



Integrated Tax Consultants, LLC

400 US Route 1 • Suite B South • Falmouth, Maine 04105

## FORMS 1099: INSTRUCTIONS

Generally, any person who makes reportable transactions during the calendar year must file information returns to report those transactions to the IRS. Persons required to file information returns to the IRS must also furnish statements to the recipients of the income.

To properly report the information required on Forms 1099, you need to have the provider's taxpayer identification number (TIN). You can request that the provider fill out and give you a Form W-9, Request for Taxpayer Identification Number and Certification, before work is done or payments are made. If a provider does not supply you with a taxpayer identification number, you are required to "backup withhold" 28 percent from any "reportable payments."

You must report payments on either Form 1099-MISC or 1099-NEC **ONLY** when the payments are made in the course of your trade or business; personal payments are not reportable. You are engaged in a trade or business if you operate for gain or profit. For this purpose, nonprofit organizations are considered to be engaged in a trade or business and are subject to these reporting requirements.

**Form 1099-MISC** is the most filed Form 1099 of the series. You must file Form 1099-MISC, Miscellaneous Income, for each person (subject to limited exceptions) to whom you paid during the year:

- (1) at least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest;
- (2) at least \$600 in rents, prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, or, generally, the cash paid from a notional principal contract to an individual, partnership, or estate; or
- (3) any fishing boat proceeds.

**You must report payments on Form 1099-NEC for:**

- (1) Services (including parts and materials);
- (2) Cash payments for fish (or other aquatic life) purchased from anyone engaged in the trade or business of catching fish; or
- (3) Gross proceeds of \$600 or more paid to an attorney.

You are also required to file Form 1099-INT for each person or entity to whom you paid during the year at least \$10 of interest in the course of your trade or business.

If you are audited, the IRS will want documentation of expenses and will look at whether 1099s were filed. Any wage and labor amounts to be deducted on your return will be separately classified and will not be hidden or bundled with other expenses, since there are specific lines on the returns for wages and labor.

**These forms are due to the IRS on January 31, 2021.** Therefore, if you would like ITC to assist in the preparations of Forms 1099, please sign the enclosed engagement letter, populate the ITC 1099 Worksheet, and **return both documents to our office by no later than January 15, 2021.** Please contact us as soon as possible if you have any questions at (207) 805-1040.