

# General Information About Form 1099

## Introduction

The following article provides general information about Form 1099. To be technical, it explains how to fill out tax forms **Form 1099-NEC** and **Form 1099-MISC**, which are the new Form 1099 forms.

## New Forms Starting in Year 2020

**Brand new for 2020 is the 1099 NEC form.** The IRS chose to split out the Non-Employee Compensation reporting to its own form starting with the year 2020. This form replaces box 7 on the 1099 MISC form. Almost all reporting requirements remain the same, so there is almost no difference in how the form is completed with the exception of some differences in how Attorney fees are handled. There is a distinction in Payments (Non Employee Compensation) vs Proceeds paid to an Attorney and they are reported on either the NEC or the MISC. One last/extra thing to note is that the IRS also changed the due date to January 31st.

## Who Gets the Form 1099

### The Basics

The general rule is that you must issue one of the Form 1099 forms to any vendor or sub-contractor you have paid at least \$600 in rents, services, prizes and awards, or other income payments in the course of your trade/business in a given tax year. Vendors and sub-contractors are essentially any person or company that is not your employee and that you have paid for services.

In summary, you'll now have three forms you'll likely need to submit for your business including the following:

- **Form 1099-NEC** for Non-employee Compensation: For most businesses, you'll typically use to this form to include:
  - **Payments that are at least \$600 for individuals, sole proprietors, partnerships, or LLCs treated as Partnership.**
  - These payments are for expenses that **typically include all expenditures except for rent, employee business expense reimbursements, employee business travel allowances, or payments made on a credit card (or similar).**
  - **You don't have to fill out forms for C Corporations, S Corporations, or LLCs treated as C Corporations or S Corporations.**
  - You do not need to include for payments made for personal purposes.
- **Form 1099-MISC** for Miscellaneous Income: For most businesses, you'll typically use this form to include
  - **Payments that are at least \$600 for sole proprietors, partnerships, or LLCs treated as Partnership.**
  - These payments are for expenses that **typically include Rent for Office Space (e.g.)**
  - **You don't have to fill out forms for C Corporations, S Corporations, or LLCs treated as C Corporations or S Corporations.**
- **Form 1099-INT** for Interest Income: For most businesses, you'll typically use this form to include:
  - The borrower who pays the interest on a loan must complete a Form 1099-INT and submits one copy to the lender and one to the

**Also, don't forget about Form 1096.** In addition to Form 1099, you'll also need to fill out and submit tax **Form 1096** which is a summary of all the tax Form 1099's you'll be filing. These instructions don't cover that, but the form is pretty easy to fill out and can be done manually by hand if needed.

**In these instructions, only Forms 1099-NEC and Form 1099-MISC are relevant** because most systems (e.g. QuickBooks) only allow you to fill out those forms. You will have to fill out forms Form 1096 and Form 1099-INT manually.

## Special Notes that Deserve Repeating

**Yes. You also have to give every business (that qualifies) one of the Form 1099 Forms!**

A common misconception is that Form 1099 is only for consultants – persons/individuals who are providing consulting services to your business. This is not true! Not only do individuals who provide consulting services get a Form 1099, **every business that provides you a service is also required to receive a Form 1099. Every business! Yes, every business!**

That is... every business that qualifies. As stated above business that are **sole proprietors, partnerships, or LLCs treated as Partnerships are required to receive a Form 1099. The only business that DO NOT receive a Form 1099 are C Corporations, S Corporations, or LLCs treated as C Corporations or S Corporations.**

**The agency or company the contractor does work through gets the Form 1099 – not the contractor!**

A common misconception is contractors you hired through an agency or business that are required to get a Form 1099. This is not true! If you hired a consultant or contractor to a placement agency, consulting agency, temporary staffing agency, or similar... The agency/business is who receives the Form 1099 – not the individual. The individual contractor or consultant works for the agency – not you. Therefore, you give the Form 1099 to the agency, and in turn, the agency will take care of giving that individual their Form W-2 or Form 1099, whichever is relevant.

## Summary of What to Include

To summarize the above, here are the only items that are typically applicable for a typical businesses:

What To Report	Use Form	Notes/Examples	sole proprietor or single-member LLC	Partner ship	Trust/ Estate	LLC (treated Partnership)	C Corp, S Corp, or LLC (treated as C Corp or S Corp)
Rent payments	1099-MISC	Real estate rentals paid for <b>office space.</b>	Yes	Yes	Yes	Yes	No
Services performed by non-employees	1099-NEC	Payment to someone who is not your employee, for services	Yes	Yes	Yes	Yes	No
Fees paid to attorneys	1099-NEC	Legal fees paid to an attorney in connection with legal services	Yes	Yes	Yes	Yes	Yes
Interest on Loans	1099-INT	Interest expense paid on any type of loans (any type of loans)	Yes	Yes	Yes	Yes	No

In sum... (using the most relevant items)

**Include only expenses for sole proprietors, partnership, and LLC treated as partnership, except for attorney's include attorney fees for any business form, above \$600.**

## From 1099-NEC vs 1099-MISC

### Form 1099-NEC for Non-employee Compensation

**In 2020 the IRS decided to split out the “Non-Employee Compensation” amount that used to be reported as box 7 on Form 1099-MISC to it’s own form called the “Form 1099 NEC”.** The IRS has reintroduced Form 1099-NEC as the new way to report self-employment income instead of Form 1099-MISC as traditionally had been used. This was done to help clarify the separate filing deadlines on Form 1099-MISC and the new 1099-NEC form will be used starting with the 2020 tax year.

**For most businesses, the typical things you'll only include are payments that are at least \$600 for legal business entities that are a sole proprietor, partnership, trust/estate, single-member LLC, or LLC treated as Partnership.**

However, for a full list, the specific instructions for Form 1099-NEC explains that, you file the form for **each person** in the course of your business to whom you have paid **at least \$600** for the following:

- **Services performed by someone who is not your employee (including parts and materials) for only business legal entities that are 1) individual/sole proprietor or single-member LLC, 2) Partnership, 3) Trust/estate, or 3) Limited liability company (those treated as Partnership only).**
- Cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish for all business legal entities including 1) individual/sole proprietor or single-member LLC, 2) Partnership, 3) Trust/estate, 4) C Corporation, 5) S Corporation, and 6) Limited liability company (treated as C Corporation, S Corporation, or Partnership)
- **Payments to an attorney for all business legal entities including 1) individual/sole proprietor or single-member LLC, 2) Partnership, 3) Trust/estate, 4) C Corporation, 5) S Corporation, and 6) Limited liability company (treated as C Corporation, S Corporation, or Partnership)**

(Extra note: LLCs can be treated as C Corp, S Corp, or Partnership for taxes.)

**Notable Exceptions.** For a typical business, the following payments are not required to be reported on a Form 1099-NEC (see instructions for full list):

- **Generally, payments to a corporation (including a limited liability company (LLC) that is treated as a C or S corporation) except for Fish purchases for cash, Attorneys' fees, Payments by a federal executive agency for services**
- Payments for merchandise, telegrams, telephone, freight, storage, and similar items.
- Payments of rent to real estate agents or property managers.
- **Business travel allowances paid to employees**
- Cost of current life insurance protection
- Payments to a tax-exempt organization including tax-exempt trusts
- **Payments made with a credit card or payment card and certain other types of payments, including third-party network transactions (see Appendix).**
- **Employee business expense reimbursements.**
- Transit passes and parking for independent contractors provided in a month less than \$21 (with some exceptions)

**Notable Inclusions.** For a typical business, the following payments are required to be included on a Form 1099-NEC (see instructions for full list):

- Payment for parts or materials used to perform the services
- You must report Directors' Fees and other remuneration, including payments made after retirement (directors refers to Board of Directors)

Here is a specific list on what should go on the form from the general instructions for all 1099 Forms:

Form	What To Report	Minimum Amount	Due Date
1099-NEC	Payments for <b>services performed</b> for a trade or business <b>by people not treated as its employees.</b> Examples: fees to subcontractors or directors and golden parachute payments.	\$600 or more	January 31 to IRS and Recipient

## Form 1099-MISC for Miscellaneous Income

Because the IRS removed reporting for nonemployee compensation from Form 1099-MISC for tax year 2020 and onward, the IRS redesigned that form as well. The biggest adjustment comes to Box 7, which previously reported nonemployee compensation but now reports direct sales of \$5,000 or more.

**For most businesses, the typical things you'll only include are payments that are at least \$600 business legal entities that are 1) sole proprietor, partnership, trust/estate, single-member LLC, or LLC treated as Partnership.**

However, for a full list, the specific instructions for Form 1099-MISC explains that you are required to file the form for **each person** in the course of your business to whom you have paid **at least \$600** for the following (there's also a royalty which I left out – see instructions):

Substitute payments in lieu of dividends or tax-exempt interest

- **Rents (box 1) for only business legal entities that are 1) individual/sole proprietor or single-member LLC, 2) Partnership, 3) Trust/estate, or 3) Limited liability company (those treated as Partnership only)**
- Prizes and awards for only business legal entities that are 1) individual/sole proprietor or single-member LLC, 2) Partnership, 3) Trust/estate, or 3) Limited liability company (those treated as Partnership only)
- Other income payments for only business legal entities that are 1) individual/sole proprietor or single-member LLC, 2) Partnership, 3) Trust/estate, or 3) Limited liability company (those treated as Partnership only).
- Generally, the cash paid from a notional principal contract to an individual, partnership, or estate (box 3) for only business legal entities that are 1) individual/sole proprietor or single-member LLC, 2) Partnership, 3) Trust/estate, or 3) Limited liability company (those treated as Partnership only)
- Any fishing boat proceeds or only business legal entities that are 1) individual/sole proprietor or single-member LLC, 2) Partnership, 3) Trust/estate, or 3) Limited liability company (those treated as Partnership only).
- Medical and health care payments for all business legal entities including 1) individual/sole proprietor or single-member LLC, 2) Partnership, 3) Trust/estate, 4) C Corporation, 5) S Corporation, and 6) Limited liability company (treated as C Corporation, S Corporation, or Partnership)
- Crop insurance proceeds for only business legal entities that are 1) individual/sole proprietor or single-member LLC, 2) Partnership, 3) Trust/estate, or 3) Limited liability company (those treated as Partnership only).
- Payments for gross proceeds to an attorney (e.g. payments for a settlement NOT the attorney fees – there's a difference) for all business legal entities including 1) individual/sole proprietor or single-member LLC, 2) Partnership, 3) Trust/estate, 4) C Corporation, 5) S Corporation, and 6) Limited liability company (treated as C
- Section 409A deferrals for only business legal entities that are 1) individual/sole proprietor or single-member LLC, 2) Partnership, 3) Trust/estate, or 3) Limited liability company (those treated as Partnership only).
- Nonqualified deferred compensation for only business legal entities that are 1) individual/sole proprietor or single-member LLC, 2) Partnership, 3) Trust/estate, or 3) Limited liability company (those treated as Partnership only).

(Extra note: LLCs can be treated as C Corp, S Corp, or Partnership for taxes.)

**Notable Exceptions.** For a typical business, the following payments are not required to be reported on a Form 1099-MISC (see instructions for full list):

- **Generally, payments to a corporation (including a limited liability company (LLC) that is treated as a C or S corporation) except for Medical and health care payments, Gross proceeds paid to an attorney, Substitute payments in lieu of dividends or tax-exempt interest**
- Payments for merchandise, telegrams, telephone, freight, storage, and similar items.
- Payments of rent to *real estate agents* or *property managers*. **Payment for office space is still required.**
- **Business travel allowances paid to employees**
- Cost of current life insurance protection

- Payments to a tax-exempt organization including tax-exempt trusts
- **Payments made with a credit card or payment card and certain other types of payments, including third-party network transactions (see Appendix).**
- **Employee business expense reimbursements.**

Here is a specific list on what should go on the form from the general instructions for all 1099 Forms:

Form	What To Report	Minimum Amount	Due Date
1099-MISC	<p>(a) <b>Rent or royalty payments; prizes and awards that are not for services</b>, such as winnings on TV or radio shows</p> <p>(b) Payments to <b>crew members</b> by owners or operators of <b>fishing boats</b> including payments of proceeds from sale of catch.</p> <p>(c) Section 409A income from <b>nonqualified deferred compensation</b> plans (NQDCs).</p> <p>(d) Payments to a <b>physician, physicians' corporation, or other supplier of health and medical services</b>. Issued mainly by medical assistance programs or health and accident insurance plans.</p> <p>(e) <b>Fish purchases</b> paid in cash for resale.</p> <p>(f) <b>Crop insurance</b> proceeds.</p> <p>(g) <b>Substitute dividends and tax-exempt interest payments</b> reportable by brokers.</p> <p>(h) <b>Gross proceeds paid to attorneys</b>.</p> <p>(i) A <b>U.S. account for Chapter 4 purposes</b> to which you made no payments during the year that are reportable on any applicable Form 1099</p>	<p>\$10 for royalties, \$600 for everything else for (a).</p> <p>All amounts for (b), (c), and (i)</p> <p>\$600 for (d), (e), (f), and (h)</p>	<p>February 28 for all to IRS</p> <p>January 31 for (a) to (f) and (i) to Recipient</p> <p>February 15 for (g) and (h) to Recipient</p>

## Form 1099-INT for Interest Income

The borrower who pays the interest on a loan must complete a Form 1099-INT and submits one copy to the lender and one to the IRS.

File Form 1099-INT, Interest Income, for each person:

To whom you paid amounts at least \$10 (or at least \$600 of interest paid described in the instructions for Box 1)

**Notable Exceptions.** For a typical business, the following payments are not required to be reported on a Form 1099-MISC (see instructions for full list):

- A corporation
- tax-exempt organization
- any individual retirement arrangement (IRA),

## Other Information

### You Can Submit Electronically Online

Instead of doing this using the paper forms either through printing from QuickBooks (as these instructions explain how to do) or by filling them out manually by hand, **you can also submit the forms online using the IRS' FIRE system.** To do this see other instructions for that topic specifically.

## You Cannot Use the Online PDF File to Submit to IRS

Unlike many other tax forms provided by the IRS online in PDF format, **you cannot submit your Form 1099 using a PDF file version you might file online.** The reason is because they require you to use their special paper to do the file. The special paper is one of those old style double pages (as I call it) that you manually write on one page and it makes an imprint copy of what you wrote on the attached second page (think the old credit card receipt machines). Though the PDF file will look a lot like the real paper form, you cannot use it. In fact, the PDF file warns you of this in the file itself as shown her:

### Attention:

Copy A of this form is provided for informational purposes only. Copy A appears in red, similar to the official IRS form. The official printed version of Copy A of this IRS form is scannable, but the online version of it, printed from this website, is not. Do **not** print and file copy A downloaded from this website; a penalty may be imposed for filing with the IRS information return forms that can't be scanned. See part O in the current General Instructions for Certain Information Returns, available at [www.irs.gov/form1099](http://www.irs.gov/form1099), for more information about penalties.

## Where to Get Forms

If you plan printing out your forms (or filling manually) **you can order the forms online directly from the IRS for free** the link provided below. Once there, click on the “Online Ordering for Information Returns and Employer Returns” link to begin the ordering process.

Link:

<https://www.irs.gov/forms-pubs/order-products>

Screen Image:

The screenshot shows the IRS website's 'Order Forms & Publications' page. The header includes the IRS logo and navigation links for 'Help', 'News', and 'English'. Below the header is a menu with 'File', 'Pay', 'Refunds', 'Credits & Deductions', and 'Forms & Instructions'. The main content area features the title 'Order Forms & Publications' and a language selection menu with options for English, Español, 中文(简体), 中文(繁體), and 한국어. A list of options is provided:

- Current Year**: [Forms and Publications by U.S. Mail](#)
- Prior Year**: Order your tax forms for delivery by the U.S. Postal Service.
- Accessible**: [Online Ordering for Information Returns and Employer Returns](#)
- eBooks**: Order information returns and employer returns online.
- Browser Friendly**
- Post Release Changes to Forms**
- Order Forms and Pubs** (highlighted)

## Appendix

### More Information About Credit Card Payments

The instructions for Form 1099-NEC say:

Form 1099-K. Payments made with a credit card or payment card and certain other types of payments, including third-party network transactions, must be reported on Form 1099-K by the payment settlement entity under section 6050W and are not subject to reporting on Form 1099-NEC. See the separate Instructions for Form 1099-K.

<https://www.forbes.com/sites/kellyphillipsrb/2014/08/29/credit-cards-the-irs-form-1099-k-and-the-19399-reporting-hole/?sh=7312b3c1ae89>

## References

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