



September 30, 2019

Laurie Brimmer  
Internal Revenue Service, Room 6526  
1111 Constitution Avenue NW  
Washington, DC 20224

**RE: 1099-NEC**

Dear Ms. Brimmer:

Thank you for the opportunity to respond to the IRS with our comments concerning Form 1099-NEC, Nonemployee Compensation. We are very concerned with the overall cost of implementing this proposed change, as well as, the ongoing costs the State will incur over time, as a result of this proposed change. We believe the reinstatement of Form 1099-NEC will greatly increase our paper work and more than double our reporting burden. In many instances, we will be duplicating our procedures and processes. This will mean two separate print files, two separate verification processes for the paper mailing, two separate print submissions, two separate mailings, two separate IRS electronic submissions, two separate verification processes for IRS electronic submissions, and two separate National Change of Address verifications. This represents a significant increase in processing time for the two types of 1099's.

We will need to develop programing to separate the 1099-NEC data, from the 1099-MISC data for reporting on the two different forms. Again, maintaining two systems/programs instead of one. This will be an additional cost to the State.

January 31 is the printing deadline for W-2's, W-2G's, Unemployment 1099-G's, pension 1099-R's, state income tax refund 1099-G's, the 1099-MISC and now add in the proposed 1099-NEC to the mix. We work meticulously with our State printing department to schedule all of the IRS forms to be printed and mailed by the January 31 deadline. Having two separate forms (MISC and NEC) that are currently one process means two separate print files that need to be tested and verified individually before they can be printed. The testing and verifying take more staff time than the actual printing. This change is expected to double staff effort to validate the data and print the forms. We do not foresee the ability to increase staff or approve overtime to meet these new reporting requirements. This makes it difficult to achieve a January 31 deadline.

In our state the reporting of the 1099-MISC information to our State taxing authority is based off of the submission to the IRS, with some required file modifications. At this point in time, we are not sure if the State taxing authority will request two files; make reporters merge the files into one, etc. This process will need to be modified to accommodate the new 1099-NEC reporting, again requiring programming changes and duplicate processes and submissions to the State, all at additional costs.

Currently, the State has a 1099-MISC website, where vendors can print duplicates and get a listing of the payments that make up the 1099-MISC. The reinstatement of Form 1099-NEC will necessitate a second website for Form 1099-NEC information. Again, the State will incur the cost of creating and maintaining a second website.

We have noted that the IRS has not released a draft of the Form 1099-MISC for 2020. We would appreciate seeing the revised form, for a complete picture of the 1099-MISC and 1099-NEC reporting. It is difficult to make a comprehensive assessment without seeing the whole picture. Also, we would like to know when a test environment will be available to test the submissions of the 1099-NEC and the revised 1099-MISC forms.

We are concerned with the possible confusion of correcting payments that were incorrectly reported as nonemployee compensation on 1099-NEC and should have been reported as box 3-other income on the 1099-MISC, or vice versa. Crossing forms will be an administrative burden.

We think this change will be confusing to our vendors that currently receive a 1099-MISC, and then the next year will receive a 1099-NEC. We also believe it will be confusing for our vendors that will receive both a 1099-MISC and a 1099-NEC; they may believe an error has occurred. The State currently, receives hundreds of phone calls from vendors on 1099's. These calls are about many things, but mostly, a complete lack of understanding of the 1099-MISC, as well as, 1099's that the State has not issued and therefore, cannot answer questions regarding those 1099's. The phone calls regarding the 1099-NEC and 1099-MISC will be more confusing and complicated (trying to explain why some payments are reported on the 1099-NEC while other payments are reported on the 1099-MISC.) Issuing both the 1099-MISC and 1099-NEC will only add to the confusion. Two 1099 forms will also mean additional postage costs.

Considering the cost-benefit, it would seem to us, that if the IRS did re-programming to allow for the manipulation of data on the 1099-MISC to extract the NEC information (that is already provided on the 1099-MISC), this would relieve governments, businesses and taxpayers of an incredible volume of work, cost, and confusion.

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, farms, and federal, state, local or tribal governments have considerable programming and printing changes to make before reporting using Form 1099-NEC can be accomplished. If the IRS continues to move

forward with the Form 1099-NEC, we would like to request that the IRS move the implementation date to tax year 2021.

If you have questions or need additional information regarding this response, please do not hesitate to contact Marilyn Hanson at (515) 281-7078.

Sincerely,

*Jay Cleveland*

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