

# WHO SHOULD BE ISSUED A 1099?

## Payments Requiring 1099-MISC

1. Determine that you paid \$600 or more in “**compensation**” for services rendered by a “**nonemployee**” to your trade or business. Trade or business also includes rental properties. These services **do not** have to be performed by someone helping you derive revenue. They could be any individual, partnership or LLC that you pay to perform some act for your business. Remember an LLC is not considered a corporation or Incorporated.
  - Subcontractor “needs a 1099” – a person you hire to help you provide services to your customers within your business. They help you generate income for your business. Incorporated Subcontractors do not need a 1099.
  - Vendor “needs a 1099” – a person who you hire to provides your business a service, i.e. fix the plumbing, repair a door, roof, window, computer, appliance, etc. Purchasing supplies or other items is not considered compensation for a service. Compensation for a service is considered as an act provided by a person not the buying of an item. Incorporated Subcontractors do not need a 1099.
2. Determine that you paid \$600 or more in “**rent**” for office space, machines, equipment or land in the course of your trade or business to any individual, partnership or LLC. This does not include a corporation. Remember an LLC is not a corporation.
3. Verify that your trade or business paid \$600 or more to an attorney, partnership, LLC or corporation for any legal services. Corporation are not exempt from receiving a 1099 for these types of payments.

We advise everyone to have whomever you hire to render services for your business fill out a W-9 form before the work is started unless they are exempt from having to be issued a 1099. This way you have their information for the year end to fill out the 1099's that have to be issued.

This is **mandatory!!!** The IRS is issuing heavy fines and penalties to anyone that is audited and determined not to have followed the guidelines and did not issue 1099's like required.

If you are not sure if an individual, partnership, LLC, or even on certain occasions a corporation, fall into a category to be issued a 1099 please contact the office and our trained professionals will answer your questions.