

Forms W-2/Forms 1099

The IRS requires employers with 250 or more Forms W-2 to file electronically. Any employer who is required to file electronically and fails to do so may incur a penalty.

Paychex will electronically file employer federal Forms W-2 and W-3 to the Social Security Administration (SSA) for all clients. You will still receive paper copies of employee Forms W-2 to distribute to your employees so they can file them with their individual tax returns. We will include a Form W-3 facsimile in your Jan. tax package.

We will **not** be able to file Forms W-2/W-3 electronically if:

- we do not have a valid federal employer identification number (FEIN), **or**
- you have more than ten employees and a substantial percentage of the social security numbers (SSN) are missing or invalid, **or**
- you have fewer than 250 employees and leave our service before Dec. 31, 2019.

Important Form W-2 Information

Employee Name

If you would like to receive an Employee Address List to assist you in verifying employee names, addresses, and social security numbers, please let your payroll contact know. The employee's name shown on the Employee Address List should be the same name that appears on the employee's social security card. If a suffix to the employee's name (Jr., Sr., etc.) appears on the employee's social security card, it may appear on the Form W-2; however, the SSA still prefers that a suffix does not appear on Form W-2.

- Titles should not appear on Form W-2. Titles or academic degrees (Dr., RN, etc.) make it difficult for the SSA to determine the employee's registered name.
- If an employee's name has changed, continue to use the old name until the employee has obtained a social security card with the new name. Employees can report name changes to the SSA by calling 800-772-1213. Notifying the employer is not enough; the employee must notify the SSA to update the permanent record.

For clients using Preview, this information is available by running the report Rept0039 from your standard report queue. Verify employee names, addresses, social security numbers (SSNs), and pension information. Update Preview before you process your last payroll of 2020.



Employee Address

Verify the address for each employee.

Employee SSN

Paychex can provide a list of missing or invalid SSNs upon request. The SSA may impose a penalty for missing or incorrect SSNs. An SSN is invalid if:

- It is all ones (11111111) or all threes (33333333).
- It is 123456789.
- The first three digits are 000, 666, 900-999; the middle two digits are 00; or the last four digits are 0000.

If an invalid SSN is identified, ask the employee to provide the social security card for verification. If the number is invalid, instruct the employee to contact the local SSA office. For more information about invalid social security numbers, go to <http://www.socialsecurity.gov/employer/verifySSN.htm>.

Reminder: The IRS may charge employers a penalty of up to \$270.00 for each return or Form W-2 that has a missing or incorrect SSN or federal identification number.

SSA Note

The SSA has cautioned payroll service providers about duplicate Form W-2 reporting. We will prepare and file Forms W-2 for tax year 2020 for all clients who are on our service at the end of the year.

Note: We will not prepare or file Forms W-2 for any clients who leave our service prior to year-end, unless specifically requested.

Federal Forms 1099/1096

New Return for 2020 – Form 1099 NEC, Nonemployee Compensation

In 2020, the IRS is requiring employers to use [Form 1099-NEC](#) to report nonemployee compensation. In previous years, this information was reported in Box 7 of Form 1099-MISC.

The return must be remitted to the IRS and furnished to payees by February 1, 2021 (because January 31 is a Sunday in 2021).

The 1099-MISC is still valid and will be used for Rents/Royalties/Other, but will not include nonemployee compensation. The 1099-MISC will be due March 1, 2021. States need to determine if they will follow these new federal requirements.

Paychex will produce the appropriate return based on where the information was reported last year and what type of compensation it is.

Filing Forms 1099/1096 Electronically

The IRS requires payers with 250 or more Forms 1099 to file electronically. A payer who is required to file electronically and fails to do so may incur a penalty.

Paychex will electronically file payer federal Forms 1099- and 1096 for all clients. You will still receive paper copies of your payer reference copy and payee Forms 1099 to distribute to your payees. We will include a Form 1096 facsimile in your Jan. tax package.

We will not be able to file Forms 1099 electronically if:

- we do not have a valid EIN for your company, or
- you have fewer than 250 employees, and you leave our service before December 31, 2020.