

A Quick Tour of the 1099-MISC

Disclaimer: These are the rules as we understand them. The IRS will probably agree, but since we don't control them, we make no claim that they will in all cases, or that this is an exhaustive listing of all income reportable on a 1099-MISC (for example, reporting that is generally only required of government entities has been excluded).

You can view the IRS's instructions at <http://www.irs.gov/pub/irs-pdf/i1099misc.pdf>. Please note that payments not included here may be reportable on forms other than a 1099-MISC (for example, cancelled debt is reported on form 1099-C)

Notes:

- Reporting is required only for payments made in the course of your trade or business (non-profit organizations are generally considered a business for this purpose).
- You generally don't have to report payments to a corporation (unless they are business-related payments for medical or legal services, fish proceeds, or payments in lieu of dividends) or a tax-exempt organization (including government entities).
- Payments for merchandise, telegrams, telephone, freight, storage and anything that meets the IRS's definition of a "similar item" are also excluded.
- After repeated conversations with the IRS, it appears that whether or not software is customized for you determines whether it is a good or reportable service. (for example, Quickbooks is a good, a third party application that was written or modified *for you* to allow you to import transactions into Quickbooks is a service). In the same conversation, the IRS maintained that hosting and internet access are reportable services.
- If you are based in California and have a 1099-MISC reporting requirement, you were probably also required to submit a DE-542 within 20 days of paying over \$600 or entering into a contract to pay over \$600. See http://www.edd.ca.gov/pdf_pub_ctr/de542.pdf

Type of Income Reported by Box	Amount that triggers requirement to report
Box 1 Rents (unless paid to a real estate agent)	\$600 or more
Box 2 Royalties	\$10 or more
Box 3 Other income (prizes, punitive damages, certain other legal awards, certain wages to deceased employees, and selected other payments to former employees) not reportable in any other box (generally not self-employment income to the recipient)	\$600 or more
Box 4 Any backup withholding	Any
Box 5 Fishing boat proceeds	Any
Box 6 Any medical or health care payments (business related) – generally FSA and employer provided health coverage are excluded.	\$600 or more, corporations are not exempt
Box 7 – Nonemployee Compensation – paid for services performed for your business by someone other than an employee (including those paid by barter) . Examples include: professional fees, commissions, director's fees, taxable deferrals due to a non-qualified deferred comp plan that fails IRS testing, fish purchases for cash, and payments for a working oil or gas interest, golden parachute payments.	\$600 or more
Box 8 Payments in lieu of dividends	\$10 or more
Box 9 Direct sales – sales by you for resale in a place other than a permanent retail establishment (checkbox only)	\$5,000 or more
Box 10 – Crop insurance proceeds	\$600 or more
Box 13 – Excess golden parachute proceeds	Any
Box 14 – Gross proceeds paid to an attorney (things like payments to settle a claim that the attorney then disburses to other parties)	Any amount, Corporations are not exempt.
Box 15a Section 409A deferrals	\$600 or more
Box 15b Section 409A income	Any – also reported in Box 7