



# Instructions for Forms 1099-MISC and 1099-NEC

(Rev. January 2024)

## Miscellaneous Information and Nonemployee Compensation

Section references are to the Internal Revenue Code unless otherwise noted.

### Future Developments

For the latest information about developments related to Forms 1099-MISC and 1099-NEC and their instructions, such as legislation enacted after they were published, go to [IRS.gov/Form1099MISC](https://www.irs.gov/Form1099MISC) or [IRS.gov/Form1099NEC](https://www.irs.gov/Form1099NEC).

### What's New

**E-filing returns.** The Taxpayer First Act of 2019 authorized the Department of the Treasury and the IRS to issue regulations that reduce the 250-return e-file threshold. TD 9972, published February 23, 2023, lowered the e-file threshold to 10 (calculated by aggregating all information returns), effective for information returns required to be filed on or after January 1, 2024. Go to [IRS.gov/InfoReturn](https://www.irs.gov/InfoReturn) for e-file options.

### Reminders

**General instructions.** In addition to these specific instructions, you should also use the current year General Instructions for Certain Information Returns. Those general instructions include information about the following topics.

- Who must file.
- When and where to file.
- Electronic reporting.
- Corrected and void returns.
- Statements to recipients.
- Taxpayer identification numbers (TINs).
- Backup withholding.
- Penalties.
- The definitions of terms applicable for the purposes of chapter 4 of the Internal Revenue Code that are referenced in these instructions.
- Other general topics.

You can get the general instructions from [General Instructions for Certain Information Returns](https://www.irs.gov/1099GeneralInstructions) at [IRS.gov/1099GeneralInstructions](https://www.irs.gov/1099GeneralInstructions) or go to [IRS.gov/Form1099MISC](https://www.irs.gov/Form1099MISC) or [IRS.gov/Form1099NEC](https://www.irs.gov/Form1099NEC).

**Continuous-use form and instructions.** Form 1099-MISC, Form 1099-NEC, and these instructions are continuous use. Both the forms and instructions will be updated as needed. For the most recent version, go to [IRS.gov/Form1099MISC](https://www.irs.gov/Form1099MISC) or [IRS.gov/Form1099NEC](https://www.irs.gov/Form1099NEC).

**Form 1099-NEC, box 1.** Box 1 will not be used for reporting under section 6050R, regarding cash payments for the purchase of fish for resale purposes.

**Form 1099-NEC, box 2.** Payers may use either box 2 on Form 1099-NEC or box 7 on Form 1099-MISC to report any sales totaling \$5,000 or more of consumer products for resale, on a buy-sell, a deposit-commission, or any other basis. For further information, see the instructions, later, for [box 2](#) (Form 1099-NEC) or [box 7](#) (Form 1099-MISC).

**Online fillable copies.** To ease statement furnishing requirements, Copies B, 1, and 2 have been made fillable online in a PDF format available at [IRS.gov/Form1099MISC](https://www.irs.gov/Form1099MISC) and [IRS.gov/Form1099NEC](https://www.irs.gov/Form1099NEC). You can complete these copies online for furnishing statements to recipients and for retaining in your own files.

**Filing dates.** Section 6071(c) requires you to file Form 1099-NEC on or before January 31, using either paper or electronic filing procedures. File Form 1099-MISC by February 28, if you file on paper, or March 31, if you file electronically.

## Specific Instructions for Form 1099-MISC

File Form 1099-MISC, Miscellaneous Information, for each person in the course of your business to whom you have paid the following during the year.

- At least \$10 in royalties (see the instructions for [box 2](#)) or broker payments in lieu of dividends or tax-exempt interest (see the instructions for [box 8](#)).
- At least \$600 in:
  1. Rents ([box 1](#));
  2. Prizes and awards ([box 3](#));
  3. Other income payments ([box 3](#));
  4. Generally, the cash paid from a notional principal contract to an individual, partnership, or estate ([box 3](#));
  5. Any fishing boat proceeds ([box 5](#));
  6. Medical and health care payments ([box 6](#));
  7. Crop insurance proceeds ([box 9](#));
  8. Gross proceeds paid to an attorney ([box 10](#)) (see [Payments to attorneys](#), later);
  9. Section 409A deferrals ([box 12](#)); or
  10. Nonqualified deferred compensation ([box 15](#)).

You may either file Form 1099-MISC ([box 7](#)) or Form 1099-NEC ([box 2](#)) to report sales totaling \$5,000 or more of consumer products to a person on a buy-sell, a deposit-commission, or other commission basis for resale.



*If you use Form 1099-NEC to report sales totaling \$5,000 or more, then you are required to file Form 1099-NEC with the IRS by January 31.*

You must also file Form 1099-MISC for each person from whom you have withheld any federal income tax (report in [box 4](#)) under the backup withholding rules regardless of the amount of the payment.



*Be sure to report each payment in the proper box because the IRS uses this information to determine whether the recipient has properly reported the payment.*

### Box 11. Fish Purchased for Resale

If you are in the trade or business of purchasing fish for resale, you must report total cash payments of \$600 or more paid during the year to any person who is engaged in the trade or business of catching fish. You are required to keep records showing the date and amount of each cash payment made during the year, but you must report only the total amount paid for the year on Form 1099-MISC.

"Fish" means all fish and other forms of aquatic life. "Cash" means U.S. and foreign coin and currency and a cashier's check, bank draft, traveler's check, or money order. Cash does not include a check drawn on your personal or business account.

### Box 12. Section 409A Deferrals

You do not have to complete this box. For details, see Notice 2008-115, available at [IRS.gov/irb/2008-52\\_IRB#NOT-2008-115](https://www.irs.gov/irb/2008-52_IRB#NOT-2008-115).

If you complete this box, enter the total amount deferred during the year of at least \$600 for the nonemployee under all nonqualified plans. The deferrals during the year include earnings on the current year and prior year deferrals. For additional information, see Regulations sections 1.409A-1 through 1.409A-6. See the instructions for [box 15](#), later.

For deferrals and earnings under nonqualified deferred compensation (NQDC) plans for employees, see the [General Instructions for Forms W-2 and W-3](#).

### Box 13. FATCA Filing Requirement Checkbox

Check this box if you are a U.S. payer that is reporting on Form(s) 1099 (including reporting payments on this Form 1099-MISC) as part of satisfying your requirement to report with respect to a U.S. account for the purposes of chapter 4 of the Internal Revenue Code, as described in Regulations section 1.1471-4(d)(2)(iii)(A). In addition, check the box if you are an FFI reporting payments to a U.S. account pursuant to an election described in Regulations section 1.1471-4(d)(5)(i)(A). Finally, check the box if you are an FFI making the election described in Regulations section 1.1471-4(d)(5)(i)(A) and are reporting a U.S. account for chapter 4 purposes to which you made no payments during the year that are reportable on any applicable Form 1099 (or are reporting a U.S. account to which you made payments during the year that do not reach the applicable reporting threshold for any applicable Form 1099).

### Box 14. Excess Golden Parachute Payments

Enter any excess golden parachute payments. An excess parachute payment is the amount over the base amount (the average annual compensation for services includible in the individual's gross income over the most recent 5 tax years). See Q/A-38 through Q/A-44 of Regulations section 1.280G-1 for how to compute the excess amount.

See [Golden parachute payments](#), later, for more information.

### Box 15. Nonqualified Deferred Compensation

Enter all amounts deferred (including earnings on amounts deferred) that are includible in income under section 409A because the NQDC plan fails to satisfy the requirements of section 409A. Do not include amounts properly reported on a Form 1099-MISC, corrected Form 1099-MISC, Form W-2, or Form W-2c for a prior year. Also, do not include amounts that are considered to be subject to a substantial risk of forfeiture

for purposes of section 409A. For additional information, see Regulations sections 1.409A-1 through 1.409A-6; Notice 2008-113, available at [IRS.gov/irb/2008-51\\_IRB#NOT-2008-113](https://www.irs.gov/irb/2008-51_IRB#NOT-2008-113); [Notice 2008-115](#); Notice 2010-6, available at [IRS.gov/irb/2010-03\\_IRB#NOT-2010-6](https://www.irs.gov/irb/2010-03_IRB#NOT-2010-6); and Notice 2010-80, available at [IRS.gov/irb/2010-51\\_IRB#NOT-2010-80](https://www.irs.gov/irb/2010-51_IRB#NOT-2010-80).

### Boxes 16–18. State Information

These boxes may be used by payers who participate in the Combined Federal/State Filing Program and/or who are required to file paper copies of this form with a state tax department. See Pub. 1220 for more information regarding the Combined Federal/State Filing Program. They are provided for your convenience only and need not be completed for the IRS. Use the state information boxes to report payments for up to two states. Keep the information for each state separated by the dash line. If you withheld state income tax on this payment, you may enter it in box 16. In box 17, enter the abbreviated name of the state and the payer's state identification number. The state number is the payer's identification number assigned by the individual state. In box 18, you may enter the amount of the state payment.

If a state tax department requires that you send them a paper copy of this form, use Copy 1 to provide information to the state tax department. Give Copy 2 to the recipient for use in filing the recipient's state income tax return.

## Specific Instructions for Form 1099-NEC

File Form 1099-NEC, Nonemployee Compensation, for each person in the course of your business to whom you have paid the following during the year.

- At least \$600 in:

1. Services performed by someone who is not your employee (including parts and materials) ([box 1](#)); or
2. Payments to an attorney ([box 1](#)). (See [Payments to attorneys](#), later.)

File Form 1099-NEC or Form 1099-MISC to report sales totaling \$5,000 or more of consumer products to a person on a buy-sell, a deposit-commission, or other commission basis for resale.



*If you use Form 1099-NEC to report sales totaling \$5,000 or more, then you are required to file Form 1099-NEC with the IRS by January 31.*

You must also file Form 1099-NEC for each person from whom you have withheld any federal income tax (report in [box 4](#)) under the backup withholding rules regardless of the amount of the payment.



*Be sure to report each payment in the proper box because the IRS uses this information to determine whether the recipient has properly reported the payment.*

**Trade or business reporting only.** Report on Form 1099-NEC only when payments are made in the course of your trade or business. Personal payments are not reportable. You are engaged in a trade or business if you operate for gain or profit. However, nonprofit organizations are considered to be engaged in a trade or business and are subject to these reporting requirements. Other organizations subject to these reporting requirements include trusts of

qualified pension or profit-sharing plans of employers, certain organizations exempt from tax under section 501(c) or 501(d), farmers' cooperatives that are exempt from tax under section 521, and widely held fixed investment trusts. Payments by federal, state, or local government agencies are also reportable.

**Reportable payments to corporations.** The following payments made to corporations must generally be reported on Form 1099-NEC.

- Attorneys' fees reported in [box 1](#).
- Payments by a federal executive agency for services (vendors) reported in [box 1](#).



*Federal executive agencies may also have to file Form 8596, Information Return for Federal Contracts, and Form 8596-A, Quarterly Transmittal of Information Returns for Federal Contracts, if a contracted amount for personal services is more than \$25,000. See Rev. Rul. 2003-66, which is on page 1115 of Internal Revenue Bulletin 2003-26 at [IRS.gov/pub/irs-irbs/irb03-26.pdf](https://www.irs.gov/pub/irs-irbs/irb03-26.pdf) for details.*

**Payments to attorneys.** The term "attorney" includes a law firm or other provider of legal services. Attorneys' fees of \$600 or more paid in the course of your trade or business are reportable in [box 1](#) of Form 1099-NEC, under section 6041A(a)(1).

**Gross proceeds paid to attorneys.** Gross proceeds are not reportable by you in [box 1](#) of Form 1099-NEC. See the Form 1099-MISC, [box 10](#), instructions, earlier.

**Payments to corporations for legal services.** The exemption from reporting payments made to corporations does not apply to payments for legal services. Therefore, you must report attorneys' fees (in [box 1](#) of Form 1099-NEC) or gross proceeds (in [box 10](#) of Form 1099-MISC) as described earlier to corporations that provide legal services.

**Taxpayer identification numbers (TINs).** To report payments to an attorney on Form 1099-NEC, you must obtain the attorney's TIN. You may use Form W-9 to obtain the attorney's TIN. An attorney is required to promptly supply its TIN whether it is a corporation or other entity, but the attorney is not required to certify its TIN. If the attorney fails to provide its TIN, the attorney may be subject to a penalty under section 6723 and its regulations, and you must backup withhold on the reportable payments.

**Independent contractor or employee.** Generally, you must report payments to independent contractors on Form 1099-NEC in [box 1](#). See the instructions for [box 1](#).



*Section 530 of the Revenue Act of 1978, as extended by section 269(c) of P.L. 97-248, deals with the employment tax status of independent contractors and employees. To qualify for relief under section 530, employers must file Form 1099-NEC. Additional requirements for relief are discussed in Rev. Proc. 85-18, 1985-1 C.B. 518. Also see [Pub. 15-A](#) for special rules that may apply to technical service specialists and test proctors and room supervisors.*

**Transit passes and parking for independent contractors.** Although you cannot provide qualified transportation fringes to independent contractors, the working condition and de minimis fringe rules for transit passes and parking apply to independent contractors. Tokens or farecards that enable an independent contractor to commute on a public transit system (not including privately operated van pools) are

excludable from the independent contractor's gross income and are not reportable on Form 1099-NEC if their value in any month is \$21 or less. However, if the value of a pass provided in a month is greater than \$21, the full value is part of the gross income and must be reported on Form 1099-NEC. The value of parking may be excludable from an independent contractor's gross income, and, therefore, not reportable on Form 1099-NEC if certain requirements are met. See Regulations section 1.132-9(b), Q/A-24.

**Directors' fees.** You must report directors' fees and other remuneration, including payments made after retirement, on Form 1099-NEC in the year paid. Report them in [box 1](#).

**Commissions paid to lottery ticket sales agents.** A state that has control over and responsibility for online and instant lottery games must file Form 1099-NEC to report commissions paid, whether directly or indirectly, to licensed sales agents. For example, State X retains control over and liability for online and instant lottery games. For online ticket sales, State X pays commissions by allowing an agent to retain 5% of the ticket proceeds the agent remits to State X. For instant ticket sales, State X pays commissions by providing tickets to the agent for 5% less than the proceeds to be obtained by the agent from the sale of those tickets. If the commissions for the year total \$600 or more, they must be reported in [box 1](#) of Form 1099-NEC. See Rev. Rul. 92-96, 1992-2 C.B. 281.

**Payments made on behalf of another person.** For payments reportable under section 6041, if you make a payment on behalf of another person who is the source of the funds, you may be responsible for filing Form 1099-NEC. You are the payor for information reporting purposes if you perform management or oversight functions in connection with the payment, or have a significant economic interest in the payment (such as a lien). For example, a bank that provides financing to a real estate developer for a construction project maintains an account from which it makes payments for services in connection with the project. The bank performs management and oversight functions over the payments and is responsible for filing information returns for payments of \$600 or more paid to contractors. For more information, see Regulations section 1.6041-1(e).

## Exceptions

Some payments do not have to be reported on Form 1099-NEC, although they may be taxable to the recipient. Payments for which a Form 1099-NEC is not required include all of the following.

- Generally, payments to a corporation (including a limited liability company (LLC) that is treated as a C or S corporation). However, see [Reportable payments to corporations](#), earlier.
- Payments for merchandise, telegrams, telephone, freight, storage, and similar items.
- Payments of rent to real estate agents or property managers. However, the real estate agent or property manager must use Form 1099-MISC to report the rent paid over to the property owner. See Regulations section 1.6041-3(d); Regulations section 1.6041-1(e)(5), Example 5; and the instructions for [box 1](#).
- Wages, any bonuses, prizes, and awards paid to employees (report these on Form W-2).
- Military differential wage payments made to employees while they are on active duty in the U.S. Armed Forces or other uniformed services (report on Form W-2).

- Business travel allowances paid to employees (may be reportable on Form W-2).
- Cost of current life insurance protection (report on Form W-2 or Form 1099-R).
- Payments to a tax-exempt organization including tax-exempt trusts (IRAs, HSAs, Archer MSAs, Coverdell ESAs, and ABLE (529A) accounts), the United States, a state, the District of Columbia, a U.S. territory, or a foreign government.
- Payments made to or for homeowners from the HFA Hardest Hit Fund or similar state program (report on Form 1098-MA).
- Compensation for injuries or sickness by the Department of Justice as a PSO disability or survivor's benefit, or under a state program that provides benefits for surviving dependents of a PSO who has died as the direct and proximate result of a personal injury sustained in the line of duty.
- Compensation for wrongful incarceration for any criminal offense for which there was a conviction under federal or state law. See section 139F, Certain amounts received by wrongfully incarcerated individuals.

**State or local sales taxes.** If state or local sales taxes are imposed on the service provider and you (as the buyer) pay them to the service provider, report them on Form 1099-NEC as part of the reportable payment. However, if sales taxes are imposed on you (as the buyer) and collected from you by the service provider, do not report the sales taxes on Form 1099-NEC.

**Form 1099-K.** Payments made with a credit card or payment card and certain other types of payments, including third-party network transactions, must be reported on Form 1099-K by the payment settlement entity under section 6050W and are not subject to reporting on Form 1099-NEC. See the separate Instructions for Form 1099-K.

**Fees paid to informers.** A payment to an informer as an award, fee, or reward for information about criminal activity does not have to be reported if the payment is made by a federal, state, or local government agency, or by a nonprofit organization exempt from tax under section 501(c)(3) that makes the payment to further the charitable purpose of lessening the burdens of government. For more information, see Regulations section 1.6041-3(l).

**Scholarships.** Do not use Form 1099-NEC to report scholarship or fellowship grants. Scholarship or fellowship grants that are taxable to the recipient because they are paid for teaching, research, or other services as a condition for receiving the grant are considered wages and must be reported on Form W-2. Other taxable scholarship or fellowship payments (to a degree or nondegree candidate) do not have to be reported to the IRS on any form, unless section 6050S requires reporting of such amounts by an educational institution on Form 1098-T. See section 117(b)-(d) and Regulations section 1.6041-3(n) for more information.

**Difficulty-of-care payments.** Do not use Form 1099-NEC to report difficulty-of-care payments that are excludable from the recipient's gross income. Difficulty-of-care payments to foster care providers are not reportable if paid for fewer than 11 children under age 19 and fewer than six individuals age 19 or older. See section 131(c). Amounts paid for more than 10 children or more than five other individuals are reportable on Form 1099-NEC.

Certain Medicaid waiver payments may be excludable from income as difficulty-of-care payments. For more information, see Notice 2014-7, available at [IRS.gov/irb/](https://www.irs.gov/irb/)

[2014-4 IRB#NOT-2014-7](#); and Medicaid waiver payments frequently asked questions (FAQs), available at [IRS.gov/Individuals/Certain-Medicaid-Payments-May-Be-Excludable-From-Income](https://www.irs.gov/Individuals/Certain-Medicaid-Payments-May-Be-Excludable-From-Income).

**Canceled debt.** A canceled debt is not reportable on Form 1099-NEC. Canceled debts reportable under section 6050P must be reported on Form 1099-C. See the Instructions for Forms 1099-A and 1099-C.

**Employee business expense reimbursements.** Do not use Form 1099-NEC to report employee business expense reimbursements. Report payments made to employees under a nonaccountable plan as wages on Form W-2. Generally, payments made to employees under an accountable plan are not reportable on Form W-2, except in certain cases when you pay a per diem or mileage allowance. For more information, see the [General Instructions for Forms W-2 and W-3](#), and [Pub. 463](#). For information on reporting employee moving expense reimbursements on Form W-2, see the [General Instructions for Forms W-2 and W-3](#).

## Statements to Recipients

If you are required to file Form 1099-NEC, you must furnish a statement to the recipient. For more information about the requirement to furnish a statement to each recipient, and truncation, see part M in the current year General Instructions for Certain Information Returns.

You can furnish each recipient with a single payee statement reporting all Form 1099-NEC payment types. You are required to furnish the payee statements and file with the IRS by January 31.

### Truncating recipient's TIN on payee statements.

Pursuant to Regulations section 301.6109-4, all filers of this form may truncate a recipient's TIN (social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN)) on payee statements. Truncation is not allowed on any documents the filer files with the IRS. A payer's TIN may not be truncated on any form. See part J in the current year General Instructions for Certain Information Returns.

### 2nd TIN Not.

You may enter an "X" in this box if you were notified by the IRS twice within 3 calendar years that the payee provided an incorrect TIN. If you mark this box, the IRS will not send you any further notices about this account.

However, if you received both IRS notices in the same year, or if you received them in different years but they both related to information returns filed for the same year, do not check the box at this time. For purposes of the two-notices-in-3-years rule, you are considered to have received one notice and you are not required to send a second "B" notice to the taxpayer on receipt of the second notice. See part N in the current year General Instructions for Certain Information Returns for more information.



*For information on the TIN Matching System offered by the IRS, see the current year General Instructions for Certain Information Returns.*

## Corrections to Form 1099-NEC

If you need to correct a Form 1099-NEC that you have already sent to the IRS:

- For paper forms, see part H in the current year General Instructions for Certain Information Returns; or
- For electronic corrections, see Pub. 1220.



If you are filing a correction on a paper form, do not check the VOID box on the form. A checked VOID box alerts IRS scanning equipment to ignore the form and proceed to the next one. Your correction will not be entered into IRS records if you check the VOID box.

## Recipient's TIN

Enter the recipient's TIN using hyphens in the proper format. SSNs, ITINs, and ATINs should be in the XXX-XX-XXXX format. EINs should be in the XX-XXXXXXX format.



You should make every effort to ensure that you have the correct type of number reported in the correct format.

## Account Number

The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 1099-NEC. See part L in the current year General Instructions for Certain Information Returns.

## Box 1. Nonemployee Compensation

Enter nonemployee compensation (NEC) of \$600 or more. Include fees, commissions, prizes and awards for services performed as a nonemployee, and other forms of compensation for services performed for your trade or business by an individual who is not your employee. Include oil and gas payments for a working interest, whether or not services are performed. Also include expenses incurred for the use of an entertainment facility that you treat as compensation to a nonemployee. Federal executive agencies that make payments to vendors for services, including payments to corporations, must report the payments in this box. See Rev. Rul. 2003-66.

**What is NEC?** If the following four conditions are met, you must generally report a payment as NEC.

- You made the payment to someone who is not your employee.
- You made the payment for services in the course of your trade or business (including government agencies and nonprofit organizations).
- You made the payment to an individual, partnership, estate, or, in some cases, a corporation.
- You made payments to the payee of at least \$600 during the year.

**Self-employment tax.** Generally, amounts paid to individuals that are reportable in [box 1](#) are subject to self-employment tax. If payments to individuals are not subject to this tax, report the payments in [box 3](#) of Form 1099-MISC. However, report section 530 (of the Revenue Act of 1978) worker payments in [box 1](#) of Form 1099-NEC.

**Examples.** The following are some examples of payments to be reported in [box 1](#).

- Professional service fees, such as fees to attorneys (including corporations), accountants, architects, contractors, engineers, etc.
- Fees paid by one professional to another, such as fee-splitting or referral fees.
- Payments by attorneys to witnesses or experts in legal adjudication.

- 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. For example, report the total insurance company payments to an auto repair shop under a repair contract showing an amount for labor and another amount for parts, if furnishing parts was incidental to repairing the auto.

- Commissions paid to nonemployee salespersons that are subject to repayment but not repaid during the calendar year.
- A fee paid to a nonemployee, including an independent contractor, or travel reimbursement for which the nonemployee did not account to the payer, if the fee and reimbursement total at least \$600. To help you determine whether someone is an independent contractor or an employee, see [Pub. 15-A](#).

- Payments to nonemployee entertainers for services. Use Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, for payments to nonresident aliens.

- Exchanges of services between individuals in the course of their trades or businesses. For example, an attorney represents a painter for nonpayment of business debts in exchange for the painting of the attorney's law offices. The amount reportable by each on Form 1099-NEC is the FMV of their own services performed. However, if the attorney represents the painter in a divorce proceeding, this is an activity that is unrelated to the painter's trade or business. The attorney must report on Form 1099-NEC the value of their services. But the painter need not report on Form 1099-NEC the value of painting the law offices because the work is in exchange for legal services that are separate from the painter's business.

- Taxable fringe benefits for nonemployees. For information on the valuation of fringe benefits, see [Pub. 15-B](#).
- Gross oil and gas payments for a working interest.
- Payments to an insurance salesperson who is not your common law or statutory employee. See [Pub. 15-A](#) for the definition of employee. However, for termination payments to former insurance salespeople, see the instructions for [box 3](#) of Form 1099-MISC.
- Directors' fees as explained under [Directors' fees](#), earlier.
- Commissions paid to licensed lottery ticket sales agents as explained under [Commissions paid to lottery ticket sales agents](#), earlier.
- Payments to section 530 (of the Revenue Act of 1978) workers. See the *TIP* under [Independent contractor or employee](#), earlier.

**Golden parachute payments.** A parachute payment is any payment that meets all of the following conditions.

1. The payment is in the nature of compensation.
2. The payment is to, or for the benefit of, a disqualified individual. A disqualified individual is one who at any time during the 12-month period prior to and ending on the date of the change in ownership or control of the corporation (the disqualified individual determination period) was an employee or independent contractor and was, in regard to that corporation, a shareholder, an officer, or a highly compensated individual.
3. The payment is contingent on a change in the ownership of a corporation, the effective control of a corporation, or the ownership of a substantial portion of the assets of a corporation (a change in ownership or control).
4. The payment has (together with other payments described in (1), (2), and (3), above, made to the same individual) an aggregate present value of at least three times the individual's base amount.

For more details, see Regulations section 1.280G-1. Also, see Rev. Proc. 2003-68, which is on page 398 of Internal Revenue Bulletin 2003-34 at [IRS.gov/irb/2003-34\\_IRB#RP-2003-68](https://www.irs.gov/irb/2003-34_IRB#RP-2003-68), concerning the valuation of stock options for purposes of golden parachute payment rules. For the treatment of unvested shares of restricted stock, see Rev. Rul. 2005-39, available at [IRS.gov/irb/2005-27\\_IRB#RR-2005-39](https://www.irs.gov/irb/2005-27_IRB#RR-2005-39).

**Independent contractor.** Enter in [box 1](#) the total compensation, including any golden parachute payment. For excess golden parachute payments, see the instructions for [box 14](#) of Form 1099-MISC.

For employee reporting of these payments, see [Pub. 15-A](#).

**Payments not reported in box 1.** Do not report in box 1:

- 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), and 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).

### **Box 2. Payer Made Direct Sales Totaling \$5,000 or More**

Enter an "X" in the checkbox for sales by you totaling \$5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other commission basis for resale (by the buyer or any other person) anywhere other than in a permanent retail establishment. Do not enter a dollar amount in this box.

You may either use box 2 on Form 1099-NEC or [box 7](#) on Form 1099-MISC to report the direct sales totaling \$5,000 or more. If you use Form 1099-NEC to report these sales, then you are required to file the Form 1099-NEC with the IRS by January 31.



*Report these sales on only one form.*

The report you must give to the recipient for these direct sales need not be made on the official form. It may be in the form of a letter showing this information along with commissions, prizes, awards, etc.

### **Box 4. Federal Income Tax Withheld**

Enter backup withholding. For example, persons who have not furnished their TINs to you are subject to withholding on payments required to be reported in [box 1](#). For more information on backup withholding, including the rate, see part N in the current year General Instructions for Certain Information Returns.

### **Boxes 5–7. State Information**

These boxes are provided for your convenience only and need not be completed for the IRS. Use the state information boxes to report payments for up to two states. Keep the information for each state separated by the dash line. If you withheld state income tax on this payment, you may enter it in box 5. In box 6, enter the abbreviated name of the state and the payer's state identification number. In box 7, you may enter the amount of the state payment.

If a state tax department requires that you send them a paper copy of this form, use Copy 1 to provide information to the state tax department. Give Copy 2 to the recipient for use in filing the recipient's state income tax return.

---

## Index

---

### A

Agricultural workers, foreign [5](#)  
Armed Forces [3, 8](#)  
Attorneys' fees and gross  
proceeds [2, 6, 8, 10](#)

---

### B

Backup withholding [2, 6, 8, 11](#)  
Broker transactions [1, 6](#)

---

### C

Canceled debt [3, 9](#)  
Coin-operated amusements [4](#)  
Commissions [8, 10](#)  
Construction project, escrow  
agent [3, 8](#)  
Consumer products totaling \$5,000,  
indicator for [1](#)  
Corporations, payments to [2, 8, 10](#)  
Corrections [4, 9](#)  
Crop insurance proceeds [1, 6](#)

---

### D

Damages [5](#)  
Deceased employee's wages [2, 6, 11](#)  
Difficulty-of-care payments [9](#)  
Direct sales of consumer products for  
resale [1](#)  
Direct Sales totaling \$5,000 [11](#)  
Directors' fees [8, 10](#)

---

### E

Excess golden parachute payments [7](#)  
Exchange of services [10](#)

---

### F

FATCA filing requirements [4, 5, 7, 10](#)  
Fees [1, 3, 7-10](#)  
Fish purchases for cash [6](#)

---

Fish purchases for resale [7](#)  
Fishing boat proceeds [6](#)  
Foreign agricultural workers [5](#)  
Form 1099-K [3, 9](#)  
Form W-9 [2, 8](#)  
Former insurance salesperson,  
termination payments [5, 6, 10, 11](#)

---

### G

Golden parachute payments [10](#)  
Gross proceeds, attorneys [2, 6, 8, 10](#)

---

### H

Health care services, payments [1, 6,](#)  
[9](#)

---

### I

Independent contractor payments [8,](#)  
[10](#)  
Indian gaming profits [3](#)  
Informants, fees [3, 9](#)

---

### L

Lottery ticket agents, commissions [8,](#)  
[10](#)

---

### M

Medical payments [9](#)  
Medical research payments [5](#)  
Medical services payments [6](#)  
Military differential payments [3, 8](#)  
Miscellaneous information [1](#)

---

### N

Nonemployee compensation [7](#)  
Nonemployee compensation  
(NEC) [10](#)  
Nonqualified deferred  
compensation [7](#)

---

### O

Other income [5](#)

---

### P

Parking, value of [8](#)  
Payment card transactions [3, 6, 8, 11](#)  
Prizes and awards [5](#)  
Punitive damages [5](#)

---

### R

Rents [1, 4](#)  
Resale of fishes [7](#)  
Royalties [1, 4](#)

---

### S

Sale of fish to reseller by fishing boat  
operator [1](#)  
Scholarships [3, 9](#)  
Section 409A deferrals [7](#)  
Section 409A income [7](#)  
Section 530 worker [8, 10](#)  
Self-employment tax [10](#)  
State and local sales taxes [9](#)  
State Information [7, 11](#)  
Substitute payments in lieu of  
dividends or tax-exempt interest [1,](#)  
[6](#)

---

### T

Taxpayer identification number [2, 8](#)  
Termination payments, insurance  
salespeople [5, 10](#)  
Trade or business [2, 7](#)  
Transit passes [8](#)

---

### W

Withholding:  
Backup [2, 6, 8, 11](#)  
Indian gaming [3, 6, 11](#)

---