



1099-MISC and 1099-NEC Commonly Asked Questions and Answers

As a U.S. business owner, if you hire independent contractors and service providers, you probably will have to issue a special tax form to them, called the 1099-MISC and as of 2020 the 1099-NEC. These are the forms that small businesses use to report miscellaneous income paid to others during the year.

Below we've listed some commonly-asked questions and answers but if you do not see the answer to your questions, feel free to contact a Barlow, Douglas & Hall, CPAs staff member and we will clear up this very complicated subject!

How do I get the information needed to file the 1099-MISC and 1099-NEC forms?

Anytime you hire someone, or engage in a business relationship with an independent contractor, you must obtain an IRS form W-9, Request for Taxpayer Identification Number and Certification.

You need to have your employee or contractor fill it out and sign it so you know their Social Security number or taxpayer identification number of U.S. persons attempting to work in the United States. You don't need to send it in to the IRS. Keep it for your records, so you'll have it when you generate your 1099-MISC and 1099-NEC forms.

What type of income do I report on a 1099-NEC form?

The 1099-NEC should be used for reporting payments to independent workers — not payments to employees. For employees, you use form W-2 instead to report employment income you paid them.

Independent workers are typically self-employed individuals or small service firms that you hire as independent contractors.

Examples of independent workers might include a graphics designer, Web developer, cleaning service, freelance writer, landscaping or grass cutting service, forum moderator or other self-employed provider. The key is that the independent worker is self employed — and not your employee.

You use the 1099-MISC for reporting payments made for rent, to unincorporated business service providers, attorneys and partnerships.

What is the \$600 threshold?

You are required to complete a 1099-MISC or 1099-NEC reporting form for an independent worker or unincorporated business if you paid that independent worker or business **\$600 or more**. You add up all payments made to a payee during the year, and if the amount is \$600 or more for the year, you must issue a 1099-MISC or 1099-NEC for that payee.

If the amount you paid the worker totals less than \$600 for the tax year, then you are not required to issue a 1099 form.

Note: There are special threshold rules for reporting certain other types of payments, such as payments made to attorneys, fishing boat proceeds, and sales of consumer goods for resale on the 1099-MISC.

For purposes of this Q & A, we are speaking only of payments to independent workers or unincorporated business service providers.

When does the 1099-MISC and 1099-NEC forms have to be issued?

January 31st is the deadline for furnishing the 1099-MISC and 1099-NEC forms to independent contractors and service providers you paid money to during the previous year. If the 31st falls on a weekend, the date is extended to the next following business day

February 28th is the deadline to submit to the IRS.

Note: There are different dates for certain other categories of payments such as payments to attorneys. Please consult the Form 1099-MISC IRS instructions for dates for other situations.

Do I need to issue a 1099-MISC or 1099-NEC to a foreign worker?

If you hire a non-U.S. citizen who works remotely via the Internet from another country, generally speaking you do not need to file a 1099 for that person.

For example, let's say you hire a freelance writer who is a Brazilian citizen. The freelance writer performs all services (i.e., writes the articles) outside the U.S. from the writer's home in Brazil, and earns \$900 for the year.

In that case, you probably don't need to issue a 1099 to that foreign worker. However, if the foreign worker performs any work inside the United States, you would need to file the 1099-MISC or 1099-NEC.

It is your responsibility to verify that the worker (1) is indeed a non-U.S. citizen, and (2) performed all work outside the United States. For that purpose, in the future you might want to have that foreign worker fill out, sign and return to you Form W-8BEN.

Do I need to issue 1099 forms for payments made to corporations?



No, in general you do not need to issue 1099-MISC or 1099-NEC forms for payments you made to a corporation. For instance, if you pay a corporation that, say, provides Web design services or some other business service, you do not need to issue a 1099 form.

Keep in mind that an LLC or limited liability company is not the same as a corporation. In general, you are expected to send 1099-MISC or 1099-NEC forms to most small-business LLCs.

How can you tell the difference? An LLC usually has the letters LLC or Ltd. at the end of the company name. A corporation name typically ends in Inc. or Corp. However, the payee should indicate the type of entity it is when it fills out and gives you a W-9 form in advance — that's the best way to tell.

Note: There are a few limited exceptions to the corporation rule. For example, if the payment is to a corporation for legal services, you must report those on the 1099-MISC. The IRS's 1099-MISC instructions outline the exceptions.

PayPal and credit card payments: What if I paid my independent workers or service providers electronically?

If you paid unincorporated businesses or independent workers electronically, such as through PayPal or a credit card, then you are not required to issue a 1099 to that payee. Instead, the reporting responsibility lies with the electronic service, which may issue a 1099-K.

Some small businesses elect to send the 1099-MISC and 1099-NEC forms anyway, in an abundance of caution.

Are 1099 form state requirements different from the IRS requirements?

Possibly as each state has different requirements and filing dates. Some states even require you obtain workers compensation for independent contractors if you don't obtain proof from the independent contractor of such insurance.

Do I need to issue a 1099-MISC or 1099-NEC for payments made for personal purposes?

No. You are required to issue 1099-MISC and 1099-NEC forms only for payments you made in the course of your trade or business. If you run a non-profit organization, that's considered a business for purposes of 1099s as well as if you file a Sch C.

Let's say that you pay a landscaper who is a sole proprietor to do grass cutting and mulching at your home, and it has nothing to do with your business. You don't have to issue a 1099-NEC to the landscaper, because it was a personal payment.

Is there a different 1099 form to report interest paid?

Yes. Interest payments are reported on a form named 1099-INT. 1099-INT forms are not required to be issued for amounts less than \$10.00.

Can Las Vegas CPA Professionals help file my 1099 forms?

Yes. The laws for filing 1099 forms are complicated and are coming under increased IRS scrutiny. We urge you to consult with us regarding this issue. Please contact one of our trusted staff members at (702) 586-1230 for assistance in filing your 1099 forms.

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