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## 2020 Forms 1099-MISC and 1099-NEC Engagement Letter

### Tax Clients

For 2020, the filing deadline for issuing Forms 1099-MISC and 1099-NEC is January 31, 2021. Failure to file the form for 2020 could result in a penalty that could be as much as **1,000** per each omitted, late, or incorrect 1099-MISC. The IRS requires that business owners file a Forms 1099-MISC and 1099-NEC for every individual or non-corporate LLC that you paid over \$600 in 2020 for trade or business services. This includes the following:

- Services performed by someone who is not your employee (This would include independent contractors or individuals for construction, repair, or remodeling work, cleaning services, yard work, etc.)
- Professional services (This would include payments to accountants, attorneys, architects, engineers, etc.)
- Rents paid (This would include payments to a landlord for your place of business or for storage facilities.)

Because the penalties are so severe, we want to be very clear on the services we are providing, and what is expected from you. If you will be having us issue Forms 1099-MISC and/or 1099-NEC for your business, please be aware of the following:

### Tax Preparer Responsibilities

We will prepare your 2020, and only your 2020 Federal Forms 1099-MISC and 1099-NEC based **SOLELY** from information you furnish us. We will not audit, review, compile, or otherwise verify the data you submit although we may ask you to clarify some of the information.

### Taxpayer Responsibilities

In order to timely file your 2020 Forms 1099-MISC in agreement with this letter you must provide us, ***IN WRITING***, a complete list of payees by January 8, 2021 as follows, **for each payee**.

- Payee Name
- Payee Address
- Payee City, State, Zip
- Payee Federal ID Number (obtained by you on Form W-9)
- Amount paid during 2020 for non-employee compensation
- Amount paid in 2020 for Rent

You can download a Form W-9 from the IRS's website here <https://www.irs.gov/pub/irs-pdf/fw9.pdf> to provide to your payees to collect the required information. If you are in doubt whether to issue a 1099, the safest treatment is to issue the form. One problem you may encounter is subcontractors that don't want you to issue them a 1099, so make sure you get them to fill out a W-9 form **before** you issue them their first payment.

Our fee to prepare and electronically file the 1099-MISC forms solely for the payees listed in writing by you on a separate page will be \$95 for the first four (4) Forms 1099-MISC and 1099-NEC statements issued, and \$5 for each additional form.

**Failure to file Forms 1099-MISC and 1099-NEC to your payees who qualify could result in steep penalties that reach up to \$1,000 per form AND THE LOSS of legitimate expenses for your business.** These penalties can have a serious negative impact on your bottom line. To avoid these penalties, please work now to obtain the necessary information from your vendors.

If you will be having us prepare and submit your 2020 Forms 1099-MISC and 1099-NEC statements in agreement with this letter, please sign and date this form and return to our office.

Client Business Name \_\_\_\_\_

Date \_\_\_\_\_

Client Signature \_\_\_\_\_

I (We) have read the above terms of the engagement letter and agree with the terms of this engagement

**Please print this document as PDF and provide a copy to Burr Business Service**