

1099 Cheat Sheet

What You Need to Know

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What is a 1099?

- IRS form used to report income paid to non-employees (e.g., contractors, vendors)
- Common for independent contractors, freelancers, and small businesses

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Key 1099 Types:

- 1099-NEC:** For non-employee compensation (e.g., independent contractors)
- 1099-MISC:** For miscellaneous income (e.g., rents, royalties, prizes)
- 1099-DIV:** For dividends and distributions
- 1099-INT:** For interest income

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Who Gets a 1099?

- 1099-NEC:** Independent contractors or freelancers paid \$600 or more. Notice: this INCLUDES businesses, not just individuals! See below for exceptions.
- 1099-MISC:** Rent, legal settlements, royalties over \$600
- 1099-DIV/INT:** Interest & dividends over \$10

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Filing Deadlines

Generally, 1099s are due to the recipients by **January 31st** (some extended due dates to IRS)

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Do's and Don'ts of 1099 Filing

DOS:

- ✓ **Do Obtain a W-9 from All Contractors:** Make sure contractors fill out a W-9 form before payment, so you have their name, address, and correct Taxpayer Identification Number (TIN) for filing.
- ✓ **Do File on Time:** Ensure you file 1099 forms on or before the deadline to avoid penalties.
- ✓ **Do E-File Whenever Possible:** E-filing is faster, more accurate, and easier to track. Use the IRS e-file system or a trusted e-filing service.
- ✓ **Do Double-Check Payment Amounts:** Ensure the total amount paid to each contractor during the year is correctly reported on the form. This includes fees for services, commissions, etc.
- ✓ **Do Verify TIN Information:** Before filing, verify that the TIN (or SSN) on your W-9 matches IRS records by using the IRS TIN Matching Program.
- ✓ **Do Keep Accurate Records:** Maintain a detailed record of payments made, dates, and method of payment (e.g., checks, ACH, cash) for each contractor.

DON'TS:

- ✗ **Don't File for Employees:** Employees receive a W-2, not a 1099. Make sure you distinguish between contractors and employees.
- ✗ **Don't Forget to Send the Recipient Copy:** Contractors must receive a copy of the 1099 form by January 31. Don't miss sending it—it's required by law.
- ✗ **Don't Mix Personal and Business Payments:** Only file 1099s for business-related payments. Personal gifts or reimbursements don't count.
- ✗ **Don't Report Payments to Corporations:** Generally, payments to corporations (including LLCs taxed as corporations) do not require 1099 forms, except for legal services. Always check the entity type.
- ✗ **Don't Use Incorrect Information:** Filing 1099 forms with incorrect payee information, such as an incorrect TIN or address, could result in penalties. Make sure the W-9 form is accurate.
- ✗ **Don't Ignore the Penalties:** Ignoring the filing requirement or missing the deadline can result in costly penalties—up to \$270 per form.

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Exceptions:

- **Corporations** (generally, except for payments for legal services)
- **Payments for merchandise** (e.g., purchases from vendors)
- **Personal Payments** (not related to business)
- **Payments made via credit card, PayPal, Venmo** (these are reporting by the processor)

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Penalties

- Failure to File:** Penalties up to \$270 per form (depending on how late)
- Failure to Provide Recipient Copy:** Penalties up to \$270 per form



Important Tip:

Always have your contractors/vendors fill out a W-9 form before you pay them to ensure you have their correct info for filing 1099s.