**YEAR-END 2021 TAX PLANNING**

**Form 1099, Personal Automobile Use, Business Personal Property Renditions**

**Form 1099**

There are two questions asked on every company tax return (C Corp, S Corp, Partnership, Trust, Exempt Organization, and Schedule C) every year. They are:

1. Did you make any payments in 2021 that would require you to file Form(s) 1099?
2. If yes, did you file or will you file the required Forms 1099?

The IRS considers the tax return **Incomplete,** and an e-file return will be rejected if left unanswered. Penalties are steep for non-filers and incorrect filing – up to **$570 per form for non-filers and $50 for each correction.** We are happy to prepare these forms for you. Our fees are based on hourly rates and the minimum fee is $100. If you choose to prepare these forms yourself, please complete the attached confirmation form. This form is required to process your tax return.

The following are guidelines for 1099s:

As a general rule, you must issue a 1099-MISC or 1099-NEC to each person or unincorporated company to whom you have paid at least $600 in rents, services (including parts and materials), prizes and awards. Common accounts for these types of 1099 expenses include repairs and maintenance, commissions, legal services (whether incorporated or not), lawn and janitorial expenses, computer services, rent expense and equipment rental.

1099-MISC or 1099-NEC forms issued should include only payments made by cash, check, wire transfer electronic check, ACH, online bill pay (bank to bank only), or direct deposit. If your company made any payments to vendors using credit cards, debit cards, gift cards or any other third –party payment network (such as PayPal)- those payments should **not** be included on 1099-MISC or 1099-NEC forms because the credit card companies are responsible for reporting those payments.

Obtaining your vendor’s W-9 (tax ID and address information) before paying them is a good business practice. Below is the link to the W-9 Form:

<https://www.irs.gov/pub/irs-pdf/fw9.pdf>

You should send Form(s) 1099 to recipients and to the IRS by January 31, 2022.

**ACTION STEP - Form 1099: Please fill out the following “Confirmation of Form 1099 Reporting” and return to us by January 1, 2022.**

\_\_\_\_\_\_\_  I would like McIlvain & Associates to prepare my 1099s. I will have the information to your firm by January 15, 2022.

|  |
| --- |
| **Business Vehicles – Employee use**  Businesses who provide employer-owned vehicles are required to include the amount of the employee’s personal use in the gross income – i.e. include the fair market value of the fringe benefit in the employee’s W-2. ***Personal usage of the company vehicle is considered a taxable fringe benefit*.** To determine the amount to include in the employee’s W-2, the employer selects a special valuation method. The three special valuation rules are (1) Automobile Lease Valuation method; (2) Vehicle cents-per-mile valuation method; and (3) the Commuting Valuation method. The Commuting Valuation method is available only when commuting is the sole personal use and it is required for non-compensatory reasons (e.g., proximity to major customer or 24-hour on-call).  Attached are company sample guides you might find helpful if you provide company-owned vehicles. *Please contact us should you want us to calculate the inclusion amounts for the fringe benefits before year-end to include in the W-2s.*  You can also find information regarding fringe benefits in the IRS Publication 15B: Employer’s Tax Guide to Fringe Benefits. We recommend you have a copy of this publication saved in your company files for reference.  **ACTION STEP – Business Vehicles: Calculate any personal use information for inclusion in employee W-2(s) and remit to your payroll administrator before year-end.**  **Should you request McIlvain & Associates to prepare the calculations for you, we will need your company policy (see attached policy examples) and the following information by employee:**  Description of vehicle: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Reporting period from \_\_\_\_\_\_\_\_\_\_\_\_\_ to \_\_\_\_\_\_\_\_\_\_\_\_\_\_. (This would be 1/1/21 to 12/31/21 if you had the vehicle for the full year. If not the full year, use the beginning date you were provided the vehicle.) If you had more than one vehicle during the year, please fill out 2 forms. Note: You can use 12/1/20 to 11/30/21 for a full 12 month period or estimate December 2021 mileage.  Total vehicle mileage for above period: \_\_\_\_\_\_\_ Personal miles for above period:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **If the vehicle was purchased in 2021, please provide purchase invoice; if leased, provide lease agreement.**  **Tangible Property Regulations**  The IRS implemented the tangible property regulations (TPRs) (T.D. 9689) effective for taxable years ending on or after January 1, 2014. This new guidance determines whether certain expenditures are required to be capitalized or expensed, the tax treatment of materials and supplies, and if the remaining basis in assets partially disposed of can be written off. Taxpayers with depreciable property are generally subject to these regulations in some manner.  The TPRs are complex and must be addressed annually with respect to current year activity. Please review these topics in preparation for the 2021 filing requirements.  In preparation of the 2021 tax return, we request a detail of all 2021 activity for the following:   1. Capitalized tangible property including building improvements, equipment, furniture & fixtures, other such as fencing, landscaping, etc. 2. Repairs and maintenance costs (providing a QuickBooks accountants copy or backup file should accomplish this)   Please keep in mind that if you adopted the de minimis safe harbor accounting policy (a ONE-TIME company policy adoption), you should confirm that amounts less than $2,500 are **not** capitalized, but expensed as repairs. Information and a sample policy for the de minimis safe harbor can be found on our website, **http://www.mcilvain.net/**, in our resources section. This Safe Harbor policy will be an annual election on the tax return if you have adopted the policy. (Please provide us with a copy of your written policy if you have not already done so).  Also on our website is a guide to the TPRs that you might find helpful in addressing any repairs vs. capitalization (and removal of capitalized replacements) issues. You could be required to provide documentation on sizable repairs, so we recommend you keep adequate records of how you identified the unit of property being repaired and analyzed the cost as repair vs. capitalized cost in light of the TPRs. Please confer with us if you would like help in this process as we will also be reviewing the detail for compliance and tax preparation purposes.  **ACTION STEP** - **Tangible Property Regulations: Review your capitalized asset and repairs and maintenance activity for compliance with the TPRs and keep detailed records of costs with supporting documentation as to your process of determining the tax treatment.**  **We will be reviewing this activity while preparing your return in adding assets to your depreciation schedules.** |
|  |
|  |