

# IMPORTANT 2021 W-2 & 1099 CHANGES

## INFORMATION RETURNS (W-2s, 1098s, 1099s, 5498s)

*Penalties increased*—Failure to file and failure to furnish penalties and penalties for intentional disregard of filing and payee statement requirements have increased due to adjustments for inflation. The higher penalty amounts apply to returns required to be filed after December 31, 2021. The new penalty amounts are listed below:

- ▼ \$50 per information return if filed correctly within 30 days of the due date; the maximum penalty is \$571,000 per year (\$199,500 for small businesses)
- ▼ \$110 per information return if filed correctly more than 30 days after the due date but by August 1; the maximum penalty is \$1,713,000 per year (\$571,000 for small businesses)
- ▼ \$280 per information return if filed after August 1, did not file corrections, or did not file required information returns; the maximum penalty is \$3,426,000 per year (\$1,142,000 for small businesses)
- ▼ If any failure to timely file a correct information return or provide a correct payee statement is due to intentional disregard of the filing and furnishing requirements, the penalty is at least \$570 per information return with no maximum penalty.

## W-2

*Discrepancies when reconciling Forms W-2 and W-3 with Forms 941, 941-SS, 943, 944, CT-1, and Schedule H (Form 1040) due to COVID-19 related employment tax credits and other tax relief*—An employer may have a discrepancy when reconciling Forms W-2 and W-3 to Forms 941, 941-SS, 943, 944, CT-1, and Schedule H (Form 1040) if COVID-19 tax relief was utilized for 2020. The employer should consider that paid qualified sick leave wages and qualified family leave wages are not subject to the employer share of social security tax. Also, the deferred amount of the employee share of social security tax is reported on Forms 941, 941-SS, 943, 944, CT-1, or Schedule H (Form 1040), but is not reported on original Forms W-2 and W-3. See Pub. 15 or Pub. 51 and the instructions for the respective employment tax form for more information regarding these credits.

## W-2c

**Form W-2c reporting of employee social security tax and railroad retirement tax act (RRTA) deferred in 2020**—Employee social security tax deferred in 2020 that is withheld in 2021 and not reported on the 2020 Form W-2 should be reported in box 4 (Social security tax withheld) on Form W-2c. Enter tax year “2020” in box c and adjust the amount previously reported in box 4 of the Form W-2 to include the deferred amounts that were withheld in 2021.

Employee RRTA tax deferred in 2020 that is withheld in 2021 and not reported on the 2020 Form W-2 should be reported in box 14 on Form W-2c. Enter tax year “2020” in box c and adjust the amount previously reported as Tier 1 tax in box 14 of the Form W-2 to include the deferred amounts that were withheld in 2021.

## W-2G - REPROGRAMMING REQUIRED

**Continuous use form**—Form W-2G has been converted from an annual revision to continuous use. The form will be updated as needed.

## 1042-S

**Exemption code 02**—Chapter 3 exemption code 02 has been revised to read as follows “Exempt under IRC.” New footnote 7 has been added to clarify that exemption code 02 should only be used if no other specific chapter 3 exemption code applies. With the addition of footnote 7, all subsequent footnotes have been renumbered.

**Exemption code 24**—New chapter 3 exemption code 24 (exempt under section 892) has been added.

**Requests for extension of time to provide statements to recipients**—IRS has changed the manner in which requests for an extension of time to provide statements to recipients may be made. Requests for an extension of time to provide the statements to recipients are now made by faxing a letter to:

Internal Revenue Service  
Technical Services Operation  
Attn: Extension of Time Coordinator  
Fax: 877-477-0572  
(International Fax: 304-579-4105)

The letter must include the filer’s name, taxpayer identification number (TIN), address, type of return (Form 1042-S), a statement that the extension request is for providing statements to recipients, reason for delay, and the signature of the payer or authorized agent. The request must be received no later than the date the Forms 1042-S are due to the recipients. If the request for an extension is approved, generally a maximum of 30 extra days to furnish the recipient statements will be granted.

## 1096

*Ogden street address added*—The street address 1973 North Rulon White Blvd. was added to the Ogden Service Center address.

*Form 1099-MISC Box 11*—The amounts in box 11 on Forms 1099-MISC must now be included in Box 5 on Form 1096.

## 1099

*Where to file*—The Austin Submission Processing Center address has changed. The new address is:

Internal Revenue Service  
Austin Submission Processing Center  
P.O. Box 149213  
Austin, TX 78714

*Where to send extension of time to furnish statements to recipients*—An extension of time to furnish the statements is now a fax only submission. Requests for an extension of time to provide the statements to recipients are now made by faxing a letter to:

Internal Revenue Service Technical Services Operation  
Attn: Extension of Time Coordinator  
FAX: 877-477-0572  
(International Fax: 304-579-4105)

The request must be received no later than the date on which the statements are due to the recipients. If the request for an extension is approved, generally a maximum of 30 extra days to furnish the recipient statements will be granted.

## 1099-C

*Guidance for creditors regarding discharged student loans under section 6050P*—Revenue Procedure 2020-11 establishes a safe harbor extending relief to additional taxpayers who took out Federal or private student loans to finance attendance at a nonprofit or for-profit school. Relief is also extended to any creditor that is an applicable entity that otherwise would be required to file information returns and furnish payee statements for the discharge of any indebtedness within the scope of Revenue Procedure 2020-11.

## 1099-DIV - REPROGRAMMING REQUIRED

*Section 897 gain*—RICs and REITs should report any section 897 gains on the sale of United States real property interests (USRPI) in box 2e and box 2f.

### **1099-MISC - REPROGRAMMING REQUIRED**

*Title change*—The title for Form 1099-MISC has been changed from Miscellaneous Income to Miscellaneous Information.

*Box 11*—Box 11 includes any reporting regarding cash payments for the purchase of fish for resale purposes, from an individual or corporation who is engaged in catching fish.

### **1099-NEC - REPROGRAMMING REQUIRED**

*Box 1*—Box 1 will not be used for reporting regarding cash payments for the purchase of fish for resale purposes.

*Box 2*—Payers may use either box 2 on Form 1099-NEC or box 7 on Form 1099-MISC to report any sales totaling \$5,000 or more of consumer products for resale, on buy-sell, deposit-commission, or any other basis.

*Form 1099-NEC resized*—The height of Form 1099-NEC has been reduced so it can accommodate 3 forms per page.

### **1099-PATR**

*Expiration of certain credits*—The Indian Employment Credit, Second Generation Biofuel Producer credits, and the Production Credit for Indian Coal Facilities reported in box 12 have expired. As of the date of this report, these credits had not been extended.

### **1099-R**

*Safe harbor explanations for eligible rollover distributions*—Notice 2020-62 contains the two model notices that may be provided to recipients of eligible rollover distributions to satisfy the notice requirements.

### **5498-QA**

*Contributions*—Contributions (including any contributions from a section 529 program, but not including contributions of the designated beneficiary's compensation income) made to the ABLE account in 2021 cannot exceed \$15,000.

