

# PROPER USE OF IRS 1099 MISCELLANEOUS FORM

**B**efore February 1 each year, churches distribute W-2 forms to employees and 1099 Miscellaneous forms to non-employees. Questions often arise concerning the use of these forms. Almost always, pastors are employees of the church for purposes of the IRS (even though they are ALWAYS self-employed for purposes of Social Security). Therefore, pastors should receive a W-2 form.

1099 Miscellaneous forms are given to non-employees, LLC's, Sole Proprietorships and Partnerships who have received \$600 or more in compensation during the year. (Full corporations need not receive 1099s.) In a church setting, the most likely recipients of a 1099 Miscellaneous form are guest speakers or evangelists for whom love offerings have

been collected and service providers who do snow removal, lawn care, custodial work, web hosting/design, legal work, etc.

All persons and organizations, such as those above, to whom you pay monies must provide you either with their Social Security numbers or their Federal ID numbers prior to services being performed. If a service provider refuses to give you this information, you should either refuse to allow them to perform the services or withhold 31% from their total compensation as "backup withholding." This will not make you popular with the recipient of the funds, but it will keep you in good standing with the IRS and allow you to report properly to them each April.

CHURCH LAW