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
- Reminder: For payments made after 2025, the minimum threshold increased to $2,000 for Form 1099-NEC and for certain payments reported on Form 1099-MISC. Also, states may use lower thresholds or require filings even when there's no state withholding. Be sure to review the tax agency website for every state connected to the payer and recipient before deciding a form isn't required.

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

Payments to/for:

- 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/health care or attorney 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
- Card and payment app transactions, such as Visa, Mastercard, American Express, Apple Pay, PayPal, Venmo, and Cash App business or goods-and-services payments (reported by the processor on Form 1099-K). Personal or friends-and-family app transfers are still reportable by the payor.

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 payment settlement entities — card processors and 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 employes
- *Form W-2G (Form provided upon request)*
  - Certain gambling winnings

What if I don’t 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’s considered a nonemployee for tax purposes?

A nonemployee is generally an independent contractor: a worker whose arrangement gives you the right to control only the result of the work, not how or when it’s done. Classification depends on all the facts and circumstances. If you're unsure, talk with your CLA professional.

What if I don’t 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; don’t 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 isn’t considered taxable income.

What if I don’t feel comfortable completing the template?

If you don’t feel comfortable completing the provided template, our team can assist with preparing it. Please submit all required reporting information and supporting workpapers securely through LeapFile to cla1099@CLAconnect.com no later than January 20, 2027, to allow for timely preparation and filing. Submissions received after that date may not be processed by the January 31 filing deadline and may incur surge pricing.

Does CLA offer electronic delivery to recipients?

Starting this year, we can provide electronic delivery to recipients. Please add a valid email address for the recipient in the appropriate box on the template. If an email address is not provided, a hard copy will be mailed to the recipient using the mailing address provided.

When does my template need to be submitted?

To allow for on-time processing, all completed templates should be submitted to CLA no later than January 20, 2027. Templates received after this date may not be processed by the published IRS deadlines and may be subject to premium pricing. Templates should be sent securely through LeapFile to cla1099@CLAconnect.com.

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