

INFORMATION GUIDE

Form 1099-NEC &
Form 1099-MISC Instructions



Who Should Receive Form 1099-NEC?

The 1099-NEC reports payments to nonemployee service providers, such as independent contractors, freelancers, vendors, consultants and other self-employed individuals (commonly referred to as 1099 workers).

According to the IRS, a combination of these four conditions distinguishes a reportable payment:

- ✓ It is made to someone who is not your employee
- ✓ It is made for services in the course of your trade or business
- ✓ It was made to an individual, partnership, estate, or, in some cases, a corporation
- ✓ Payments were \$600 or more for the calendar year

If any date shown falls on a Saturday, Sunday, or legal holiday in the District of Columbia or where the return is to be filed, the due date is the next business day. Leap years do not impact the due date.

TYPICAL EXAMPLES:

- Professional service fees to attorneys (including law firms established as corporations), accountants and architects
- Fees paid by one professional to another
- Payments for services, including payment for parts or materials used to perform the services if they were incidental
- Commissions paid to nonemployee salespeople not repaid during the year

EXCEPTIONS:

- Payments for merchandise, telegrams, phone, freight, storage or similar items
- Payments to a tax-exempt organization, including tax-exempt trusts; federal, state, and local governments; or a foreign government

2023 Instructions for Form 1099-NEC

Payer's information:

Name, address, telephone number and TIN

Recipient's information:

Name, address, and TIN

Account number

required if you have multiple accounts for a recipient for whom you are filing more than one information return of the same type.

The image shows a sample Form 1099-NEC with several callouts pointing to specific fields:

- 7171** (top left)
- VOID CORRECTED (top center)
- PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. (top left box)
- OMB No. 1545-0116 (top right)
- Form **1099-NEC** (Rev. January 2022) (top right)
- For calendar year 20__ (top right)
- Nonemployee Compensation** (top right)
- PAYER'S TIN (middle left)
- RECIPIENT'S TIN (middle left)
- 1** Nonemployee compensation (middle right)
- 2** Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale (middle right)
- 3** (middle right)
- 4** Federal income tax withheld (middle right)
- RECIPIENT'S name (middle left)
- Street address (including apt. no.) (middle left)
- City or town, state or province, country, and ZIP or foreign postal code (middle left)
- 5** State tax withheld (bottom left)
- 6** State/Payer's state no. (bottom left)
- 7** State income (bottom left)
- Account number (see instructions) (bottom left)
- 2nd TIN not (bottom left)
- Form **1099-NEC** (Rev. 1-2022) 41-0852411 (bottom left)
- www.irs.gov/Form1099NEC (bottom center)
- Department of the Treasury - Internal Revenue Service (bottom center)
- Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page** (bottom center)
- Copy A** For Internal Revenue Service Center File with Form 1096. (middle right)
- For Privacy Act and Paperwork Reduction Act Notice, see the current General Instructions for Certain Information Returns. (middle right)

Box 1:

Nonemployee compensation if you paid this person \$600 or more during the year

Change to Box 2:

Use this box (OR Box 7 on the 1099-MISC) to report sales of \$5,000 or more of consumer products for resale, on a buy-sell, deposit-commission, or other commission basis

Box 4:

Any federal income tax withheld

Boxes 5, 6 and 7:

If applicable, state taxes withheld, state identification number and amount of state income

Critical Dos and Don'ts with Form 1099-NEC

- ✓ Do verify that the recipient's taxpayer ID is correct. You must have Form W-9 from each recipient with the current taxpayer ID before you complete Form 1099-NEC.
- ✗ Don't use Form 1099-NEC to report personal payments.
- ✗ Don't use Form 1099-NEC to report employee wages; use Form W-2 instead.
- ✗ Don't report gross proceeds to an attorney (not fees) on Form 1099-NEC; use Form 1099-MISC instead.
- ✗ Don't use Form 1099-NEC to report payments of rent to real estate agents or property managers; use Form 1099-MISC instead.

Filing and Submitting Form 1099-NEC

- Distribute to recipients by January 31.
- File with the IRS by January 31 through paper or electronic filing.
- If you have 10 or more information returns, you must file them electronically. To determine whether you must file information returns electronically, add together the number of information returns and the number of Forms W-2 to be filed in a calendar year. If the total is at least 10, then all must be filed electronically. The new threshold is effective for information returns required to be filed in calendar years beginning with 2024.

2023 Instructions for Form 1099-MISC

Box 7: Direct sales of \$5,000 or more

Box 9: Crop insurance proceeds

Account number required if you have multiple accounts for a recipient for whom you are filing more than one information return of the same type.

Box 11: Under section 6050R of IRS tax code, use this box to report cash payments for the purchase of fish for resale purposes, from an individual or corporation engaged in catching fish

Box 10: Gross proceeds to an attorney

Box 12: Section 409A deferrals

Box 15: Nonqualified deferred compensation

Boxes 16, 17 and 18: If applicable, state taxes withheld, state identification number and amount of state income

Critical Dos and Don'ts with Form 1099-MISC

- ✓ Do report gross proceeds to an attorney (not fees) on Form 1099-MISC.
- ✓ Do complete a 1099-MISC if you made royalty payments of at least \$10 during the year.
- ✓ Do use Form 1099-MISC for miscellaneous income, such as rents, royalties, and medical and health care payments.
- ✗ Don't use Form 1099-MISC to report personal payments.
- ✗ Don't use Form 1099-MISC to report employee wages; use Form W-2 instead.

Filing and Submitting Form 1099-MISC

- Distribute to recipients by January 31.
- File with the IRS by February 28, if filing by paper; March 31, if filing electronically.
- If you have 10 or more information returns, you must file them electronically. To determine whether you must file information returns electronically, add together the number of information returns and the number of Forms W-2 to be filed in a calendar year. If the total is at least 10, then all must be filed electronically. The new threshold is effective for information returns required to be filed in calendar years beginning with 2024.