

1099s

An individual may receive a 1099 for a variety of reasons with the most common being they are an independent contractor for a company. So the 1099 is a way for the IRS to ensure there are informational records of the income received by an individual other than direct salary from an employer.

The type of 1099 may vary based on from where the income is coming. Typical reasons for a 1099 come from Independent Contractors, interest and dividends, withdrawals on a retirement account, rent, royalties, or even some government payments.

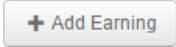

Note: Earning codes must first be set up at the company level in order to later use it for an employee.

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Step 1: Set up the appropriate 1099 earning code.

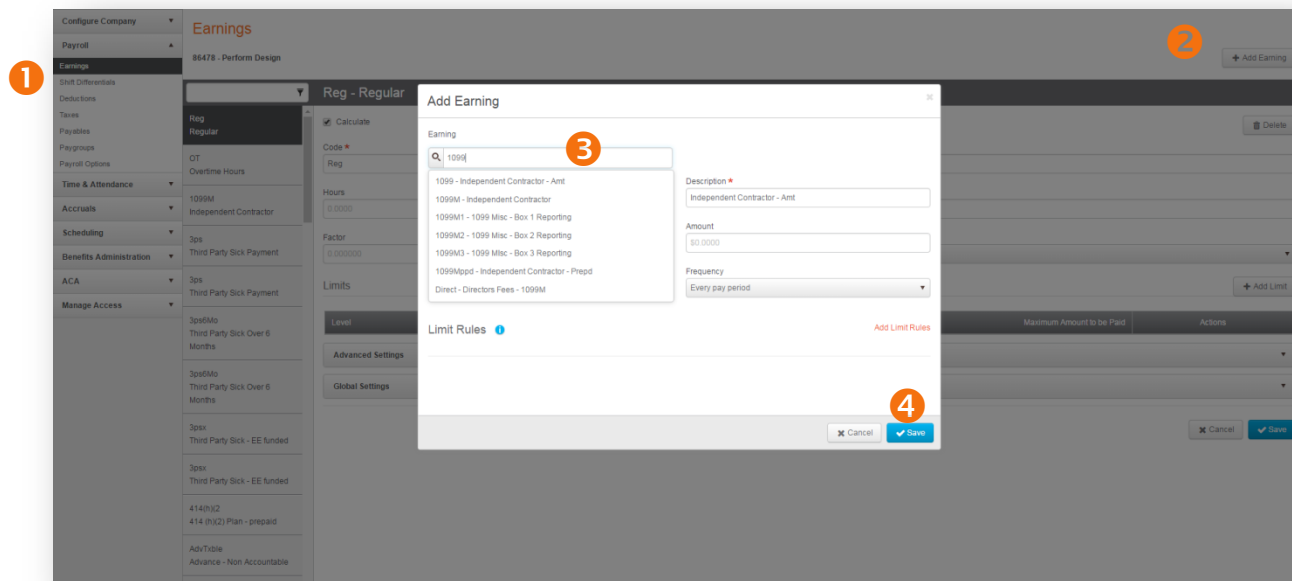
Follow the steps below to select an earning code:

- 1 In the Configure Company area, select **Earnings** under the Payroll menu.
- 2 Click  .
- 3 Search for "1099". Locate the correct code, and make any necessary changes.
- 4 Click  .

Once added, you may view and edit the settings.

Note: The user will be able to select a new name and description for the earning code in the next steps. However, it is important to select the correct 1099 code because this will determine in which box on the 1099 that the income will be reported.

Screenshots are available on the next page.



| Earning Code | Amount Type | Form | W-2 Box |
|--------------|--|-----------|----------------|
| 1099M | Independent Contractor | 1099-MISC | Box 7 |
| 1099M1 | Rents | 1099-MISC | Box 1 |
| 1099M2 | Royalties | 1099-MISC | Box 2 |
| 1099M3 | Other Income | 1099-MISC | Box 3 |
| 1099Mppd | Independent Contractor Prepaid Earnings (No Check Issued) | 1099-MISC | Box 7 |
| 1099R1 | Retirement Early Distributions | 1099-R | Box 7 – Code 1 |
| 1099R2 | Retirement Early Distributions – with Exceptions (Only visible if client type is “1099’s R”) | 1099-R | Box 7 – Code 2 |
| 1099R3 | Retirement Early Distributions – Disability Payment (Only visible if client type is “1099’s R”) | 1099-R | Box 7 – Code 3 |
| 1099R4 | Distribution Trust Estate Benefits | 1099-R | Box 7 – Code 4 |
| 1099R7 | Normal Taxable Distributions | 1099-R | Box 7 – Code 7 |

Note: Generally, you will not use the code labeled only “1099”. Please contact your Paycor representative with any questions.

Step 2: Configure Settings and Save.

Follow these steps to configure settings for the Earning Code:

- Once the 1099 earning code has been added, users may change the code's settings. Change the Code and Description to help you better identify this earning on a paystub or report.

| Field | Options |
|--------------------|--|
| Code | Users may re-name the earning code by typing directly into this field. This is a 10-character field, and will appear directly on the employee's paystub. |
| Description | Users may re-name the description by typing directly into this field. This is a 30-character field, and will be used for internal (company) purposes only. |

- Depending on the 1099, you can change the code based on a rate percentages, tax preferences, and other advanced settings.
- Verify that all of your selections are accurate.

Click .

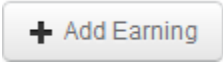


The screenshot shows the 'Earnings' configuration page for 'Comm - Commission'. The interface includes a left-hand navigation menu with categories like 'Earnings', 'Shift Differentials', 'Deductions', 'Taxes', 'Payables', 'Paygroups', and 'Payroll Options'. The main content area is titled 'Comm - Commission' and features several sections:

- Basic Settings:** Includes a 'Calculate' checkbox, a 'Code' field (marked with a red circle 1), a 'Description' field, 'Amount' (set to \$0.0000), and 'Frequency' (set to 'Every pay period').
- Limits:** A table with columns for 'Level', 'Frequency', and 'Maximum Amount to be Paid'. The 'Client' level is set to 'YTD' with a maximum amount of '\$1,000.00'.
- Advanced Settings:** Includes an 'Equation' field with the formula '(RATE * HR) + AMT', a 'Rate' field (set to \$0.000000), 'Include In' (set to 'Regular only'), 'Check Stub' (set to 'Always print YTD'), 'Include in SMT Calculation' (set to 'No'), 'Auto Reduce' (set to 'No'), and 'Effective Date' (set to 05/14/2015).
- Global Settings:** Includes 'Global Code' (set to 'Comm'), 'Global Description' (set to 'Commission'), 'Effect On Client' (set to 'Increase'), and 'Effect On Employee' (set to 'Increase').

At the bottom right, there are 'Cancel' and 'Save' buttons (marked with a red circle 3).

Step 3: Adding a 1099 code to an Employee.

Follow the steps below to open the employee and navigate to add an additional earning:

- 1 Go to the **Manage Employees** area, and locate the necessary employee.
- 2 Using the left navigation menu, click **Compensation**, then **Additional Earnings**. The employee's current earning codes will display.
- 3 Click  .
- 4 Mark the necessary 1099 earning code. Click  .
- 5 Indicate the details. Generally, you will not fill in an amount or rate. This information should be filled in on the paygrid each pay period for employees that are being paid through 1099 earnings.
- 6 Once finished, click  .

