



1099-MISC *Chris Valponi, CPA*

To whom and when should our organization issue an IRS Form 1099-MISC? Simply stated, in most cases, a nonprofit will be required to issue an IRS Form 1099-MISC when payments are made to a non-employee person totaling \$600 or more per year in exchange for services, not goods, in the normal course of your organization's trade or business.

The IRS defines more specific rules on filing an IRS Form 1099 to be; for each person to whom your organization has paid during the year:

- At least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest;
- At least \$600 in rents, services (including parts and materials, but not goods), prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish, or, generally, the cash paid from a notional principal contract to an individual, partnership, or estate;
- Any fishing boat proceeds,
- Gross proceeds of \$600, or more paid to an attorney during the year, or
- Withheld any federal income tax under the backup withholding rules regardless of the amount of the payment.

Also, use the IRS Form 1099-MISC to report that your organization made direct sales of at least \$5,000 of consumer products to a buyer for resale anywhere other than a permanent retail establishment.

Generally your organization does not have to report an IRS Form 1099-MISC to C Corporations or S Corporations; however, there are some exceptions:

- Medical and health care payments (such as for pre-employment physicals)
- Fish purchases for cash
- Attorney's fees
- Gross proceeds paid to an attorney (such as for legal settlements)
- Substitute payments in lieu of dividends or tax-exempt interest
- Payments by a federal executive agency for services

Remember another nonprofit profit organization is considered a corporation. From the IRS' stand point, an "organization" is not recognized as a type of legal business entity and therefore your organization has no requirement to issue an IRS Form 1099-MISC to another nonprofit organization

Finally the person who provides the service must not be an employee of your organization. Instead, he or she must be classified as an independent contractor. Simply put if your organization has the right to control and direct how the person's work is done, then they are

likely an employee and your organization is not required to file an IRS Form 1099-MISC. For more detailed information on performing an [Employee versus Independent Contractor test](#).

For more information on the IRS Form 1099-MISC or if you have questions regarding when and how to issue an IRS Form 1099-MISC, please contact a Zinner and Co. nonprofit or tax professional.