid citations of authority.