

1099 Helpful Hints

You are required by the Internal Revenue Service to issue 1099's to:

Individuals Partnerships Limited Liability Companies (LLC)
Limited Liability Partnerships (LLP) Estates

You do **NOT** have to issue 1099's to companies who are incorporated – **Unless** they are for legal services or to providers of medical and health care services.

YOU SHOULD NEVER ISSUE 1099's TO EMPLOYEES. THEY SHOULD RECEIVE A W-2.

Below are the most common types of payments made that require a 1099 to be filed:

Form	Nature of Payment	Threshold
1099-NEC	Professional Fees, Payments for services, Commissions, Non-employee compensation	\$600.00
1099- MISC	Box 1: Rents (unless to a real estate agent) Box 3: Prizes and awards Box 6: Medical and Healthcare Services	\$600.00
1099-Misc	Box 2: Royalties	\$10.00
1099- INT	Interest	\$ 10.00
1099- DIV	Dividends	\$ 10.00

Each 1099 will need to be completed in its fullness including:

- Payer's Name, Address, Telephone number and Federal Tax ID #
- Recipients Name, address and account Number (if applicable) - obtain Form W-9 from Payee
- Recipient's Federal Tax ID# (this may be a SSN if an individual)
 - If an individual – Use a Social Security number
 - If an entity– Use EIN #

Any missing or incorrect information on a filed 1099 may result in a penalty assessment/ notice from IRS. In order to obtain the most accurate information, please have clients provide the recipient with a form W-9 to complete and save the completed form in your file. A blank W-9 has been provided in this packet for you.

Due date: Forms 1099 need to be issued to Recipients and to the IRS by January 31

Remember that the tax return (Schedule C, E and F or Entity return) will ask two questions:

1. "Did you make any payments that would require you to file Forms(s) 1099?"
2. "If "yes", did you or will you file required Form(s) 1099?"

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Form 1099-NEC Hints:

- Nonemployee compensation of \$600. Or greater.
 - Examples of items to be reported are:
 - Professional services (Attorneys (incl. corporations), Accountants, Architects, Contractors, Engineers, etc.
 - Fees paid by one professional to another (Referral fees)
 - Payments by attorney to witnesses or experts
 - Payments for services, including parts or materials used to perform a service.
 - Commissions paid to nonemployee salespersons that are subject to repayment (but not repaid in the calendar year)
 - Fee to nonemployee, including independent contractor
 - Payments to nonemployee entertainers for services
 - Generally, these amounts are subject to Self-employment tax. If the payments made are not subject, then report on 1099 - Misc.

Box 4 – Federal Income Tax Withheld:

- Back-up withholding

Form 1099-Misc Hints:

Box 1 – Rents:

- Real estate rentals (not required if paid to a real estate agent)
- Machine rentals
 - If machine rental includes an operator, prorate the rental between the rent of the machine (report in box 1 of 1099-MISC) and the operators charge (report in box 1 of 1099-NEC)
- Farmland (pasture) rentals

Box 2 – Royalties:

- Use this box to report royalty payments from intangible property such as patents, copyrights, trades names and trademarks.
- Enter gross royalty payments of \$10. Or more.
 - Report royalties from oil, gas, or other mineral properties before reduction for severance and other taxes that may have been withheld and paid.

Box 3 – Other Income:

- Used for items not specifically reportable in one of the other boxes
- Prizes and awards
- Punitive damages, damages for nonphysical injuries or sickness
- Certain deceased employee wages
- Indian gaming profits
- Payments to former employee while serving in the Armed Services
- Payments for former SE insurance agents

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Box 5 – Fishing Boat Proceeds:

- Report the individual's share of all proceeds from the sale of a catch or the FMV of a distribution in kind to each crew member.

Box 6 – Medical and Health Payments:

- Enter payments of \$600. Or more to each physician, supplier or provider of medical or health care services.

Box 7 - Payer made direct sales of \$5,000 or more:

- Mark an "X" in the checkbox for sales by you of \$5,000 or more of consumer products to a person on a buy-sell, deposit – commission, or other commission basis for resale anywhere other than a permanent retail establishment.

Box 8 – Substitute payments in Lieu of Dividends or Interest:

- Enter amounts of at least \$10 received by a broker for a customer
- Substitute payment means a payment in lieu of (a) dividend or (b) tax exempt interest to the extent that interest has accrued while the securities were on loan.

Box 9 – Crop Insurance Proceeds:

- Enter crop insurance proceeds of \$600 or more paid to farmers by insurance companies.

Box 10 – Gross proceeds paid to an attorney:

- Enter gross proceeds of \$600 or more paid to an attorney in connection with legal services (i.e., legal settlements).

Box 11 – Fish Purchased for resale:

- Enter payments made for the purchase of fish for resale purposes, from an individual or corporation who is engaged in catching fish.

Box 12 – Section 409A deferrals

You do not have to complete this box.

- IF you complete it, enter the total amount deferred during the year of at least \$600 for the nonemployee on all nonqualified plans.

Box 14 – Excess golden parachute payments:

- Enter any excess golden parachute payments.
- An excess parachute payment is the amount of the excess of any parachute payment over the base amount. (Average annual compensation for services includible in the individual's gross income over the most recent 5 tax years)

Box 15 – Nonqualified deferred compensation

Boxes 16-18 – State Information:

- Do not need to be completed for the IRS.

Your team at RBT CPAs, LLP is happy to help you with any questions!



LIMITED LIABILITY PARTNERSHIP
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