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When are 1099-Misc needed?

1099-MISC forms are issued to vendors and subcontractors that you typically pay over \$600 in a tax year. There are other criteria so talk to your accountant for additional information or go to [irs.gov](http://www.irs.gov/pub/irs-pdf/i1099misc.pdf) for complete instructions. (<http://www.irs.gov/pub/irs-pdf/i1099misc.pdf>).

Generally, you do not have to report payments to **corporations** on Form 1099-MISC, but there are some exceptions, including: payments for medical or health care services, cash purchases of fish, **attorneys' fees, gross proceeds paid to attorneys**, substitute payments in lieu of dividends or tax-exempt interest, and payments made by a federal executive agency for services.

Payments You Have to Report

A Form 1099-MISC must be issued when you make payments for:

- a total of \$600 or more for services rendered by contractors, subcontractors, attorneys, accountants, directors, and others;
- rental payments for a total of \$600 or more, other than rents paid to real estate brokers;
- payments of \$600 or more for prizes and compensation that are not for services rendered, such as prizes for winning a contest on television or radio;
- payments of \$600 or more for medical or health care services;
- income for crop insurance;
- cash payments for purchases of fish;
- payments of at least \$10 in royalties or payments to brokers in lieu of dividends or interest exempt from taxes;
- any fishing boat proceeds;
- sales of \$5,000 or more of consumer goods to a buyer who is going to resell the goods in any place that does not constitute a permanent retail sales establishment.

Payments You Do Not Have to Report

Certain payments, even when they may be taxable to the recipient, do not have to be reported on a Form 1099-MISC.

These payments include:

- payments for merchandise, communication services such as telephone, freight, storage, and similar items;
- rent payments made to real estate brokers;
- salaries paid to employees (reported on W-2 forms);
- military differential wage payments made to employees while they are on active duty in the Armed Forces or other uniformed services (report on Form W-2);
- allowance paid to employees for travel expenses (included on W-2 forms);
- payments for life insurance coverage (included on W-2 or Form 1099-R);
- payments to a tax-exempt organization or to any state, federal or foreign government;
- certain transactions with payment cards if a payment card organization has assigned the merchant or recipient of the payment a Merchant Category Code.
- Payments made to or for homeowners from the HFA Hardest Hit Fund or the Emergency Homeowners' Loan Program or similar state program (report on Form 1098-MA);

2015 Form 1099-MISC

9595		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0115		Miscellaneous Income Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2015 General Instructions for Certain Information Returns.
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents		2015		
		\$		Form 1099-MISC		
		2 Royalties		\$		
PAYER'S federal identification number		3 Other income		4 Federal income tax withheld		For Privacy Act and Paperwork Reduction Act Notice, see the 2015 General Instructions for Certain Information Returns.
		\$		\$		
		5 Fishing boat proceeds		6 Medical and health care payments		
RECIPIENT'S identification number		\$		\$		
RECIPIENT'S name		7 Nonemployee compensation		8 Substitute payments in lieu of dividends or interest		
Street address (including apt. no.)		\$		\$		
City or town, state or province, country, and ZIP or foreign postal code		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>		10 Crop insurance proceeds		
Account number (see instructions)		11		12		
FATCA filing requirement <input type="checkbox"/>		2nd TIN not <input type="checkbox"/>		13 Excess golden parachute payments		
14 Gross proceeds paid to an attorney		\$		\$		
15a Section 409A deferrals		15b Section 409A income		16 State tax withheld		17 State/Payer's state no.
\$		\$		\$		18 State income
						\$

Form 1099-MISC Cat. No. 14425J www.irs.gov/form1099misc Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

https://www.irs.gov/pub/irs-access/f1099misc_accessible.pdf

<https://www.irs.gov/pub/irs-pdf/i1099gi.pdf>

1099 Copies & Due Dates

Original 1099 MISC & Form 1096

These originals get sent into the IRS. You need to sign Form 1096 and send it, along with Copy A of the 1099-MISC to:

Alaska, California, Colorado, District of Columbia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Maryland, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Utah, Washington, Wisconsin, Wyoming

Department of the Treasury
Internal Revenue Service Center
Kansas City, MO 64999

Alabama, Arizona, Arkansas, Connecticut, Delaware, Florida, Georgia, Kentucky, Louisiana, Maine, Massachusetts, Mississippi, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, Texas, Vermont, Virginia, West Virginia

Department of the Treasury
Internal Revenue Service Center
Austin, TX 73301

These are the copies of the 1099. They get distributed according to the copy (it states on each one where it goes).

Copy B - Recipient (you)

Copy 2 - Recipients State Income tax if needed

Copy 1 - State Tax Department (MN) (Only if MN Withholding)

Copy C - For Payer

Due dates.

Furnish Copy B of this form to the recipient by February 1, 2016. The due date is extended to February 16, 2016, if you are reporting payments in boxes 8 or 14.

File Copy A of this form with the IRS by February 29, 2016. If you file electronically, the due date is March 31, 2016. To file electronically, you must have software that generates a file according to the specifications in Pub. 1220, Specifications for Filing Forms 1097, 1098, 1099, 3921, 3922, 5498, 8935, and W-2G Electronically. The IRS does not provide a fill-in form option.

Need help? If you have questions about reporting on Form 1099-MISC, call the information reporting customer service site toll free at 1-866-455-7438 or 304-263-8700 (not toll free). Persons with a hearing or speech disability with access to TTY/TDD equipment can call 304-579-4827 (not toll free). The hours of operation are Monday through Friday from 8:30 a.m. to 4:30 p.m., Eastern time.

or you can e-mail Sandy at almostanythingoffice@gmail.com.

How to set up 1099 tracking in QuickBooks

- When you set up a new vendor, you need to decide whether or not they are eligible to receive a 1099 form from you. If they are, check the "vendor eligible for 1099" box in the Edit Vendor center.

In older QuickBooks desktop versions, the 1099 eligibility box is under the Additional Information tab.

The screenshot shows the 'Edit Vendor' window in QuickBooks Pro 2012. The vendor name is '123Print.com' and the current balance is '0.00'. The 'Additional Info' tab is active, displaying various fields for vendor information. A red circle highlights the 'Vendor eligible for 1099' checkbox, which is checked. Below this checkbox is a 'Direct Deposit' button. Other fields include 'Account No.', 'Categorizing and Defaults' (with a dropdown for 'Type'), 'Terms' (with a dropdown), 'Credit Limit', and 'Tax ID'. To the right, there are 'Custom Fields' for 'First work date', '\$25/hr rate expires', 'Custom rate/hr', and 'Website'. On the far right, there are buttons for 'OK', 'Cancel', 'Notes', and 'Help', and a checkbox for 'Vendor is inactive'.

In newer QuickBooks desktop versions, the 1099 eligibility box is under the Tax Settings tab.

Vendor Name: Davis Business Associates

Current Balance: 0.00

How do I adjust the current balance?

TAX INFORMATION

VENDOR TAX ID: 41-1234568

☒ Vendor eligible for 1099

Buttons: OK, Cancel, Help

☐ Vendor is inactive

In QuickBooks Online (QBO), the 1099 fields are at the bottom of the Edit form.

Vendor Information

Title, First name, Middle name, Last name, Suffix, Email

Company: 123Print.com

Phone, Mobile, Fax

Other, Website

Billing rate (/hr), Terms

Opening balance, as of

Account no.

Tax ID: 41-1234568

☒ Track payments for 1099

Buttons: Cancel, Make inactive, Privacy, Save

- Each of those vendors needs to complete a [form W-9](#), which you keep on file, so you can report their TIN number on the Form 1099.

After you set up each eligible vendor,

- In the Preferences, under the Edit menu, select the "Tax:1099" section. The window will appear like this in **QuickBooks 2011 and earlier**:

Preferences

My Preferences Company Preferences

Do you file 1099-MISC forms? ☒ Yes ☐ No

[How to map accounts and thresholds to 1099 categories](#)

1099 Category	Account	Threshold
Box 1: Rents	None	600.00
Box 2: Royalties	None	10.00
Box 3: Other Income	None	0.00
Box 4: Federal Tax Withheld	Subcontracted F...	0.00
Box 5: Fishing Boat Proceeds	None	0.00
Box 6: Medical Payments	None	0.00
Box 7: Nonemployee Compensation	Job Expenses:S...	600.00
Box 8: Substitute Payments	None	10.00
Box 9: Direct Sales	None	5,000.00
Box 10: Crop Insurance Proceeds	None	0.00
Box 13: Excess Golden Parachute	None	0.00
Box 14: Gross Proceeds to Attorney	None	0.00

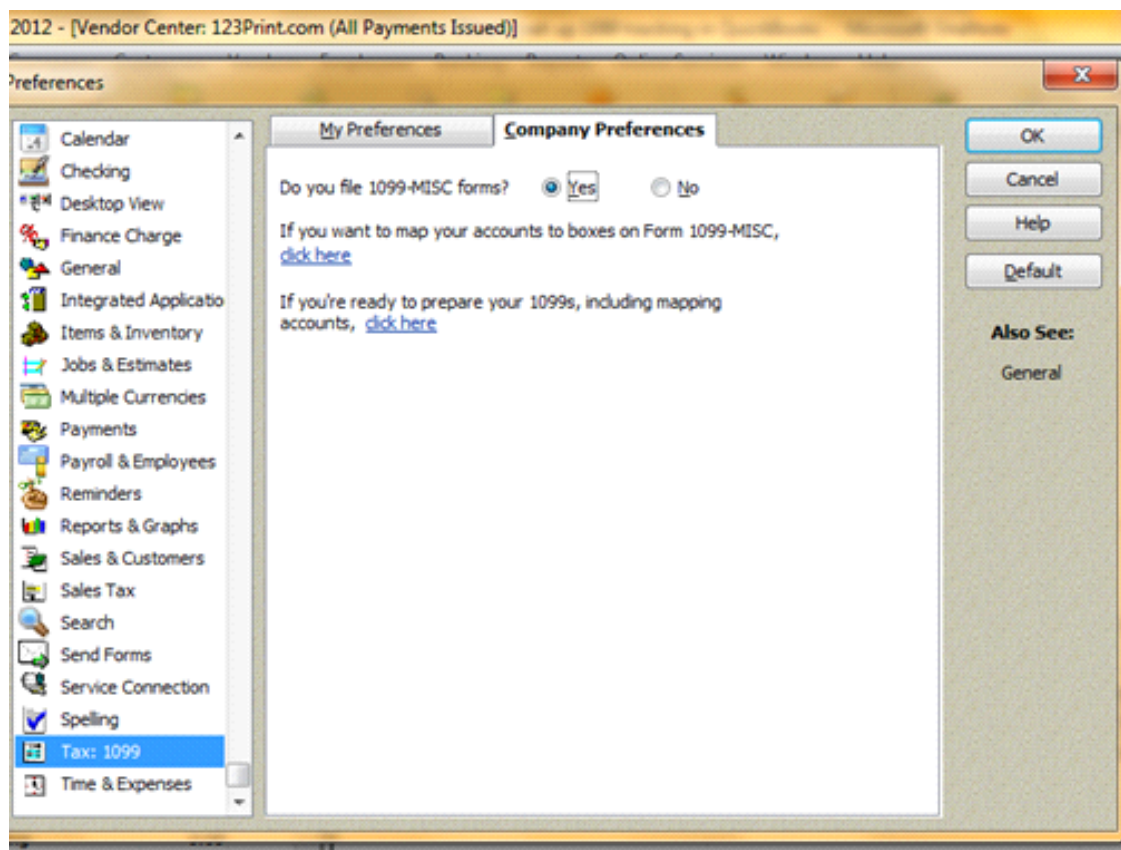
Also See:
General

OK
Cancel
Help
Default

Accounting
Bills
Checking
Desktop View
Finance Charge
General
Integrated Applications
Items & Inventory
Jobs & Estimates
Multiple Currencies
Payments
Payroll & Employees
Reminders
Reports & Graphs
Sales & Customers
Sales Tax
Send Forms
Service Connection
Spelling
Tax: 1099
Time & Expenses

In the window above, click on the Account column for each Box to select the account or accounts you want QuickBooks to track against that box on the 1099 form. For example, Box 7: Nonemployee Compensation might point to Consulting Fees, Contractor Fees, Accountant Fees, etc.

In **QuickBooks 2012 and later**, the procedure changed and the window looks like this:



Click on the appropriate "click here" and **follow the onscreen instructions to map out the accounts (see next page for detailed mapping instructions).**

1099-MISC Check Number Field in QuickBooks 2012 and newer

Beginning with the 2011 tax year, the IRS requires you to exclude from Form 1099-MISC any payments you made by credit card, debit card, gift card, or third-party payment network such as PayPal.

These payments are being reported by the card issuers and third-party payment networks on Form 1099-K, which you will receive from the merchants in January of each year.

When you use either Pay Bills or Write Checks to record a vendor payment made with a credit card, debit card, or gift card, or using a third-party payment network such as PayPal, **you should note the payment method in the check number field**. QuickBooks recognizes, and **automatically excludes from Form 1099-MISC**, any check payment containing one of the following notations in the check number field (limited to 8 characters):

- Debit
- Debitcar
- DBT
- DBT card
- DCard
- Debit cd
- Visa
- Masterc
- MC
- MCard
- Chase
- Discover
- Diners
- PayPal

BANK ACCOUNT: Checking | ENDING BALANCE: 98,750.02

NO: Debit | DATE: 12/15/2016

PAY TO THE ORDER OF: Conner Garden Supplies | \$ 654.26

Six hundred fifty-four and 26/100 ***** DOLLARS

ADDRESS: Conner Garden Supplies, 189 Old Bayshore Rd, Bayshore, CA 94326

MEMO:

ACCOUNT	AMOUNT	MEMO
Job Expenses:Subcontractors	654.26	

QuickBooks automatically excludes from Form 1099-MISC any bill payment made using the credit card payment method.

- ✓ For additional information, contact sandy@almostanythingllc.com.

To print from QuickBooks

To print forms on your own printer from QuickBooks:

You need to obtain original 1099-MISC forms. These can be purchased at office supply stores or ordered (free) from the IRS at:

<http://www.irs.gov/businesses/page/0,,id=23108,00.html>

You have to separate the forms and put each sheet through your printer.

I recommend **Online Filing Options**. They are easy to use, inexpensive and the filing deadline for electronic 1099's is a month later.

Tax1099.com: <https://www.tax1099.com/>

Online FileTaxes: <http://www.onlinefiletaxes.com/>

Track1099: <https://www.track1099.com/info/pricing>

Penalties for Non-Compliance

<https://www.irs.gov/pub/irs-pdf/i1099gi.pdf>

On June 30, 2015, the President signed into law a bill that will raise the penalties for failing to file or failure to file timely information returns, most notably 1099 MISCs. The new penalties are:

- Within 30 days - \$50 (prior \$30)
- On or before August 1 - \$100 (prior \$60)
- After August 1 or not filed at all - \$250 (prior \$100)

These penalties are effective for information returns filed after January 1, 2016 (2015 tax year).

Business owners and rental property owners are generally required to file a 1099 MISC for payments made in the ordinary course of business of \$600 or more to any individual, partnership, Limited Liability Company not taxed as a Corporation, Limited Partnership or Estate. In addition, 1099 MISC's must be issued to all law firms, even if the firm is a corporation.

As part of a business or rental schedule tax return, the taxpayer is required to disclose on the tax return whether or not 1099s were required to be filed, and if so, if those 1099s were actually filed.

So if you are a business owner, we recommend that you implement an ongoing procedure for requesting a W-9 from any vendor you expect to pay more than \$600 in the year prior to paying them. A W-9 procedure will not only protect the business owner from penalties, it will also reduce the headaches associated with tax filing season. W-9's can be downloaded on the IRS website here (<http://www.irs.gov/pub/irs-pdf/fw9.pdf>).