

Do you need to file?

The “general rule” is a business owner must issue a Form 1099-MISC or a 1099-NEC (**new this year**) to each person whom you paid at least \$600 in rents, services (including parts and materials) prizes and awards or other income payments.

Exceptions: Do not report payments made to a corporation (including an LLC treated like a C or S corporation). The exception to this is that you always report payments to an attorney, whether or not they are a corporation.

Although it may seem inconsequential, due to the fact that it is an information form, filing the correct 1099 is important. The penalties for not doing so vary from \$30 to \$100 per form. In addition, the IRS indicates that if you did not file a Form 1099, and were required to, it may not allow the deduction for the expense.

Form 1099-MISC vs 1099-NEC

The 1099-NEC is used to report independent contractor type income.

The 1099-MISC is used to report miscellaneous income such as rent or other income.

Form 1099-MISC

The detail for the most common payments, in the course of your business to whom you have paid:

- At least \$10 in Royalties (box 2)
- At least \$600 in:
 - Rents to landlord (box 1) (exception rent through real estate agent)
 - Other Income – i.e., Prizes and awards (box 3)
 - Gross Proceeds paid to an attorney, **not** fees for services, a settlement agreement for example (box 10) (fees for services are now reported on 1099-NEC)
- A checkbox when payer made direct sales of \$5,000 or more of consumer products on a buy-sell, deposit-commission or other than in a permanent retail establishment (box 7))

Form 1099-NEC

Needed for payments of \$600 or more for nonemployee compensation.

- Professional service fees such as accountants, architects, contractors, fee splitting or referral fees, commissions, etc. (box 1)
- Payments made to an attorney for their **fees** (box 1)

Due Date

The due date for the 1099's to all recipients is due January 31, 2021.

If you need assistance in filing these forms please contact us, we would be happy to assist you.