

## OBSERVATIONS

### 1099-NEC

October 29, 2020

IRS Launches New Form Replacing 1099-MISC for Contractors in 2020. For many years, businesses have used Form 1099-MISC to report calendar-year payments of \$600 and above to individuals who performed services in their trade or business. These include vendors, independent contractors, freelancers and consultants. These payments will now be reported on Form 1099-NEC, while Form 1099-MISC will still be used to report royalties, health care payments, and other business-related payments not made directly to an individual. Payments to a corporation, including a limited liability company (LLC) that is treated as a C or S corporation WILL NOT receive a 1099-NEC.

#### **Important Dates & Timeline:**

- Form 1099-NEC filing deadline is February 1, 2021 for IRS Copy A filings. Recipient's copies must still be mailed to Recipient's on or before January 31, 2021.
- Form 1099-MISC filing deadline is March 1, 2021 for IRS Copy A filings. Recipient's copies must still be mailed to Recipient's on or before January 31, 2021.

#### **Eligibility Criteria for 1099-NEC:**

File Form 1099-NEC, Nonemployee Compensation for each person in the course of your business to whom you have paid the following during the calendar year:

- \$600 and above;
- Services performed by someone who is not your employee (box 1);
- Cash payments for fish (or other aquatic life) you purchased from anyone engaged in the trade or business of catching fish (box 1);
- Payments to an attorney (box 1). "Attorney" includes a law firm or other provider of legal services. Payments to attorney's in connection with legal services, but not for the attorney's services (such as in a settlement agreement) will still be reported on 1099-MISC;
- You must also file Form 1099-NEC for each person from whom you have withheld any federal income tax (box 4) under the backup withholding rules regardless of the amount of payment;

If you have any questions please do not hesitate to contact our office.