

**What Businesses need to know about issuing Form 1099-MISC and 1099-NEC for the 2023 tax year**

Form 1099-MISC and 1099-NEC are due to the recipient by **1/31/2024** and they are also due to the IRS by **1/31/2024.**  The 1099-NEC was new for 2020 and is specifically to report non-employee compensation (NEC).

Generally, a business is required to issue Form 1099-MISC to an individual or business that they **paid over $600** in 2023 for rent, services, commissions, medical or health care payments, prizes, awards and other payments. You are required to issue Form 1099-MISC for payments you made in the course of your trade or business. They are not issued for personal purposes.

A 1099-NEC is issued to each individual or attorney payments to whom you have **paid at least $600** to during the year for services performed by someone that is not your employee and for payments to an attorney.

There can be some **steep penalties** for failure of a business to issue Form 1099-MISC. The IRS can charge penalties of up to $270 per omitted, incorrect or incomplete 1099.

**Basic information you need to know:**

A business is required to issue Form 1099-MISC if the business paid over $600 to a vendor or sub-contractor during the normal course of business. You issue Form 1099-MISC to partnerships, Limited Liability companies (LLC) and Estates. You issue 1099-NEC to individuals and attorneys.

Make sure you obtain a **W-9** from the payee so that you have all the information necessary to complete the Form 1099-MISC or 1099-NEC at year end. It is easier to obtain the W-9 before you send the vendor or sub-contractor a payment.

**Exceptions**: **You do NOT need to issue a Form 1099-MISC if:**

1. The vendor or sub-contractor is a S or C Corporation
2. The vendor sells you inventory or freight
3. If you paid the vendor via credit card or Pay Pal (the credit card or Pay Pal company will issue a 1099-K for these payments)
4. Tax-exempt organizations

You still need to send Form 1099-MISC to **your lawyer** even if your lawyer is an S or C Corporation if you paid them more than $600.

You need to have a **pre-printed** Form 1099-MISC unless you will be filing the IRS copy electronically. You can order them from the IRS, or pick them up from the post office or library. If you want to print them from your accounting software you can go to any office supply store to purchase pre-printed forms.

More information is available from the IRS at:

<https://www.irs.gov/pub/irs-pdf/i1099mec.pdf>