

New Instructions for Forms 1099-MISC and 1099-NEC for 2020

The IRS has released the 2020 Instructions for Forms 1099-MISC (Miscellaneous Income) and 1099-NEC (Nonemployee Compensation). The 2020 Form 1099-MISC and Form 1099-NEC were released in November.

Background

For the 2019 tax year (2020 filing year), Form 1099-MISC is filed to report payments totaling at least \$600 for services performed in a trade or business by someone who is not treated as an employee. The amount is reported in box 7 (Nonemployee compensation). (2019 General Instructions for Certain Information Returns (Forms 1096, 1097, 1098, 1099, 3921, 3922, 5498, and W-2G) The IRS has decided that due to the separate deadlines for filing Forms 1099-MISC that report NEC in box 7 (January 31), and all other Forms 1099-MISC (February 28 for paper filers and March 31, for electronic filers), to reintroduce previously retired Form 1099-NEC for the reporting of nonemployee compensation beginning with the 2020 tax year (2021 filing year). The objective is to end the confusion regarding filing deadlines.

What's New

The instructions note that Form 1099-MISC for the 2020 tax year has been redesigned. Box numbers have been rearranged. Notably, Code Sec. 409A deferrals will be reported in box 12. Nonqualified deferred compensation income is now reported in box 14. Boxes 15, 16, and 17 report state taxes withheld, state identification number, and the amount of income earned in the state, respectively. Form 1099-MISC must be used to report any backup withholding (reported in box 4) on payments to nonemployees. Attorneys' fees of \$600 will be reported in box 1 of Form 1099-NEC; however, gross proceeds paid to attorneys will still be reported on Form 1099-MISC in box 10. Crop insurance proceeds are reported in box 9. And if a taxpayer made direct sales of \$5000 or more of consumer products to a buyer (recipient) for resale, the taxpayer must check the box in box 7.

Box 1 of Form 1099-NEC for the 2020 tax year will be used to report payments of \$600 or more in nonemployee compensation (including payments to independent contractors, payments to an attorney, and golden parachute payments). All nonqualified deferred compensation (NQDC) deferrals (plus earnings) reported in box 14 of Form 1099-MISC that are includible in gross income because the NQDC fails to satisfy requirements under Code Sec. 409A must also be reported in box 1 of Form 1099-NEC.

Box 4 of Form 1099-NEC will be used to report any backup withholding regardless of the amount of the payment.

Transit passes provided to independent contractors valued over \$21 in any month will now be reported on Form 1099-NEC in box 1 (previously, reported on Form 1099-MISC). Parking is excludable from an independent contractor's gross income and not reported on Form 1099-NEC under certain conditions.

Director's fees, previously reported on Form 1099-MISC, will now be reported on Form 1099-NEC in box 1. In addition, "2nd TIN not." must be checked off on the bottom left of the IRS copy of Form 1099-MISC (Copy A) if the IRS has twice notified the payor within three calendar years that the payee provided an incorrect Taxpayer Identification Number (TIN). If the notices were received in the same year, the box should not be checked off.

TIN Truncation

The instructions note that a recipient's taxpayer identification number (TIN) may be truncated on the recipient copy of Forms 1099-MISC and 1099-NEC. However, the TIN may not be truncated on the copy that is filed with the IRS.

Due Dates

Forms 1099-MISC and 1099-NEC must be furnished to recipients by January 31. Form 1099-NEC must be filed with IRS by January 31. Form 1099-MISC must be filed with the IRS by February 28 if filing on paper, and by March 31 if filing electronically.