

1099-MISC and 1099-NEC FAQs

Who should file Form 1099-NEC?

Anyone who, in the course of business, pays \$600 or more to a non-employee for services provided.

Who should file Form 1099-MISC?

Anyone who, in the course of business, pays \$10 or more of royalties or \$600 or more for rents, prizes, awards, other income, etc. (see instructions for more complete list).

What's the difference between 1099-MISC and 1099-NEC?

Both forms are used to report payments made. Form 1099-NEC is used to report non-employee compensation, which was previously reported on Form-1099 Box 7. There are now two separate forms with non-employee compensation being reported on 1099-NEC and other payment types reported on 1099-MISC.

Should corporations receive 1099s? What about S-Corps?

Generally, no, 1099s do not have to be provided to corporations. This is true for 1099-MISC and 1099-NEC. The corporation exception applies to both C and S corporations. The exception to this rule is for attorneys. If law firms/attorneys are incorporated, they should still be issued 1099s.

How do I know if my vendor is a corporation?

Best practice is to have your vendors complete Form W-9 to indicate their correct tax type. If they indicate C or S Corporation, no 1099 is needed (unless paid to attorneys or for medical payments). Any other entity type is fair game for 1099s.

What about LLCs?

LLCs (limited liability companies) can be taxed in a number of ways. If an LLC indicates it is an S Corp for tax purposes, no 1099 is needed. If an LLC indicates it is taxed as a partnership or sole proprietor, a 1099 should be issued.

Do attorney payments get reported on 1099-MISC or 1099-NEC?

If you're paying for legal services, payments to attorneys should be reported in Box 1 of Form 1090-NEC. The only attorney payments that should be reported on Form 1099-MISC are gross settlement proceeds you pay to attorneys.

Does the \$600 apply per vendor? Per payment type? How does that work?

The \$600 threshold for issuing 1099s applies per payment type (think: box on the 1099) and does not have to be aggregated. Therefore, if you pay a vendor \$600 or more in rents, Form 1099-MISC should be issued. If you pay that same vendor \$600 or more in non-employee compensation, Form 1099-NEC should be issued.

Do payments made via credit cards get reported on 1099s? What about via Paypal?

Payments made via credit card do not need to be reported on 1099s as the credit card companies will instead issue 1099-K. Similarly, Paypal or Venmo transactions will also be reported via 1099-K assuming they are paid via a business account and meet the required thresholds. If you use the "Friends and Family" account type for Paypal or Venmo, the payments are assumed to be personal and therefore Paypal would not issue a 1099. In this case, you would still need to issue 1099s for these payments.

When are the forms due?

1099-NEC forms are due to the recipients and the IRS by January 31.

1099-MISC forms are due to the recipients by January 31 and to the IRS by February 28.