



## FAQ

### What is the IRS 1099 Form?

Form 1099 is a tax form used to prepare and file information on various types of income other than wages, salaries, and tips. It notifies the IRS of payments made to vendors.

### Who needs to issue 1099s?

Any entity or individual conducting a trade or business is required to issue Form 1099.

- Individuals/sole proprietor
- Corporations
- Partnerships
- Nonprofit organizations
- Estates and trusts

### What types of payments do I need to report?

#### Common 1099 forms:

- *1099-NEC, Nonemployee Compensation*
  - Report payments for nonemployee compensation including:
    - Professional fees such as payments to attorneys (not settlements), accountants, and architects
    - Payments, prizes or awards paid to independent contractors
    - Commissions
- *1099-MISC, Miscellaneous Income*
  - Report payments other than nonemployee compensation including:
    - Rent
    - Royalties
    - Prizes and awards
    - Healthcare and medical payments
    - Crop insurance
    - Gross proceeds (not payment for services) made to an attorney
    - Fishing boat proceeds

#### Payments not to include on a 1099-NEC or 1099-MISC

- Payments to employees for fringe benefits, travel reimbursement, bonuses, spiffs, and similar payments
- Storage
- Products/inventory
- Food services
- Workers' compensation
- Utilities
- Government agencies
- Corporations (exception is medical/healthcare payments)
- LLCs that operate as an S corporation or C corporation



- Foreign contractors (non-U.S. persons performing services outside the United States)
- Debt payments
- Payments made using a credit card or third-party payment network
  - Visa/Mastercard
  - American Express
  - Gift card
  - PayPal
  - Apple Pay
  - Venmo
  - CashApp

**Other 1099 forms:**

- *1098 Mortgage Interest Statement*
  - Report mortgage interest paid
- *1099-A Acquisition or Abandonment of Secured Property*
  - Report acquisition or abandonment of secured property
- *1099-B Proceeds From Broker and Barter Exchange Transactions*
  - Report proceeds from investment sales
- *1099-C Cancellation of Debt*
  - Report canceled or forgiven debt owed to you by an individual, partnership, corporation, or other entity
- *1099-DIV Dividends and Distributions*
  - Report dividends and other distributions
- *1099-INT, Interest Income*
  - Report payments of at least \$10 of interest
- *1099-K Merchant Card and Third-Party Network Payments (Used by Third-Party payment apps only)*
  - Report payments made to business or personal accounts
- *1099-OID Original Issue Discount*
  - Report income when bonds, notes or CDs are sold at a discount
- *1099-PATR Taxable Distributions Received From Cooperatives*
  - Report taxable distributions to patrons who have received certain types of payments or allocations
- *1099-R Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*
  - Report distributions from pensions, annuities, retirement plans, IRAs, and other similar types of accounts
- *1099-S Proceeds from Real Estate Transaction*
  - Report the sale or exchange of real estate properties
- *3921 Exercise of an Incentive Stock Option Under Section 422(b)*
  - Report exercise of stock options by employees

## What if I do not know which template to use?

Reach out to your CLA professional for consultation.

## What is needed to issue a 1099?

The filing information needed from your vendor is gathered on Form W-9. It provides:

- Vendor tax ID number



- Sole proprietor/individuals use their Social Security Number (SSN)
- Registered businesses use their Employer Identification Number (EIN)
  - Corporations, partnerships, and estates use EIN
  - LLC name must match SSN or EIN
  - DO NOT assume that “LLC” in the business name means you do not need to file Form 1099
  - LLCs can be treated as a sole proprietor, partnership, or corporation
- Vendor name
- Vendor address
- Signature and certification by vendor that information is correct and not subject to backup withholding or exempt

## Who is considered a non-employee for tax purposes?

Employees are the individuals for whom you withhold and pay payroll taxes. An independent contractor who takes care of their own tax payments and does not receive matching contributions from you would be considered a non-employee.

## What if I do not have my vendor’s tax ID number — can I use a generic number like 999-99-9999?

You need a correct vendor tax ID number; do not submit a generic or blank form to the IRS. These will be rejected. Reach out to your vendor for a current W-9.

## How do I calculate how much I have paid my vendor?

Run a check register in your accounting software or pull a bank statement for the calendar year (January 1 through December 31). Review vendor payments excluding all payments using Visa/Mastercard or a third-party pay app. Deduct any substantiated expense reimbursements made to your independent contractors, as that is not considered taxable income.

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