



Form 1099

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Contents

- Significance
- Common situations
- Filing requirements
- Practically applied



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Disclaimer

- None of what is presented should be considered formal legal or tax advice
- This presentation is for educational purposes
- Consult with trusted professionals on your individual situation

History

- War Revenue Act of 1917
- Started tracking business payments



Significance For Agriculture

- Reports farm income
- Reports farm expense
- Failure to file can lead to significant penalties



Informational Return

- Form itself does not remit any money to the IRS or recipient
- Indicates transaction(s) occurred during the year

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PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents	OMB No. 1545-0115	Miscellaneous Information
		\$	Form 1099-MISC	
2 Royalties	(Rev. January 2022)			
\$	For calendar year 20__			
PAYER'S TIN		3 Other income	4 Federal income tax withheld	Copy A For Internal Revenue Service Center
		\$	\$	
RECIPIENT'S TIN		5 Fishing boat proceeds	6 Medical and health care payments	
RECIPIENT'S name		\$	\$	
		7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>	8 Substitute payments in lieu of dividends or interest	
Street address (including apt. no.)		9 Crop insurance proceeds	10 Gross proceeds paid to an attorney	
City or town, state or province, country, and ZIP or foreign postal code		\$	\$	
Account number (see instructions)		11 Fish purchased for resale	12 Section 409A deferrals	
		\$	\$	
2nd TIN not. <input type="checkbox"/>		13 FATCA filing requirement <input type="checkbox"/>	14 Excess golden parachute payments	
		\$	\$	
16 State tax withheld		17 State/Payer's state no.	18 State income	
		\$	\$	

Form **1099-MISC** (Rev. 1-2022) Cat. No. 14425J www.irs.gov/Form1099MISC Department of the Treasury - Internal Revenue Service
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Informational Return

Instructions for Forms 1099-MISC and 1099-NEC

(Rev. January 2022)

Miscellaneous Information and Nonemployee Compensation



Department of the Treasury
Internal Revenue Service

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Forms 1099-MISC and 1099-NEC and their instructions, such as legislation enacted after they were published, go to [IRS.gov/Form1099MISC](https://www.irs.gov/Form1099MISC) or [IRS.gov/Form1099NEC](https://www.irs.gov/Form1099NEC).

What's New

Continuous-use form and instructions. Form 1099-MISC, Form 1099-NEC, and these instructions have been converted from an annual revision to continuous use. Both the forms and instructions will be updated as needed. For the most recent version, go to [IRS.gov/Form1099MISC](https://www.irs.gov/Form1099MISC) or [IRS.gov/Form1099NEC](https://www.irs.gov/Form1099NEC).

New box 13. Box number 13 has been assigned to the Foreign Account Tax Compliance Act (FATCA) filing requirement checkbox. Subsequently, old box numbers 13 through 17 have been renumbered to new box numbers 14 through 18, respectively.

Electronic filing of returns. The Taxpayer First Act of 2019, enacted July 1, 2019, authorized the Department of the

corporation who is engaged in catching fish. For further information, see the instructions for [box 11](#), later.

Form 1099-NEC, box 1. Box 1 will not be used for reporting under section 6050R, regarding cash payments for the purchase of fish for resale purposes.

Form 1099-NEC, box 2. Payers may use either box 2 on Form 1099-NEC or box 7 on Form 1099-MISC to report any sales totaling \$5,000 or more of consumer products for resale, on a buy-sell, a deposit-commission, or any other basis. For further information, see the instructions later for [box 2](#) (Form 1099-NEC) or [box 7](#) (Form 1099-MISC).

Online fillable copies. To ease statement furnishing requirements, Copies B, C, 1, and 2 have been made fillable online in a PDF format available at [IRS.gov/Form1099MISC](https://www.irs.gov/Form1099MISC) and [IRS.gov/Form1099NEC](https://www.irs.gov/Form1099NEC). You can complete these copies online for furnishing statements to recipients and for retaining in your own files.

Filing dates. Section 6071(c) requires you to file Form 1099-NEC on or before January 31, using either paper or electronic filing procedures. File Form 1099-MISC by February 28, if you file on paper, or March 31, if you file electronically.

Informational Return

- Notifies recipient of the payment(s)
- Notifies IRS of the payment(s) to recipients



Informational Return

- Generally, 4 copies of the same form
 - Personal / business copy
 - Recipient copy
 - IRS copy
 - State

Filing Requirements

- Payments of \$600 or more for rent or services
- We'll discuss common situations for filing



Filing Requirements

- Payments of < \$600 are supposed to be recorded but do not require the form
- Generally, forms are NOT required on payments to corporations, government agencies, or tax-exempt organizations

Common Situations

■ Received:

- Crop insurance proceeds (1099-MISC)
- Gov't payments (1099-G)
- Rents (1099-MISC)
- Non-employee compensation (custom work) (1099-NEC)
- Consulting (1099-NEC)
- Co-op Distributions (1099-PATR)

Common Situations

- Generally, these will be reported on Form 1040 Schedule F
- *Rents, non-employee compensation, & consulting* may be on other forms (schedule E or C)

Nominee Reporting

- You may receive a 1099 and have to remit to others
- It becomes the responsibility of whoever receives the 1099

Nominee Reporting

- *Example:* You received a USDA program payment that actually goes to the landowner
- A spouse is not required to file a nominee return for the other spouse

Common Situations

- **Issued:**

- *Rents (land, equipment, etc.) (1099-MISC)*
- *Non-employee compensation (custom work, NEC)*
- *Veterinarian (1099-MISC)*
- *Accounting / legal (1099-NEC)*

Payments to Veterinarians

- Form 1099-MISC must be issued to a Veterinarian even if the Veterinarian is incorporated.
- The total payment to the Veterinarian includes both services and products.
- Report the amount in box 6 (medical and health care payments) on Form 1099-MISC.

1099-MISC

- Sometimes fail to issue
- Handshake agreement with landowner



1099-NEC

- Nonemployee Compensation
- Important to determine employee (W-2) v. nonemployee (1099)



Employee or Contractor

- Generally, easier for businesses to issue 1099s
- No withholding, insurance, etc. for contractor



Employee or Contractor

- IRS has information on making determination
 - **Independent Contractor (Self-Employed) or Employee?**
- Form SS-8

Employee or Contractor

Employer Control is key to the determination

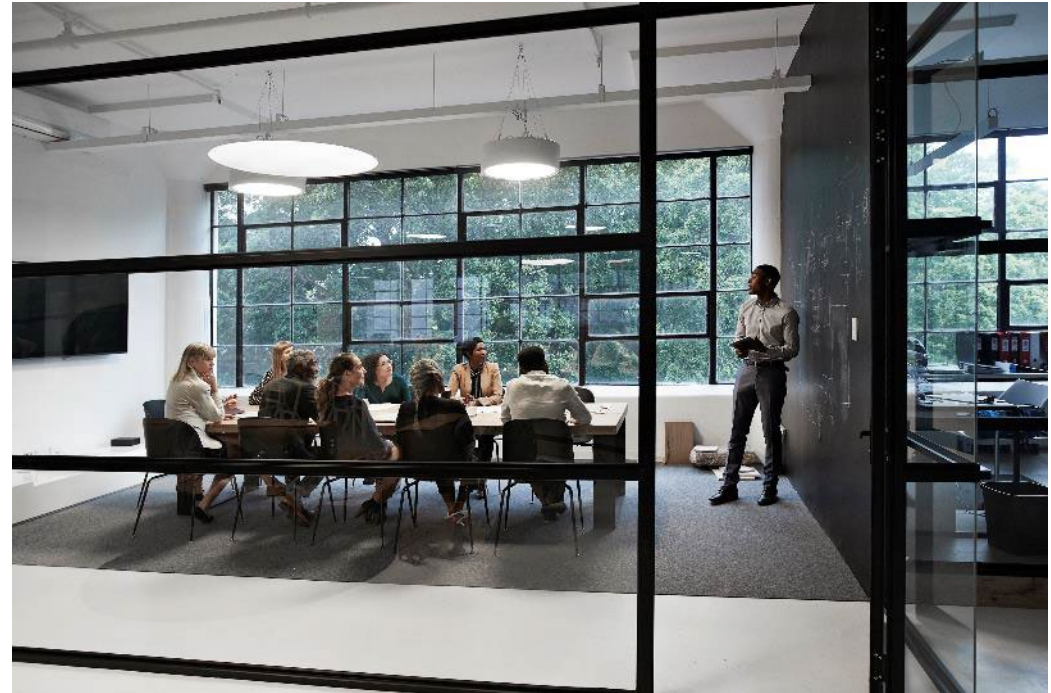
IRS Guidelines

- Behavior Control
- Financial Control
- Relationship of the Parties

Employee or Contractor

Behavior Control

- Instructions
- Training



Employee or Contractor

Financial Control

- Significant Investment
- Unreimbursed Expenses
- Services Available to the Open Market
- Method of Payment
- Opportunity for Profit or Loss

Employee or Contractor

Relationship of the Parties

- The intent of the Parties/Written Contracts
- Employee Benefits
- Discharge/Termination
- Regular Business Activity

1099-NEC

- Relatively new form, 2020
- Services (including incidental parts & materials)



1099-NEC

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PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116 Form 1099-NEC (Rev. January 2022) For calendar year 20 ____		Nonemployee Compensation
PAYER'S TIN	RECIPIENT'S TIN	1 Nonemployee compensation \$		
RECIPIENT'S name		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the current General Instructions for Certain Information Returns.
Street address (including apt. no.)		3		
City or town, state or province, country, and ZIP or foreign postal code		4 Federal income tax withheld \$		
Account number (see instructions)	2nd TIN not. <input type="checkbox"/>	5 State tax withheld \$	6 State/Payer's state no.	
				7 State income \$

Form **1099-NEC** (Rev. 1-2022)

Cat. No. 72590N

www.irs.gov/Form1099NEC

Department of the Treasury - Internal Revenue Service

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Tax Identification Number (TIN)

- Taxpayer Identification Number
 - Social Security Number (SSN)
 - Individual Taxpayer Identification Number (ITIN)
 - Employer Identification Number (EIN)

Tax Identification Number (TIN)

- Payer must have a TIN for the recipient
- Payee reports TIN through form W-9

Tax Identification Number (TIN)

- If not, must collect withholding and remit to IRS
- Backup withholding = 24%
 - Form 945

Practical Tip

- Get W-9 before any payments are made, preferably prior to work being initiated
- Helps minimize issues with getting the form

Deadline for Recipients

- Jan. 31 – All other 1099s
- Feb. 15 – 1099-MISC, 1099-B, 1099-S

Penalties/Failure to File

- Must provide 1099 to recipient
- Penalty is the same as if it was not filed timely with the IRS

Deadline for IRS

- Jan. 31 – 1099-NEC
- Feb. 28 (paper) – All other 1099s
- Mar. 31 (electronic) – All others 1099s

Penalties/Failure to File

- \$50 per information return if you correctly file within 30 days following the deadline. Max penalty \$588,500 per year (\$206,000 for small businesses).

Penalties/Failure to File

- \$110 per information return if you correctly file more than 30 days after the due date but by August 1; max penalty \$1,766,000 per year (\$588,500 for small businesses).

Penalties/Failure to File

- \$290 per information return if you file after August 1 or do not file required information returns; maximum penalty is \$3,532,500 per year (\$1,177,500 for small businesses).

Intentional Disregard

- Additional penalties - \$570 per return
- “Intentional disregard”
 - You were required to file
 - You know or should have known a 1099 had to be filed
 - You ignored filing the 1099 both correctly and timely

Example:

5 1099 forms filed in June for recipient and IRS

$5 \times \$110 = \550 for recipient

$5 \times \$110 = \550 for IRS

Total penalty: \$1,100

Software

- Recordkeeping software can help you keep track
- May help file the forms
- Make a note on the calendar for due dates

Time Extension

- Prior to deadlines:
 - Recipient 1099: send a letter to the IRS
 - IRS 1099: use Form 8809

Filing Information Returns Electronically (FIRE)

- Information returns can be filed electronically via the FIRE System through the IRS.
- Any business that files 250 or more information returns must file electronically.
- Those who have less than 250 can still file electronically and may be required to do so in the future.

Information Return Intake System (IRIS)

- Available Jan 1., 2023
- Could be for more small volume taxpayers



Electronic Filing

- If you are required to file electronically but fail to do so, you may be subject to a penalty for failure to file electronically unless you establish reasonable cause.
- Penalties the same

Form 1096

- Annual Summary and Transmittal of Information Returns
- *If filed by paper

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Form 1096 Department of the Treasury Internal Revenue Service	Annual Summary and Transmittal of U.S. Information Returns												OMB No. 1545-0108 2022			
FILER'S name																
Street address (including room or suite number)																
City or town, state or province, country, and ZIP or foreign postal code																
Name of person to contact								Telephone number						For Official Use Only 		
Email address								Fax number								
1 Employer identification number				2 Social security number				3 Total number of forms		4 Federal income tax withheld \$			5 Total amount reported with this Form 1096 \$			
6 Enter an "X" in only one box below to indicate the type of form being filed.																
W-2G 32	1097-BTC 50	1098 81	1098-C 78	1098-E 84	1098-F 03	1098-Q 74	1098-T 83	1099-A 80	1099-B 79	1099-C 85	1099-CAP 73	1099-DIV 91	1099-G 86	1099-INT 92	1099-K 10	1099-LS 16
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1099-LTC 93	1099-MISC 95	1099-NEC 71	1099-OID 96	1099-PATR 97	1099-Q 31	1099-QA 1A	1099-R 98	1099-S 75	1099-SA 94	1099-SB 43	3921 25	3922 26	5498 28	5498-ESA 72	5498-QA 2A	5498-SA 27
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Return this entire page to the Internal Revenue Service. Photocopies are not acceptable.
Send this form, with the copies of the form checked in box 6, to the IRS in a flat mailer (not folded).**

Under penalties of perjury, I declare that I have examined this return and accompanying documents and, to the best of my knowledge and belief, they are true, correct, and complete.

State Filings/CFSF

- Through the Combined Federal/State Filing Program, the IRS electronically sends information returns (original and corrected) to participating states.
- State copy would be sent to wherever the contractor is located

Summary

- Generally, a business will be impacted by 1099s
- It is important for farmers/business owners to understand the requirements

Summary

- Having accurate business records
- Either:
 - Willingness to learn / file
 - or -
 - Trusted professional

Work Cited

- www.irs.gov
 - Pub. 225
 - Form 1099 & Instructions
- RuralTax.org – Form 1099 Information Returns

Questions



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