

1099-NEC (Nonemployee Compensation) Filing Requirements

Starting with tax year 2020, Form 1099-NEC replaces Form 1099-MISC to report all nonemployee compensation.

The 1099-MISC form will still exist for reporting other types of payments such as rents, royalties, other income, awards/prizes, medical/healthcare payments, and many more.

When is Form 1099-NEC required?

In 2025, if you pay \$600 or more for services rendered to your business, you MUST file Form 1099-NEC. Beginning in 2026 the new threshold increases to \$2,000. Payments to a Corporation (unless it's an Attorney) do not require filing a Form 1099-NEC, but payments to Partnerships and non-corporate LLC's do require filing the form.

Please note: Payments made with a credit card or third-party network transactions (such as PayPal and Venmo) must be reported on Form 1099-K by those payment settlement entities. Zelle payments do not apply. If you pay using Zelle you will need to file a 1099-NEC or MISC if an Attorney.

How to proceed:

- Solicit the taxpayers TIN. This should be made at the FIRST transaction when the service occurs.
- You can solicit this by furnishing the service provider with a current W-9 (Request for Taxpayer Identification Number and Certification). This form asks for the payee's name, address, tax classification, and ID number (either an EIN or Social Security Number)
- If you fail to secure a W-9 before making the first payment, the law requires you to withhold 24% backup withholding from the payment.
- Keep the W-9 form you receive on file.
- You can request a new W-9 form each year to verify address, TIN, and tax classification.

Due date for filing 1099-NEC

You must furnish Copy B to the recipient and Copy A (along with Form 1096 if mailed) to the IRS by January 31st.

Penalties for non-compliance:

You can be penalized for filing late, not including all the required information, not including the correct information, filing an incorrect TIN, or not reporting a TIN.

As of 2025, the current penalty for late filing is:

\$60 per 1099 for the first 30 days

\$130 per 1099 if filed between 30 days and August 1

\$330 per 1099 if filed after August 1

\$660 per 1099 if failure to file is due to “intentional disregard”