

# Changes to the 1099 Form for 2020

*by Karin M. Smith, MBA, SFO, CFE, Consulting Partner*

Posted on November 18, 2020

The image shows a 1099-MISC tax form for the year 2020. The form is tilted and placed on a wooden surface. The large number '1099' is prominently displayed in the center. To the right of the main form area, there is a vertical strip with the year '20' and 'Form 1'. The form includes several sections for reporting income, such as '1 Rents', '2 Royalties', '3 Other income', '5 Fishing boat proceeds', '7 Nonemployee compensation', and '9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale'. There are also fields for 'PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.', 'PAYER'S TIN', 'RECIPIENT'S TIN', 'RECIPIENT'S name', and 'Street address (including apt. no.)'. The form is marked with checkboxes for 'VOID' and 'CORRECTED'.

I think we can all agree we are ready for 2020 to come to an end! With calendar year end brings certain tax-related filings. Most entities will be filing W2s to report their employees' wages and taxes and 1099s for vendors. The 1099 is one of several tax forms used to report certain types of income other than wages. Most governmental and non-profit entities are familiar with a 1099-Misc which is used to report rents, medical/health care payments, payments to attorneys, and payments to independent contractors.

2020 presented a number of changes, and the new requirements for 1099s add one more change to the list. Starting this year, entities will be required to issue a 1099-NEC for independent contractor payments over \$600. Previously, this was reported on the 1099-Misc in box 7 – non-employee compensation. Notice that? Yes, the NEC form stands for Non-Employee Compensation! The payment of non-employee compensation will be reported in box 1 on the new 1099-NEC.

Some of you may recall a form similar to this used in the early 1980s. This form has been brought back to address confusion created by the PATH (Protecting Americans from Tax Hikes) Act of 2015. That Act established different due dates for the various types of income reported on the 1099-MISC, leading to undeserved penalty notices for filers. The renewed 1099-NEC form separates out nonemployee compensation from other sections of the 1099-MISC and imposes a filing deadline of Feb. 1, 2021.

It is important to know that the 1099-NEC does NOT replace the 1099-Misc. Many entities will still have certain payments reported on the 1099-Misc such as rents, medical/health care payments and payments to attorneys.

So let's review...

	1099-Misc	1099-NEC
Types of Payment	<ul style="list-style-type: none"><li>• Rent</li><li>• Prizes &amp; Awards</li><li>• Other Income Payments</li><li>• Medical &amp; Health Care Payments</li><li>• Crop Insurance Payments</li><li>• Gross Proceeds Paid to an Attorney</li><li>• Fishing Boat Proceeds</li></ul>	<ul style="list-style-type: none"><li>• Non-Employee Compensation over \$600 during the calendar year</li><li>• Cash payments for fish</li><li>• Payments to attorneys</li></ul>
Due Date	<ul style="list-style-type: none"><li>• March 1, 2021 – paper filing</li><li>• March 31, 2021 – electronic filing</li></ul>	<ul style="list-style-type: none"><li>• February 1, 2021 (note – typically due 1/31 however this falls on a Sunday in 2021)</li></ul>

For more information on the new requirements, review the Instructions for Forms 1099-Misc and 1099-NEC found on the IRS website – <https://www.irs.gov/pub/irs-pdf/i1099misc.pdf>

Additionally, HeinfeldMeech is offering a webinar on this topic on Monday, January 11, 2021. For more information, visit [our website](#) or the [online event page](#) directly.

*The content of these pages is for general information purposes only and does not constitute advice. Heinfeld, Meech & Co., P.C. tries to provide content that is true and accurate as of the date of writing; however, we give no assurance or warranty regarding the accuracy, timeliness, or applicability of any of the contents.*