

Tax Notes

New IRS Form 1099-NEC, Nonemployee Compensation, for 2020 Payments

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The IRS has recently released a draft of a new form, Form 1099-NEC, which will be used to report payments for Nonemployee Compensation paid in 2020. Payments made prior to 2020 have previously been made using Form 1099-MISC, box 7, Nonemployee Compensation (NEC).

This new Form 1099-NEC will only be used for reporting Nonemployee Compensation, while the 1099-MISC will continue to be used for other types of payments traditionally reported on the Form 1099-MISC.

Nonemployee Compensation Reporting Conditions

Generally speaking, Nonemployee Compensation must be reported if the following four conditions are met:

1. Payment is made for services in the course of the payor's trade or business. (This includes government agencies and nonprofit organizations.)
2. The payment is made to an individual, partnership, estate, or, in certain cases, a corporation.
3. That payment is made to someone who is not the payor's employee.
4. The payments made to the payee are, in total, at least \$600 throughout the year.

Background and Timing

Beginning with payments for services paid in 2017, The Protecting Americans from Tax Hikes Act (Section 201, PL 114-113), required that a payor who reported Nonemployee Compensation must file Form 1099-MISC by January 31st of the following year. However, if a payor were only reporting payments other than Nonemployee Compensation, then they would have until March 31st of the following year to file Form 1099-MISC with the IRS. This has led to confusion among taxpayers as to when they must properly file.

Although a draft form of the 2020 1099-MISC has yet to be released, it is presumed that it will no longer include a line to report Nonemployee Compensation and that payments reported on the 1099-MISC will not be required to be reported by January 31st. This should alleviate taxpayer confusion regarding IRS filing deadlines.

It is important to note that the deadlines for issuing the recipient copies of the various forms are not necessarily the same as the IRS filing deadlines. For 2018 and 2019 the due date for giving the recipient the 1099-MISC remains January 31st. It is not clear at this time if there will be a change for 2020.

Link to Draft Form 1099-NEC

Click [here](#) for draft of the new 1099-NEC.

Contact Us

If you have any questions about the new Form 1099-NEC, please contact your account tax team at PKF O'Connor Davies or any of the individuals listed below:

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