

## What You Need to Know About Form 1099 Series?

Taxpayers that make certain payments to nonemployees during a calendar year must furnish annual information returns, both to the IRS, and to the nonemployee recipient of the payment. The filing of these returns help the IRS determine whether the nonemployee is reporting all income received during the year. In order to facilitate the reporting of these payments, the IRS had developed the Form 1099 Series, which is a group of forms used to report payments made by a taxpayer in the ordinary course of a trade or business. Although each Form 1099 has its own specific reporting requirements, there are several filing requirements that apply uniformly to each of these forms. The most common forms discussed in this newsletter are 1099-NEC, 1099-MISC, 1099-DIV, and 1099-INT.

### 1099-NEC Nonemployee Compensation

If the following conditions are met, you must generally report a payment as NEC if you made the payment in the course of your trade or business:

- to someone who is not your employee
- for services in the course of your trade or business (including government agencies and nonprofit organizations)
- to an individual, partnership, estate, or in some cases a corporation
- to the payee of at least \$600 during the year

Personal payments are not reportable. You are engaged in a trade or business if you are operating for gain or profit. However, nonprofit organizations are considered to be engaged in a trade or business and are subject to these reporting requirements.

#### Special notes:

- Services performed by someone who is not your employee will include parts and materials if incidental to the service.
- Payments to an attorney are required even if a corporation.
- Payments made with a credit card or payment card and certain other types of payments, including third-party network transactions **are not subject to reporting on Form 1099-NEC** (they are reported by the processor on a 1099-K).
- Generally, payments to a corporation are **not subject to reporting on Form 1099-NEC** (including a limited liability company (LLC) that is treated as a C or S corporation).



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Common reportable payments:

Examples of reportable payments include, consulting, professional fees, attorney fees (including corporations), accounting, engineering, etc.; payments made for other services such as entertainers, janitorial, graphic designers, writers, IT consulting, marketing and advertising, training services, installation services, web development and design, etc. Additionally, compensation paid to independent contractors or freelancers for work performed on a contractual basis, and payments to non-employee directors for their services on a corporate board.

### **1099-MISC Miscellaneous Income**

File Form 1099-MISC, for each person on the course of your trade or business to whom you have paid the following during the year:

- At least \$10 in royalties
- At least \$600 in:
  - Rents (Real estate, machine, pasture, etc.)
  - Prizes and awards
  - Other income payments
  - Any fishing boat proceeds
  - Medical and healthcare payments
  - Crop insurance proceeds
  - Payments to an attorney (such as a settlement agreement)

Report on Form 1099-MISC only when payments are made in the course of your trade or business. Personal payments are not reportable.

#### Special notes:

- Payments made with a credit card or payment card and certain other types of payments, including third-party network transactions **are not subject to reporting on Form 1099-NEC** (they are reported by the processor on a 1099-K).

### **1099-DIV Dividends**

File Form 1099-DIV for each person:

- To whom you have paid dividends (including capital gain dividends and exempt-interest dividends) and other distributions valued at \$10 or more in money or other property,
- For whom you have withheld and paid any foreign tax on dividends and other distributions on stock,
- For whom you have withheld any federal income tax on dividends under the backup withholding rules, or
- To whom you have paid \$600 or more in money or other property as part of a liquidation.

## **1099-INT Interest**

File Form 1099-INT (Interest Income) for each person:

- To whom you paid interest of at least \$10
- For whom you withheld and paid any foreign tax on interest; or
- From whom you withheld (and did not refund) any federal income tax under the backup.

NOTE: Report only interest payments made in the course of your trade of business

### **Penalties for not filing correct information returns (Code Section 6721) may apply if you:**

1. Don't file a correct information return by the due date and reasonable cause is not shown
2. File on paper when you were required to e-file
3. Don't report TIN
4. Report an incorrect TIN
5. Don't file paper forms that are machine readable

### **Penalties for not providing correct payee statements (Code Section 6722) may apply if you:**

1. You don't provide correct payee statement by due date and reasonable cause is not shown
2. All required information is not shown on the statement
3. Incorrect information is included on the statement

### **Penalty Amounts:**

#### **Large Business – more than \$5million of three year average of gross receipts**

- Not more than 30 days late:  
\$60 per return or statement (maximum \$588,500)
- 31 days to August 1 late:  
\$120 per return or statement (maximum \$1,766,000)
- After August 1 or not at all:  
\$310 per return or statement (maximum \$3,532,500)
- Intentional Disregard:  
\$630 per return or statement (maximum no limit)

#### **Small Business –\$5million or less of three year average of gross receipts**

- Not more than 30 days late:  
\$60 per return or statement (maximum \$206,000)
- 31 days to August 1 late:  
\$120 per return or statement (maximum \$588,500)
- After August 1 or not at all:  
\$310 per return or statement (maximum \$1,177,500)
- Intentional Disregard:  
\$630 per return or statement (maximum no limit)