



# Your Ultimate Guide to 1099s

Updated 10/31/2023

Understanding 1099s is a common issue for businesses during tax season. In this guide, we have included the information you need to know about the 1099 form, such as what a 1099 is, why these forms need to be completed, how they should be prepared, and to whom they should be sent.

## What is a 1099?

1099s are information returns that businesses are required to prepare to report various payments made in the course of their trade or business to individuals and/or other businesses. Companies can be penalized for failure to comply with the 1099 filing requirements. These penalties have increased significantly over the last few years. For more information on the increase in information return penalties, visit <https://www.irs.gov/government-entities/federal-state-local-governments/increase-in-information-return-penalties-2>.

## What is the difference between the 1099-MISC and the 1099-NEC?

Form 1099-NEC should be used to report nonemployee compensation (NEC). Form 1099-MISC has been redesigned due to the creation of Form 1099-NEC and no longer includes box 7.



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The chart below compares the 1099-MISC Form and the 1099-NEC Form.

	1099-MISC	1099-NEC
<b>When should this form be used?</b>	<p>To report various payments made in the course of your trade or business to individuals and/or other businesses that meet the following criteria:</p> <ul style="list-style-type: none"> <li>➤ Paid at least \$10 in royalties (see the instructions for box 2) or broker payments in lieu of dividends or tax-exempt interest (see the instructions for box 8).</li> <li>➤ Paid at least \$600 in:               <ol style="list-style-type: none"> <li>1. Rents (box 1)</li> <li>2. Prizes and awards (box 3)</li> <li>3. Other income payments (box 3)</li> <li>4. Generally, the cash paid from a notional principal contract to an individual, partnership, or estate (box 3)</li> <li>5. Any fishing boat proceeds (box 5)</li> <li>6. Medical and health care payments (box 6). See <a href="#">J under Step 2</a> for more information.</li> <li>7. Crop insurance proceeds (box 9)</li> <li>8. Gross Proceeds to an attorney (box 10) (see Payments to attorneys, later)</li> <li>9. Section 409A deferrals (box 12)</li> <li>10. Nonqualified deferred compensation (box 14). You must also file Form 1099-MISC for each person from whom you have withheld any federal income tax (report in box 4) under the backup withholding rules, regardless of the amount of the payment.</li> </ol> </li> </ul>	<p>To report nonemployment compensation (self-employment income) payments made in the course of your trade or business to individuals and/or other businesses that meet the following criteria:</p> <ul style="list-style-type: none"> <li>➤ Paid at least \$600 in one of the following:               <ol style="list-style-type: none"> <li>1. Services performed by someone who is not your employee (including parts and materials) (box 1)</li> <li>2. Cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish (box 1)</li> <li>3. Payments to an attorney (box 1). (See Payments to attorneys, later.) You must also file Form 1099-NEC for each person from whom you have withheld any federal income tax (report in box 4) under the backup withholding rules, regardless of the amount of the payment.</li> </ol> </li> </ul>
<b>Filing Dates</b>	File Copy A of this form with the IRS by February 28, 2024, if you file on paper or by April 1, 2024, if you file electronically.	File Copy A of this form with the IRS by January 31, 2024.
<b>Deadline to give the form to the Recipient</b>	Furnish Copy B of this form to the recipient by January 31, 2024. The due date is extended to February 15, 2024, if you are reporting payments in box 8 or 10.	Furnish Copy B of this form to the recipient by January 31, 2024.
<b>Where do I send the form?</b>	<p>Copy A: The IRS            Copy 1: State tax department, if applicable            Copy B: Independent contractor            Copy 2: Independent contractor            Copy C: Keep in your business records            You can file Form 1099-MISC electronically or you can mail it to the IRS. To e-file Form 1099-MISC, use the IRS's FIRE system.</p>	<p>Copy A: The IRS            Copy 1: State tax department, if applicable            Copy B: Independent contractor            Copy 2: Independent contractor            Copy C: Keep in your business records            You can file Form 1099-NEC electronically or you can mail it to the IRS. To e-file Form 1099-NEC, use the IRS's FIRE system.</p>

If your business files more than ten 1099s and/or W-2s, you are required to file electronically.

<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0115 Form <b>1099-MISC</b> (Rev. January 2022) For calendar year 20__		<b>Miscellaneous Information</b>  <b>Copy 1</b> <b>For State Tax Department</b>	
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents	\$		
		2 Royalties	\$		
		3 Other income	\$		
PAYER'S TIN	RECIPIENT'S TIN	5 Fishing boat proceeds	\$	4 Federal income tax withheld	\$
RECIPIENT'S name  Street address (including apt. no.)  City or town, state or province, country, and ZIP or foreign postal code		6 Medical and health care payments	\$	7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>	8 Substitute payments in lieu of dividends or interest
		9 Crop insurance proceeds	\$	10 Gross proceeds paid to an attorney	\$
		11 Fish purchased for resale	\$	12 Section 409A deferrals	\$
Account number (see instructions)		13 FATCA filing requirement <input type="checkbox"/>	14 Excess golden parachute payments	15 Nonqualified deferred compensation	\$
		16 State tax withheld	\$	17 State/Payer's state no.	18 State income
			\$		\$

Form **1099-MISC** (Rev. 1-2022)      [www.irs.gov/Form1099MISC](http://www.irs.gov/Form1099MISC)      Department of the Treasury - Internal Revenue Service

## Steps for Businesses to file 1099-MISC

### Step 1: Collect the following information for each contractor.

#### Taxpayer Identification Number (TIN)

A TIN will be either their Social Security number or federal identification number. Mail the contractor a W-9 form to request the number and identify the type of entity prior to the initial payment to the vendor. A W-9 form provides proof that the identification number being used is the number they gave you in the event you receive a notice from the IRS of a discrepancy and a request for backup withholding. If a recipient does not provide a TIN, leave the TIN box blank on the 1099 and file it anyway. Keep on file any correspondence proving you tried to obtain the TIN. Backup withholding of 24% is required on payments made to persons without a TIN or refusing to give a TIN, or on payment made following receipt of an IRS notice requiring backup withholding. If there is backup withholding from a payment, the regular filing limits for 1099s do not apply. In other words, a 1099 must be prepared regardless of the amount of the payment made to them.

- Contractor's legal name and address. (Verify this is correct on their W-9 form.)
- The entire amount you paid the contractor during the year.

### Step 2: Complete the 1099-MISC form.

- a. Complete the PAYER's name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone section with your company's information.
- b. Enter the Calendar year (In previous years, the calendar year was printed on the form)
- c. In the PAYER's TIN box, enter your company's TIN.
- d. In the RECIPIENT's TIN box, enter the contractor's TIN. For sole proprietors, including single-member LLCs, use their Social Security number or Employer Identification Number; Note - the IRS prefers the Social Security number.
- e. Complete the RECIPIENT's name, street address (including apt. no.), city or town, state or province, country, ZIP, or foreign postal code section with the contractor's information.

Note for sole proprietors, including single-member LLCs - show the individual's name on the first line and the "doing business as" name on the second line. You may not enter only the business name. If you are using a Social Security number for reporting, you should not enter the business name, only the individual's name or it is very likely you will receive a backup withholding notice. If payments were issued in more than one person's name, only the name that corresponds to the TIN should be shown on the name line. Show other names of recipients or business names in the space below the first line, if desired, before the address.

- f. In box 1, report any rents paid. Include amounts for office rental, equipment rental, or pasture rental. Do not include amounts paid directly to a real estate agent.
- g. In box 2, report royalties paid of \$10 or more.

- h. In Box 3, report other unearned income not subject to self-employment tax. Include things like punitive damages and prizes and awards paid to non-employees that were not for services performed. Any payments made to deceased employees must be reported in Box 3. If an employee dies during the year, payments for wages, vacation, and other compensation (excluding pension distributions) made after the date of death but in the year of death are considered earnings subject to Social Security and Medicare withholding. These payments are not considered employee wages for federal purposes. The amount paid after the date of death, but in the year of death, is reported on a 1099-MISC in Box 3. The employee may receive a W-2 and a 1099 in the year of death. Payments made outside of the year of death to the beneficiary or estate must be reported on a 1099-MISC in Box 3. The 1099 should be prepared using the name and identification number of the person receiving the payment, not the deceased employee's name, as these payments are not considered wages and no W-2 filing is required.
- i. Use Box 4 to indicate any federal income tax/backup withholding.
- j. If the business pays anyone for fishing boat proceeds, you will need to review the instructions for Box 5. For additional information, see <https://www.irs.gov/pub/irs-pdf/i1099misc.pdf>.
- k. In box 6, report payments of \$600 or more to medical or health care providers regardless of whether or not they are incorporated. There are some exemptions for tax-exempt hospitals, extended care facilities, and government-owned.
- l. In box 7, check this box if the Payer made direct sales of \$5,000 or more.
- m. Use box 9 to report crop insurance proceeds.
- n. Gross proceeds to an attorney from a settlement are reported in box 10.
- o. Section 409A deferrals are reported in box 12
- p. In box 14, report nonqualified deferred compensation income.
- q. Use boxes 15, 16, and 17 to report state taxes withheld, state identification number, and amount of income earned in the state, respectively.
- r. Review the [instructions](#) and complete additional boxes if they apply.

**Step 3: Submit Copy B to the Contractor no later than January 31, 2024.**

**Step 4: Complete IRS Form 1096 Transmittal for each type of 1099 form you file. For a sample IRS form 1096, see <https://www.irs.gov/pub/irs-pdf/f1096.pdf>.**

**Step 5: Submit Copy A of Forms 1096, 1099-NEC, and 1099-MISC to the IRS.**

The due date for Form 1099-NEC is on or before January 31, 2024. This is for both paper and electronic filing procedures. The 1099-MISC Form is due on or before February 28, 2024, if you file by paper, or by April 1, 2024, if you file electronically. If your business files more than ten 1099s and/or W-2s, you are required to file electronically.

**Step 6: (For Pennsylvania Businesses Only) Submit a copy of the 1099-NEC form to the Pennsylvania Department of Revenue.**

The entity issuing the 1099 forms must have either a PA employer withholding account or register separately for a 1099 withholding account number, if there are withholdings reported. If the entity is issuing 10 or more 1099 forms, they must be filed electronically.

If the entity is issuing 9 or fewer 1099s and has zero PA withholdings, the forms should be mailed to:

**PA Department of Revenue  
Bureau of Individual Taxes  
1099-R/1099-MISC Forms  
PO Box 280509  
Harrisburg, PA 17128-0509**

If there is any tax withheld on any distributions, the 1099-R/1099-MISC forms should be mailed to:

**PA Department of Revenue  
Bureau of Individual Taxes  
PO Box 280412  
Harrisburg, PA 17128-0412**

☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116 Form <b>1099-NEC</b> (Rev. January 2022) For calendar year 20__		<b>Nonemployee Compensation</b>
PAYER'S TIN	RECIPIENT'S TIN	1 Nonemployee compensation \$		
RECIPIENT'S name		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>		<b>Copy 1 For State Tax Department</b>
Street address (including apt. no.)		3		
City or town, state or province, country, and ZIP or foreign postal code		4 Federal income tax withheld \$		
Account number (see instructions)		5 State tax withheld \$	6 State/Payer's state no.	
			7 State income \$	

Form **1099-NEC** (Rev. 1-2022) [www.irs.gov/Form1099NEC](http://www.irs.gov/Form1099NEC) Department of the Treasury - Internal Revenue Service

## Steps for Businesses to file 1099-NEC

### Step 1: Collect the following information for each contractor.

#### Taxpayer Identification Number (TIN)

A TIN will be either their Social Security number or federal identification number. Mail the contractor a W-9 form to request the number and identify the type of entity. A W-9 form provides proof that the identification number being used is the number they gave you in the event you receive a notice from the IRS of a discrepancy and a request for backup withholding. If a recipient does not provide a TIN, leave the TIN box blank on the 1099 and file it anyway. Keep on file any correspondence proving you tried to obtain the TIN. Backup withholding of 24% is required on payments made to persons without a TIN, refusing to give a TIN, or on payment made following receipt of an IRS notice requiring backup withholding. If there is backup withholding from a payment, the regular filing limits for 1099s do not apply. In other words, a 1099 must be prepared regardless of the amount of the payment made to them. For example, a 1099-NEC form for lawn service does not need to be filed for amounts paid totaling less than \$600; however, if there was backup withholding, a 1099-NEC would be filed for all amounts, including those under \$600.

- Contractor's legal name and address. (Verify this is correct on their W-9 form.)
- The entire amount you paid the contractor during the year.

### Step 2: Complete the 1099-NEC form.

- a. Complete the PAYER's name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone section with your company's information.
- b. In the PAYER's TIN box, enter your company's TIN.
- c. In the RECIPIENT's TIN box, enter the contractor's TIN. For sole proprietors, including single-member LLCs, use their Social Security number or Employer Identification Number; Note - the IRS prefers the Social Security number.
- d. Complete the RECIPIENT's name, street address (including apt. no.), city or town, state or province, country, ZIP, or foreign postal code section with the contractor's information.

Note for sole proprietors, including single-member LLCs, show the individual's name on the first line and the "doing business as" name on the second line. You may not enter only the business name. If you are using a Social Security number for reporting, you should not enter the business name, only the individual's name or it is very likely you will receive a backup withholding notice. If payments were issued in more than one person's name, only the name that corresponds to the TIN should be shown on the name line. Show other names of recipients or business names in the space below the first line, if desired, before the address.

- e. In box 1, report any nonemployee compensation in the amount of \$600.00 or more. A nonemployee is any provider you paid services for in 2020. Examples include independent contractors, freelancers, vendors, consultants, or other

self-employed individuals. Do not use Form 1099 NEC to report personal payments, employee wages (use Form W2), gross proceeds to an attorney, or payments of rent to real estate agents or property managers.

- f. In box 4, report any federal income tax or backup federal withholding (if required under backup withholding rules) regardless of the amount.
- g. In boxes 5, 6, and 7, report any state tax withheld, state identification number, and amount of earned income in the state (if applicable).
- h. Review the [instructions](#) and complete additional boxes if they apply.

**Step 3: Submit Copy B to the Contractor no later than January 31, 2024.**

**Step 4: Complete the IRS Form 1096 Transmittal for each type of 1099 form you file. For a sample IRS form 1096, see <https://www.irs.gov/pub/irs-pdf/f1096.pdf>.**

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**Step 6: (For Pennsylvania Businesses Only) Submit a copy of the 1099-NEC form to the Pennsylvania Department of Revenue.**

The entity issuing the 1099 forms must have either a PA employer withholding account or register separately for a 1099 withholding account number if there are withholdings reported. If the entity is issuing ten or more 1099 forms, they must be filed electronically.

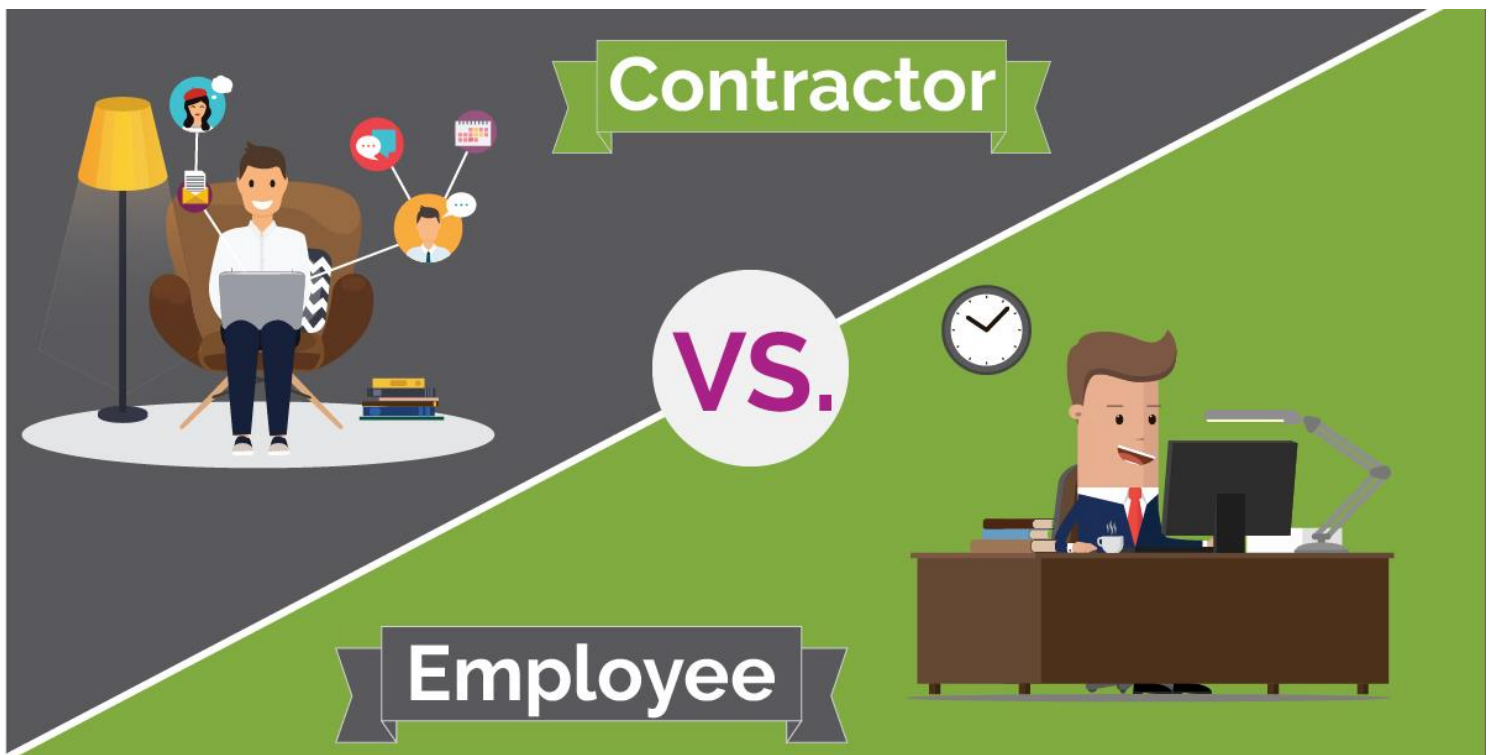
If the entity is issuing nine or fewer 1099s and has zero PA withholdings, the forms should be mailed to:

**PA Department of Revenue  
Bureau of Individual Taxes  
1099-R/1099-MISC Forms  
PO Box 280509  
Harrisburg, PA 17128-0509**

If there is any tax withheld on any distributions, the 1099-R/1099-MISC forms should be mailed to:

**PA Department of Revenue  
Bureau of Individual Taxes  
PO Box 280412  
Harrisburg, PA 17128-0412**





## Employee

W-2 Form

Works for mainly 1 company at a time

Employer controls income

Paid on a consistent basis  
(e.g., hourly, weekly, monthly)

May be eligible for overtime pay

Income, Unemployment, Social Security & Medicare taxes  
are withheld from wages paid

Can qualify for company and government benefits

Part of the company's daily workings with a continuous  
ongoing relationship and integrated responsibilities

Follows guidelines to how, where and  
when work is to be completed

Is trained by the company to perform their job

Is provided tools to do the job

Is subject to firing, discipline, and rewards

Can terminate their services at any time

## Contractor

1099-NEC

May do work for multiple companies at a time

Income profit or loss is determined by the individual

Paid per invoice submission or upon  
completion of job

Is not eligible for overtime pay

No taxes are withheld from payment for services

They are responsible for seeking and arranging their  
benefits

Contracted when needed

Establishes how and when work is to be completed

Already trained and is skilled to perform the job

Brings own tools, equipment, and materials to work site

Is responsible for self-employment

Is required to complete contracted work

### New for 2023

- ✓ Previously, you needed to have over \$20,000 and 200 transactions in a year to receive a 1099-K from a third-party payment network (such as PayPal or Venmo). However, in 2023, the threshold has been lowered to \$600 without regard to the number of transactions.
- ✓ If your business files more than ten 1099s and/or W-2s, you are required to file your 1099s electronically.



**For questions or assistance,  
please contact one of our  
professionals at 717-569-2900.**

LANCASTER  
1705 Oregon Pike  
Lancaster, PA 17601  
717-569-2900

LANCASTER CITY  
160 E King Street  
Lancaster, PA 17602  
717-569-2900

MECHANICSBURG  
930 Century Drive, Suite 104  
Mechanicsburg, PA 17055  
717-697-2900