

Here are some guidelines to help determine if a vendor needs to be set up as a 1099 vendor.

1099 Rules & Regulations

Who must file?

Persons engaged in a trade or business must file Form 1099 MISC when certain payments are made. A person is engaged in business if he or she operates for profit; thus, personal payments aren't reportable.

Payments to Report

A Form 1099 MISC must be filed for each person to whom payment is made of:

- \$600 or more for services performed for a trade or business by people not treated as employees;
- Backup Withholding (all amounts);
- Rent or prizes and awards that are not for service (\$600 or more) and royalties (\$10 or more);
- All payments to crew members by owners or operators of fishing boats;
- Payments of \$600 or more to a supplier of health and medical services; and
- Crop insurance proceeds.

Payments made to corporations, except those made for medical or health care services and attorney fees, are not required to be reported on Form 1099 MISC.

Non-Employee payments – Non-employee payments are reported in Box 7 of Form 1099 MISC. Non-employee payments include fees, commissions, prizes and awards, and other forms of compensation provided for services performed for a trade or business by an individual who is not an employee. If the following four conditions are met, a payment generally is reportable as non-employee compensation:

- The taxpayer made the payment to someone who is not an employee;
- The payment was made for services in the course of a trade or business;
- The payment was made to someone other than a corporation; and
- Payments of at least \$600 were made to the payee during the year.

Real Estate Agents

Real estate agents must report on Form 1099 MISC rents collected for property owners before deduction of commissions, fees, or other expenses if the amount paid to any one property owner totals \$600 or more during the calendar year.

Payments for Services

When a business pays an independent contractor for services performed in the course of that business, the service recipient must file Form 1099 MISC if the payment is \$600 or more for the year, unless the service provider is a Corporation.

Direct Sales

The law requires information reporting on Form 1099 MISC for certain direct sellers. This requirement applies to persons who, in the course of a business, sell consumer products on a buy/sell basis, deposit/commission basis, or any similar basis to any buyer who (1) sells such product in a home or other than in a store or (2) sells these products to another seller. Sales of \$5000 or more are reportable.

Deceased Employee Wages

If an employee dies during the year, the employer must report the accrued wages, annual leave pay, and other compensation paid to an estate or beneficiary after death on Form 1099 MISC; this applies whether the payment is made in the year of death or after the year of death.

Listed below are a few examples of payments that should be reported on Form 1099 MISC

Medical Services

- Medical & Dental Services
- Hospitalization
- Medical Assistance Benefits
- All payments to Medical Service Corporations

Non-Employee Compensation

- Occasional Salaries & Wages (to Non-Employees)
- Professional Service Payments
 - Advertising
 - Appraisal
 - Architectural
 - Attorney
 - Auditing
 - Board Members
 - Chaplains
 - Computer Programming
 - Consulting
 - Design & Testing
 - Engineering
 - Evaluation Consultant

- Graphic Artist
- Institution Contracts
- Teacher/Instructor

Maintenance & Repairs

- Commercial Repairs – Hwy Vehicles
- Contracted Repairs
- Computer Repairs
- Extermination Services
- Janitorial Services
- Maintenance Agreements
- Protection & Security Services

Law Enforcement & Court Services

- Court Reporters
- Court Appointed Workers
- Expert Witnesses
- Prison Labor Allowance
- Non-Employee Allowance

Other Services

- Armored Car
- Cleaning
- Construction
- Key punch
- Laundry
- Parcel & Delivery
- Printing
- Refuse Collection
- Security

Rents (except rent paid to real estate brokers)

- Real Property
- Other Property

Note: This is only a partial listing of accepted 1099 MISC Vendors.

If a vendor is entered as a 1099 vendor and it doesn't look correct, the Vendor Maintenance team will research the problem. It may mean a phone call to the person who entered the vendor or a phone call to the vendor directly.