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Internal Revenue Manual Section 4.23.20.7.5 (06-22-2020)

Verification of Filing of Form(s) 1099

1. To be eligible for the VCSP agreement, the taxpayer must have filed all **required** Form(s) 1099 for the previous three years (or all years for which the class of worker was being paid by the taxpayer if less than three) for all workers in the class of worker that they are seeking to reclassify.
 - a) The use of the term "worker" on Form 8952 refers to the entire class of worker. Thus, Forms 1099 should have been filed for all individuals in the class (or classes) of workers for the preceding three calendar years, or existence, if less than three.
 - b) The list provided with the application contains current year workers to be reclassified and may not be the same individuals who received Forms 1099 in previous years.
 - c) In some situations, the taxpayer may still be eligible for a VCSP agreement even when Form(s) 1099 were not filed. These exceptions include:
 - The taxpayer did not pay the worker over \$600.00 in the previous year(s).
 - The worker is a household employee.
 - The worker, in previous years, was incorporated (i.e., no Form 1099 is required to be filed.)
2. Command Code PMFOLS will be used to determine if the taxpayer filed Form(s) 1099.
3. If PMFOLS shows no Form(s) 1099 filed, the TE must take steps to reconcile the discrepancy by:
 - a) Using command code IRPTRI to see if the individual documents are posted to the account for the previous three years (or all years for which the worker was being paid by the taxpayer if less than three). Look for documents issued to the individuals listed on the application to determine eligibility,
 - b) Conducting IDRS research on the individuals listed on the application to determine if they received the appropriate Form 1099 from the taxpayer,
 - c) Conducting research on an affiliated entity's EIN if present to determine if the Form(s) 1099 information was filed by them on behalf of the applicant,
 - d) Conducting research on the SSN of the sole proprietor if the business files as such to see if the Form(s) 1099 were filed using that number, or
 - e) Contacting the taxpayer to ask about Form 1099 compliance and request copies of the Form(s) 1099 for the individuals listed for the previous three years (or all years for which the worker was being paid by the taxpayer if less than three).

Note:

When making contact with the taxpayer to resolve an apparent non-filing discrepancy, the TE should ask them to verify how they filed the Form(s) 1099 with the IRS (i.e., e-file or paper submission). If the taxpayer says they filed the form(s) on paper, ask them if they have documentation, such as a certified mail receipt, that verifies filing. If so, they should provide this information when sending copies of the Form(s) 1099.

4. If PMFOLS from the three most current available years show Form(s) 1099 were filed, but the number or amounts reflected for the Form(s) don't support the amounts on lines 15 and 18 of Form 8952, the TE will take steps to reconcile this discrepancy by researching IDRS to see if the Form(s) 1099 are available on the IRPTRI command code from the most recently complete calendar year. Previous year's Form(s) 1099 are not available on PMFOLS until sometime during the late spring or early summer of the following year but may be reflected on IRPTRI earlier.

5. If neither IRPTRI nor PMFOLS information is available to reconcile the amounts on Form 8952, the TE will contact the taxpayer and ask them to provide copies of the forms that were filed for the workers being reclassified.

6. If the taxpayer does not submit the requested documents or the amounts on the Form 8952 cannot be resolved, reject the application.