

About Form 1099-NEC

T099-NEC Forms are due each January

Businesses and not-for-profits must report prior year payments to relevant vendors and contractors.

Form 1099-NEC is required for payments over \$600 in a year to individuals or unincorporated businesses (like sole proprietors or partnerships) for services. Use Form 1099-MISC for other transactions, like rent.

Payments exempt from reporting:

- Payments to corporations (C Corp, S Corp or LLC taxed as a C Corp or S Corp)
- Exception: Payments to an attorney or law firm are to be reported, regardless of tax classification
- Payments for merchandise, telephone service and similar
- Employee wages
- Travel or expense reimbursements paid to employees
- Payments to tax-exempt organizations or government entities
- Payments to foreign contractors if they are not a U.S. citizen and all services are provided outside the U.S. (Collect Form W-8BEN to confirm status)

Exclusion of payments by credit card or through a third-party processor:

- Payments by credit card or third-party processors, such as PayPal or Stripe, are reported to the vendor by the processor using Form 1099-K
- Check with your third-party payment apps to ensure they follow the 1099-K guidelines

Form filing requirements:

This information is collected from the vendor using IRS Form W-9.

- Vendor name
- Address
- Taxpayer ID (social security number or employer identification number)

Best Practice:

- Obtain the completed W-9 from vendors prior to their first payment

The deadline is January 31 each year for the previous year's filings. Late filings incur IRS penalties per form, with unlimited penalties for forms not filed due to 'intentional neglect'. Payroll providers may offer payments to contractors and preparation of the 1099 forms.

Note: This only includes vendors paid via the payroll service. You must file 1099s for all other eligible service providers independently.

Accounting Advisory

Our goal is to make running the back end of your business look easy, so that you can focus on what matters most. Our experts in business strategy, markets, audit and tax will partner with you to set and exceed your organization's goals.