



Attn: Laura Brimmer
Internal Revenue Service
Room 6526
111 Constitution Avenue NW
Washington DC, 20114

September 26, 2019

RE: Reinstatement of Form 1099-NEC

Dear Ms. Brimmer:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers (NASACT), we appreciate the opportunity to provide comment concerning the reinstatement of Form 1099-NEC, Nonemployee Compensation. We are particularly concerned about the overall costs of implementing the proposed change as well as ongoing costs that will occur for duplication of processes and procedures. States will be required to update systems and processes and provide training to accommodate the NEC form. We believe that this will greatly increase paperwork and could double the reporting burden. We also do not believe that the reinstatement of this form is within the spirit of the Paperwork Reduction Act.

States will need to develop significant programming changes to separate the 1099-NEC data from the 1099-MISC data for reporting on two different forms. This will require the state to maintain two systems/programs which will result in two separate print files, two separate verification files for the paper mailing, two separate print submissions, two separate mailings, two separate electronic submissions, two separate verification processes for IRS electronic submissions and two separate National Change of Address verifications. This change would represent a significant increase in processing times.

There is also concern that having two forms will increase the number of forms to the payee as they may have received payments that are included on both the 1099-MISC and 1099-NEC. Taxpayers may then file their tax forms after receipt of the 1099-NEC, but prior to receipt of the 1099-MISC. This may result in increased amended returns to the IRS for under/over statement of income.

There is also concern that reporting errors that cross between the two forms (for example Box 7 versus Box 3) will now require corrections on both forms. This will lead to additional confusion amongst impacted users.

While the collection of this information is clearly beneficial to the IRS, we question whether the reinstatement of this form **is necessary** as the information is already collected on the Form 1099 -MISC. To comply with the deadline, many states **have already accelerated their related business processes** to furnish and file all 1099s by January 31st and have been doing so for several years. This reinstatement will add yet another layer of complexity to currently stressed business processes with a common due date of January 31st (W-2's, W-2G's, Unemployment 1099-G's, 1099-R's, state income tax refund 1099-G's, and 1095 Forms).



Perhaps a less administratively burdensome approach would be to **require a January 31 filing date for all 1099-MISCs** for reporting entities or to adjust the systems at the IRS to accommodate the different filing deadlines.

The 1099-NEC is scheduled to go into effect in tax year 2020. However, the IRS, as well as individuals, businesses or other for-profit institutions, tax exempt organizations, farms, and federal, state and local or tribal governments have considerable programming and printing changes to make before reporting using Form 1099-NEC can be accomplished. Should the IRS choose to move forward with reinstatement of Form- NEC, we would request that the implementation due date **be delayed until January 2022** for the 2021 reporting year. In addition, if the IRS chooses to move forward with the 1099-NEC the request is to retain the numbering of the 1099-MISC and not repurpose box 7. Repurposing box 7 will result in extensive system modifications to accommodate the change.

Thank you for the opportunity to comment on this proposed form reinstatement. We do not believe that the IRS will receive enhanced outcomes as a result of the reinstated form, as the information is already being provided to the IRS on the Form 1099-MISC. Should you have any questions or desire additional information, please do not hesitate to reach out to our representative in Washington, Cornelia Chebinou at (202) 624-5451 or cchebinou@nasact.org.

Regards,

Beth Pearce, State Treasurer, Vermont
NASACT President