



## Changes in Annual Informatory Returns (1099-MISC) Reporting and Filing Requirements Effective January 1, 2020

Maya & Associates' technical service team has prepared this publication to facilitate its clients understanding the purpose, related changes and required information to file the IRS 2020 Form 1099s.

This publication highlights the key consideration including the following:

- Introduction of new Form 1099-NEC
- Changes in Form 1099-MISC
- Due Dates of filing Form 1099-NEC & 1099-MISC

### Highlights:

Starting 2020, Direct Sellers are required to issue Form 1099-MISC when they sell at least \$5,000 in consumer products for resale and Form 1099-NEC for nonemployee compensation payments, such as commissions of at least \$600 paid to the same recipient. Two forms, one recipient.

IRS resurrected Form 1099-NEC for reporting nonemployee compensation payments and starting 2020, Form 1099-NEC will be used to report payments for Nonemployee Compensation paid during the year.

### Due Dates:

Form	Recipient Due Date	IRS Due Date (Paper Filing)	IRS Due Date (Electronic Filing)
1099-NEC	January 31*	January 31*	January 31*
1099-MISC	January 31*	March 01	March 31

*\*February 01, 2021 for 2020 forms since January 31, 2021 is a Sunday.*

## Form 1099-NEC (new form)

The new 2020 1099-NEC (NEC stands for Non-Employee Compensation), previously reported on Box 7 of the 1099-MISC, the new 1099-NEC will capture any payments to nonemployee service providers, such as independent contractors, freelancers, vendors, consultants and other self-employed individuals (commonly referred to as 1099 workers).

Salient features of Form 1099-NEC are as under:

1. NEC includes payments of \$600 or more for services of nonemployees and attorneys, such payments will now be reported in Box 1 of the new 2020 Form 1099-NEC.
2. The 2020 Form 1099-NEC is due to both recipients and the IRS by January 31 (February 1, 2021 for 2020 forms since January 31, 2021 is a Sunday), regardless of whether filing electronically or by paper.
3. Examples of payments to be reported in box 1 of 2020 Form 1099-NEC:
  - Professional service fees, such as fees to accountants, architects, contractors, engineers, and Director's fee, etc.
  - Commissions paid to nonemployee salespersons that are subject to repayment but not repaid during the calendar year. Commissions paid to licensed lottery ticket sales agents.
  - Taxable fringe benefits for nonemployees including bonus, vacation expenses, value of the personal use of an employer-provided vehicle and group-term life insurance in excess of \$50,000 etc.
  - Payment for services, including payment for parts or materials used to perform the services if supplying the parts or materials was incidental to providing the service.
4. Enter backup withholding in box 4 of 2020 1099-NEC. For example, persons who have not furnished their TINs to you are subject to withholding on payments required to be reported in box 1 at flat rate of 24%.
5. Payments not reported in box 1 of Form 1099-NEC:
  - Expense reimbursements paid to volunteers of nonprofit organizations
  - Deceased employee wages paid in the year after death (report in box 3 of Form 1099-MISC) (See Deceased employee's wages, earlier)
  - Payments more appropriately described as rent (report in box 1 of Form 1099-MISC), royalties (report in box 2 of Form 1099-MISC), other income not subject to self-employment tax (report in box 3 of Form 1099-MISC), interest (use Form 1099-INT)
  - The cost of current life insurance protection (report on Form W-2 or Form 1099-R)
  - An employee's wages, travel or auto allowance, or bonuses and prizes (report on Form W-2); and
  - The cost of group-term life insurance paid on behalf of a former employee (report on Form W-2)

## Form 1099-MISC (Changes)

Payment	Box		Schedule to link	Description
	2020	Prior to 2020		
Rents	1	1	C, E	All types of rents. Usually linked to Schedule E, but link to Schedule C if significant services were provided to the tenant or the taxpayer's business is selling real estate or renting personal property.
Royalties	2	2	E	Royalties from oil, gas, or mineral properties, copyrights, and patents. (Oil or gas payments for a working interest are reported as nonemployee compensation.)
Other income	3	3	1, C, F	Income that does not fit any other box, including prizes and awards, payments received as the beneficiary of a deceased employee. If trade or business income, report on Schedule C or F.
Federal income tax withheld	4	4		
Fishing boat proceeds	5	5	C	
Medical and health care payments	6	6	C	
Nonemployee compensation	-	7	C, F	Self-employment income. Starting in 2020, this income is reported on Form 1099-NEC.
Substitute payments in lieu of dividends or interest	8	8	1	Amount of \$10 or more received by the taxpayer's broker as a result of a loan of their securities.
Payer made direct sales of \$5,000 or more of consumer products to a buyer	7	9		Check box for informational purposes only.
Crop insurance proceeds	9	10	F	
Section 409A deferrals	12	15a		Informational only; does not flow to any form or schedule.
Section 409A income / Nonqualified deferred compensation	14	15b		Income received under a Nonqualified Deferred Compensation (NQDC) Plan that does not meet the requirements of Section 409A. Tax on this income will be included on Schedule 2 Line 8 coded NQDC.
Excess golden parachute payments	13	13		Excess golden parachute payments income will not appear anywhere in the return, but the payments are subject to an excise tax of 20% included on Schedule 2 Line 8 coded EPP.
Gross proceeds paid to an attorney	10	14		Do not enter here. Enter the taxable portion only in Gross Receipts on Schedule C.
State tax withheld	15	16		
State income	17	18		

# A Closer Look at Form 1099-NEC & Form 1099-MISC

## Payer's information:

Name, address, telephone number and TIN

## Recipient's information:

Name, address, and TIN

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PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

OMB No. 1545-0116

**2020**

Form 1099-NEC

**Nonemployee Compensation**

1 Nonemployee compensation \$

2 PAYER'S TIN RECIPIENT'S TIN

3 RECIPIENT'S name

4 Federal income tax withheld \$

5 State tax withheld \$ 6 State/Payer's state no. 7 State income \$

Account number (see instructions) FATCA filing requirement  2nd TIN not

Form 1099-NEC Cat. No. 72590N www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service

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**Box 1:** Nonemployee compensation if you paid this person \$600 or more during the year

**Box 4:** Any federal income tax withheld

**FATCA filing requirement:**  
To be checked for assets held in foreign countries

**Boxes 5, 6 and 7:**  
If applicable, state taxes withheld, state identification number and amount of earned income in the state

**Box 7:**  
Direct sales of \$5,000 or more

**Box 9:**  
Crop insurance proceeds

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PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

OMB No. 1545-0115

**2020**

Form 1099-MISC

**Miscellaneous Income**

1 Rents \$

2 Royalties \$

3 Other income \$

4 Federal income tax withheld \$

5 Fishing boat proceeds \$

6 Medical and health care payments \$

7 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale

8 Substitute payments in lieu of dividends or interest \$

9 Crop insurance proceeds \$

10 Gross proceeds paid to an attorney \$

11 \$

12 Section 409A deferrals \$

13 Excess golden parachute payments \$

14 Nonqualified deferred compensation \$

15 State tax withheld \$ 16 State/Payer's state no. 17 State income \$

Account number (see instructions) FATCA filing requirement  2nd TIN not

Form 1099-MISC Cat. No. 14425J www.irs.gov/Form1099MISC Department of the Treasury - Internal Revenue Service

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**Box 10:**  
Gross proceeds to an attorney

**Box 12:**  
Section 409A deferrals

**Box 14:**  
Nonqualified deferred compensation

**Boxes 15, 16 and 17:**  
If applicable, state taxes withheld, state identification number and amount of earned income in the state