

Form 1099 Rules

In the course of conducting trade or business activities, businesses often make payments to individuals for services rendered that do not constitute wages reportable to the IRS on Form W-2. These payments, most often made to independent contractors, are normally reported to the IRS and the payee on Form 1099-MISC (Miscellaneous Income).

In general, Form 1099-MISC is filed for each person paid (1) at least \$10 in royalties; (2) at least \$10 in broker payments in lieu of dividends or tax-exempt interest; (3) at least \$600 in rents, services (including parts and materials), prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, cash payments for fish (or other aquatic life) purchased from anyone engaged in the trade or business of catching fish, or generally, the cash paid from a notional principal contract to an individual, partnership, or estate; or (4) any fishing boat proceeds. Additionally, (1) gross proceeds paid to an attorney, (2) direct sales of at least \$5,000 of consumer products to a buyer for resale anywhere other than a permanent retail establishment, or (3) payments from which any Federal income tax was withheld under the backup withholding rules regardless of the amount of the payment, must be reported on Form 1099-MISC.

Only payments made in the course of a trade or business are reported, including those made by Federal, state, or local government agencies and nonprofit organizations. Form 1099-MISC is but one in a series of 1099 forms designed to convey various income and deduction information regarding a given taxpayer to the IRS.

If you need assistance in preparing Form 1099-MISC or any other 1099 Form, please contact us.