Instructions for Forms 1099-MISC and 1099-NEC

(Rev. December 2026)

Miscellaneous Information and Nonemployee Compensation

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Forms 1099-MISC and 1099-NEC and their instructions, such as legislation enacted after they were published, go to *IRS.gov/Form1099MISC* or *IRS.gov/Form1099NEC*.

You can get Pub. 1099, General Instructions for Certain Information Returns at *IRS.gov/Pub1099*.

What's New

Address fields. For the Payer's and Recipient's information, we separated the address fields into individual entry boxes.

***E-filing* returns.** The Taxpayer First Act of 2019 authorized the Department of the Treasury and the IRS to issue regulations that reduce the 250-return *e-file* threshold. T.D. 9972, published February 23, 2023, lowered the *e-file* threshold to 10 (calculated by aggregating all information returns), effective for information returns required to be filed on or after January 1, 2024. Go to *IRS.gov/InfoReturn* for *e-file* options.

Increase in threshold for requiring filing of certain information returns and backup withholding. For tax years beginning after 2025, the minimum threshold amount for reporting certain payments required to be reported on certain information returns and/or perform backup withholding on those payments increased to $2,000 and may be adjusted for inflation beginning in calendar year 2027.

New boxes 1b and 13a. P.L. 119-21, section 70201, requires the reporting of cash tips. These new boxes were added to facilitate this reporting requirement for Forms 1099-NEC and 1099-MISC. For more information, see the specific instructions for these boxes, later.

New boxes 1c and 13b. Use the Treasury Tipped Occupation Code(s) to identify the tipped occupation(s) for Forms 1099-NEC and 1099-MISC. For more information, see the specific instructions for these boxes, later.

New boxes 1d and 14. P.L. 119-21, Section 70202(a), requires the reporting of overtime compensation. These new boxes were added to facilitate this reporting requirement for Forms 1099-NEC and 1099-MISC. For more information, see the specific instructions for these boxes, later.

Reminders

Continuous-use revision. Use the December 2026 revision of Form 1099-MISC and Form 1099-NEC and these instructions to file 2026 information with the IRS in early 2027. Also, use them to furnish the information to the recipient. Continue to use these revisions for subsequent years until we issue a superseding revision. Do not use these revisions for prior years.

Corrections to forms. If you need to correct a Form 1099-MISC or Form 1099-NEC that you have already sent to the IRS:

- For paper forms, see part H in the current Pub. 1099; or
- For electronic corrections in the IRIS Application to Application system, see Pub. 5718. For electronic corrections in the IRS Portal system, see Pub. 5717.

Caution: If you are filing a correction on a paper form, do not check the VOID box on the form. A checked VOID box alerts IRS scanning equipment to ignore the form and proceed to the next one. Your correction will not be entered into IRS records if you check the VOID box.

Excess golden parachute payments. Excess golden parachute payments are no longer reported on Form 1099-MISC. You can now report these payments on Form 1099-NEC, box 3. See *Excess Golden Parachute Payments*, later, for more information.

Filing dates. Section 6071(c) requires you to file Form 1099-NEC on or before January 31, using either paper or electronic filing procedures. File Form 1099-MISC by February 28, if you file on paper, or March 31, if you file electronically. If any date shown falls on a Saturday, Sunday, or legal holiday in the District of Columbia or where the return is to be filed, the due date is the next business day. Leap years do not impact the due date. See Announcement 91-179, 1991-49 I.R.B. 78, for more information.

Form 1099-K. Payments made with a credit card or payment card and certain other types of payments, including third-party network transactions, must be reported on Form 1099-K by the payment settlement entity under section 6050W and are not subject to reporting on Form 1099-MISC or Form 1099-NEC. See the separate Instructions for Form 1099-K.

Form 1099-NEC, box 1a. Box 1a will not be used for reporting under section 6050R, regarding cash payments for the purchase of fish for resale purposes.

Form 1099-NEC, box 2. Payers may use either box 2 on Form 1099-NEC or box 7 on Form 1099-MISC to report any sales totaling $5,000 or more of consumer products for resale, on a buy-sell, a deposit-commission, or any other basis. For further information, see the instructions for box 2 (Form 1099-NEC) or box 7 (Form 1099-MISC).

General instructions. In addition to these specific instructions, you should also use Pub. 1099, General Instructions for Certain Information Returns. Pub. 1099 includes information about the following topics.

- Who must file.
- When and where to file.
- Electronic reporting.
- Corrected and void returns.
- Statements to recipients.
- Taxpayer identification numbers (TINs).

- Backup withholding.
- Penalties.
- The definitions of terms applicable for the purposes of chapter 4 of the Internal Revenue Code that are referenced in these instructions.
- Other general topics.

Information Returns Intake System (IRIS). The IRS has developed IRIS, an online portal for *e-filing* information returns. Go to *IRS.gov/IRIS* for more information.

Online fillable copies. To ease statement furnishing requirements, Copies 1, B, and 2 have been made fillable online in a PDF format available at *IRS.gov/Form1099MISC* and *IRS.gov/Form1099NEC*. You can complete these copies online for furnishing statements to recipients and for retaining in your own files.

Trade or business reporting only. Report on Form 1099-MISC or Form 1099-NEC only when payments are made in the course of your trade or business. Personal payments are not reportable. You are engaged in a trade or business if you operate for gain or profit. However, nonprofit organizations are considered to be engaged in a trade or business and are subject to these reporting requirements. Other organizations subject to these reporting requirements include trusts of qualified pension or profit-sharing plans of employers, certain organizations exempt from tax under section 501(c) or (d), farmers' cooperatives that are exempt from tax under section 521, and widely held fixed investment trusts. Payments by federal, state, or local government agencies are also reportable.

Specific Instructions for Form 1099-MISC

File Form 1099-MISC, Miscellaneous Information, for each person in the course of your business to whom you have paid the following during the year.

- At least $10 in royalties (see the instructions for box 2) or broker payments in lieu of dividends or tax-exempt interest (see the instructions for box 8).
- Any fishing boat proceeds received (box 5).
- At least $600 in gross proceeds paid to an attorney (box 10) (see *Payments to attorneys*, later).
- At least $2,000 in:
  1. Rents (box 1);
  2. Prizes and awards, including certain non-government grants (box 3);
  3. Other income payments (box 3);
  4. Generally, the cash paid from a notional principal contract to an individual, partnership, or estate (box 3);
  5. Medical and health care payments (box 6);
  6. Crop insurance proceeds (box 9);
  7. Section 409A deferrals (box 12); or
  8. Nonqualified deferred compensation (box 15).

You may either file Form 1099-MISC (box 7) or Form 1099-NEC (box 2) to report sales totaling $5,000 or more of consumer products to a person on a buy-sell, a deposit-commission, or other commission basis for resale.

Caution: If you use Form 1099-NEC to report sales totaling $5,000 or more, then you are required to file Form 1099-NEC with the IRS by January 31.

You must also file Form 1099-MISC for each person from whom you have withheld any federal income tax (report in box 4) under the backup withholding rules regardless of the amount of the payment.

Caution: Be sure to report each payment in the proper box because the IRS uses this information to determine whether the recipient has properly reported the payment.

Reportable payments to corporations. The following payments made to corporations must generally be reported on Form 1099-MISC.

- Cash payments for the purchase of fish for resale reported in box 11.
- Medical and health care payments reported in box 6.
- Substitute payments in lieu of dividends or tax-exempt interest reported in box 8.
- Gross proceeds paid to an attorney reported in box 10.

Payments to attorneys. The term "attorney" includes a law firm or other provider of legal services. Attorneys' fees of $2,000 or more paid in the course of your trade or business are reportable in box 1a of Form 1099-NEC, under section 6041A(a)(1).

Gross proceeds paid to attorneys. Under section 6045(f), report in box 10 payments that:

- Are made to an attorney in the course of your trade or business in connection with legal services, but not for the attorney's services, for example, as in a settlement agreement;
- Total $600 or more; and
- Are not reportable by you in box 1a of Form 1099-NEC.

Generally, you are not required to report the claimant's attorney's fees. For example, an insurance company pays a claimant's attorney $100,000 to settle a claim. The insurance company reports the payment as gross proceeds of $100,000 in box 10. However, the insurance company does not have a reporting requirement for the claimant's attorney's fees subsequently paid from these funds.

These rules apply whether or not:

- The legal services are provided to the payer;
- The attorney is the exclusive payee (for example, the attorney's and claimant's names are on one check); or
- Other information returns are required for some or all of a payment under another section of the Code, such as section 6041.

For example, a person who, in the course of a trade or business, pays $2,000 of taxable damages to a claimant by paying that amount to a claimant's attorney is required to:

- Furnish Form 1099-MISC to the claimant, reporting damages pursuant to section 6041, generally in box 3; and
- Furnish Form 1099-MISC to the claimant's attorney, reporting gross proceeds paid pursuant to section 6045(f) in box 10.

For more examples and exceptions relating to payments to attorneys, see Regulations section 1.6045-5.

However, these rules do not apply to wages paid to attorneys that are reportable on Form W-2, Wage and Tax Statement, or to profits distributed by a partnership to its partners that are reportable on Schedule K-1 (Form 1065).

Payments to corporations for legal services. The exemption from reporting payments made to corporations does not apply to payments for legal services. Therefore, you must report attorneys' fees (in box 1a of Form 1099-NEC) or gross proceeds (in box 10 of Form 1099-MISC), as described earlier, to corporations that provide legal services.

Taxpayer identification numbers (TINs). To report payments to an attorney on Form 1099-MISC, you must obtain the attorney's TIN. You may use Form W-9 to obtain the attorney's TIN. An attorney is required to promptly supply its TIN whether it is a corporation or other entity, but the attorney is not required to certify its TIN. If the attorney fails to provide its TIN, the attorney may be subject to a penalty under section 6723 and its regulations, and you must backup withhold on the reportable payments.

Deceased employee's wages. When an employee dies during the year, you must report the accrued wages, vacation pay, and other compensation paid after the date of death. If you made the payment in the same year the employee died, you must withhold social security and Medicare taxes on the payment and report them only as social security and Medicare wages on the employee's Form W-2 to ensure that proper social security and Medicare credit is received. On the Form W-2, show the payment as social security wages (box 3) and Medicare wages and tips (box 5) and the social security and Medicare taxes withheld in boxes 4 and 6; do not show the payment in box 1 of Form W-2.

If you made the payment after the year of death, do not report it on Form W-2 and do not withhold social security and Medicare taxes.

Whether the payment is made in the year of death or after the year of death, you must also report the payment to the estate or beneficiary on Form 1099-MISC. Report the payment in box 3 (rather than as nonemployee compensation). See the *Example* that follows. Enter the name and TIN of the payment recipient on Form 1099-MISC. For example, if the recipient is an individual beneficiary, enter the name and social security number of the individual. If the recipient is the estate, enter the name and employer identification number of the estate. The general backup withholding rules apply to this payment.

Death benefits from nonqualified deferred compensation plans or section 457 plans paid to the estate or beneficiary of a deceased employee are reportable on Form 1099-MISC. Do not report these death benefits on Form 1099-R. However, if the benefits are from a qualified plan, report them on Form 1099-R. See the Instructions for Forms 1099-R and 5498.

Example. Before Bailey's death on June 15, 2026, Bailey was employed and Bailey received $10,000 in wages on which federal income tax of $1,500 was withheld. When Bailey died, Bailey's employer owed Bailey $2,000 in wages and $1,000 in accrued vacation pay. The total of $3,000 (less the social security and Medicare taxes withheld) was paid to Bailey's estate on July 20, 2026. Because Bailey's employer made the payment during the year of death, Bailey's employer must withhold social security and Medicare taxes on the $3,000 payment and must complete Form W-2 as follows.

- Box 1—10000.00 (does not include the $3,000 accrued wages and vacation pay).
- Box 2—1500.00.
- Box 3—13000.00 (includes the $3,000 accrued wages and vacation pay).
- Box 4—806.00 (social security tax withheld).
- Box 5—13000.00 (includes the $3,000 accrued wages and vacation pay).
- Box 6—188.50 (Medicare tax withheld).

Bailey's employer must also complete Form 1099-MISC as follows.

- Boxes for recipient's name, address, and TIN—The estate's or beneficiary's name, address, and TIN.
- Box 3—3,000.00 (Even though amounts were withheld for social security and Medicare taxes, the gross amount is reported here).

If Bailey's employer made the payment after the year of death, the $3,000 would not be subject to social security and Medicare taxes and would not be shown on Form W-2. However, Bailey's employer would still file Form 1099-MISC.

Payments made on behalf of another person. For payments reportable under section 6041, if you make a payment on behalf of another person who is the source of the funds, you may be responsible for filing Form 1099-MISC. You are the payor for information reporting purposes if you perform management or oversight functions in connection with the payment, or have a significant economic interest in the payment (such as a lien). For example, a bank that provides financing to a real estate developer for a construction project maintains an account from which it makes payments for services in connection with the project. The bank performs management and oversight functions over the payments and is responsible for filing information returns for payments of $2,000 or more paid to contractors. For more information, see Regulations section 1.6041-1(e).

Indian gaming profits, payments to tribal members. If you make payments to members of Indian tribes from the net revenues of class II or class III gaming activities conducted or licensed by the tribes, you must withhold federal income tax on such payments. File Form 1099-MISC to report the payments and withholding to tribal members. Report the payments in box 3 and the federal income tax withheld in box 4. *Pub. 15-T* contains the necessary Tables for Withholding on Distributions of Indian Gaming Profits to Tribal Members.

State or local sales taxes. If state or local sales taxes are imposed on the service provider and you (as the buyer) pay them to the service provider, report them on Form 1099-MISC as part of the reportable payment. However, if sales taxes are imposed on you (as the buyer) and collected from you by the service provider, do not report the sales taxes on Form 1099-MISC.

Exceptions

Some payments do not have to be reported on Form 1099-MISC, although they may be taxable to the recipient. Payments for which a Form 1099-MISC is not required include all of the following.

- Generally, payments to a corporation (including a limited liability company (LLC) that is treated as a C or S corporation). However, see *Reportable payments to corporations*, earlier.
- Payments for merchandise, telegrams, telephone, freight, storage, and similar items.
- Payments of rent to real estate agents or property managers. However, the real estate agent or property manager must use Form 1099-MISC to report the rent paid over to the property owner. See Regulations section 1.6041-3(d); Regulations section 1.6041-1(e)(5), Example 5; and, the instructions for box 1.
- Wages paid to employees (report on Form W-2).
- Military differential wage payments made to employees while they are on active duty in the U.S. Armed Forces or other uniformed services (report on Form W-2).

- Business travel allowances paid to employees (may be reportable on Form W-2).
- Cost of current life insurance protection (report on Form W-2 or Form 1099-R).
- Payments to a tax-exempt organization including tax-exempt trusts (IRAs, HSAs, Archer MSAs, Coverdell ESAs, and ABLE (529A) accounts), the United States, a state, the District of Columbia, a U.S. territory, or a foreign government.
- Compensation for injuries or sickness by the Department of Justice as a public safety officer (PSO) disability or survivor's benefit, or under a state program that provides benefits for surviving dependents of a PSO who has died as the direct and proximate result of a personal injury sustained in the line of duty.
- Compensation for wrongful incarceration for any criminal offense for which there was a conviction under federal or state law. See section 139F, certain amounts received by wrongfully incarcerated individuals.

Fees paid to informers. A payment to an informer as an award, fee, or reward for information about criminal activity does not have to be reported if the payment is made by a federal, state, or local government agency, or by a nonprofit organization exempt from tax under section 501(c)(3) that makes the payment to further the charitable purpose of lessening the burdens of government. For more information, see Regulations section 1.6041-3(l).

Scholarships. Do not use Form 1099-MISC to report scholarship or fellowship grants. Scholarship or fellowship grants that are taxable to the recipient because they are paid for teaching, research, or other services as a condition for receiving the grant are considered wages and must be reported on Form W-2. Other taxable scholarship or fellowship payments (to a degree or nondegree candidate) do not have to be reported to the IRS on any form, unless section 6050S requires reporting of such amounts by an educational institution on Form 1098-T. See section 117(b)–(d) and Regulations section 1.6041-3(n) for more information.

Canceled debt. A canceled debt is not reportable on Form 1099-MISC. Canceled debts reportable under section 6050P must be reported on Form 1099-C. See the Instructions for Forms 1099-A and 1099-C.

Employee business expense reimbursements. Do not use Form 1099-MISC to report employee business expense reimbursements. Report payments made to employees under a nonaccountable plan as wages on Form W-2. Generally, payments made to employees under an accountable plan are not reportable on Form W-2, except in certain cases when you pay a per diem or mileage allowance. For more information, see the *General Instructions for Forms W-2 and W-3*, and *Pub. 463*. For information on reporting employee moving expense reimbursements on Form W-2, see the *General Instructions for Forms W-2 and W-3*.

Widely held fixed investment trusts (WHFITs). Trustees and middlemen of WHFITs must report items of gross income attributable to a trust income holder (TIH) on the appropriate Form 1099. A tax information statement that includes the information provided to the IRS on Forms 1099 as well as additional information identified in Regulations section 1.671-5(e) must be furnished to TIHs. For details, see the current Pub. 1099.

Statements to Recipients

If you are required to file Form 1099-MISC, you must furnish a statement to the recipient. For more information about the requirement to furnish a statement to each recipient, and truncation, see part M in the current Pub. 1099.

You can furnish each recipient with a single payee statement reporting all Form 1099-MISC payment types. You are required to furnish the payee statements by January 31 and file with the IRS by February 28 (March 31, if filing electronically).

Truncating recipient's TIN on payee statements. Pursuant to Regulations section 301.6109-4, all filers of this form may truncate a recipient's TIN (social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN)) on payee statements. Truncation is not allowed on any documents the filer files with the IRS. A payer's TIN may not be truncated on any form. See part J in the current Pub. 1099.

2nd TIN Not. Box

You may enter an "X" in this box if you were notified by the IRS twice within 3 calendar years that the payee provided an incorrect TIN. If you mark this box, the IRS will not send you any further notices about this account.

However, if you received both IRS notices in the same year, or if you received them in different years but they are both related to information returns filed for the same year, do not check the box at this time. For purposes of the two-notices-in-3-years rule, you are considered to have received one notice and you are not required to send a second "B" notice to the taxpayer on receipt of the second notice. See part N in the current Pub. 1099.

Tip: For information on the TIN Matching System offered by the IRS, see the current Pub. 1099.

Recipient's TIN

Enter the recipient's TIN using hyphens in the proper format. SSNs, ITINs, and ATINs should be in the XXX-XX-XXXX format. EINs should be in the XX-XXXXXXX format.

Caution: You should make every effort to ensure that you have the correct type of number reported in the correct format.

For Calendar Year

Enter the 4-digit calendar year in the "For calendar-year" entry space for the calendar year this form is being filed.

Country

For a list of country codes, go to *IRS.gov/CountryCodes*.

Account Number

The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 1099-MISC. The account number is also required if you check the "FATCA filing requirement" box. See *FATCA Filing Requirement Checkbox*, next. Additionally, the IRS encourages you to designate an account number for all Forms 1099-MISC that you file. See part L in the current Pub. 1099.

FATCA Filing Requirement Checkbox

Check this box if you are a U.S. payer that is reporting on Form(s) 1099 (including reporting payments on this Form 1099-MISC) as part of satisfying your requirement to report with respect to a U.S. account for the purposes of chapter 4 of the Internal Revenue Code, as described in Regulations section 1.1471-4(d)(2)(iii)(A). In addition, check the box if you are a foreign financial institution (FFI) reporting payments to a U.S. account pursuant to an election described in Regulations section 1.1471-4(d)(5)(i)(A). Finally, check the box if you are an FFI making the election described in Regulations section 1.1471-4(d)(5)(i)(A) and are reporting a U.S. account for chapter 4 purposes to which you made no payments during the year that are reportable on any applicable Form 1099 (or are reporting a U.S. account to which you made payments during the year that do not reach the applicable reporting threshold for any applicable Form 1099).

Box 1. Rents

Enter amounts of $2,000 or more for all types of rents, such as any of the following.

- Real estate rentals paid for office space. However, you do not have to report these payments on Form 1099-MISC if you paid them to a real estate agent or property manager. But the real estate agent or property manager must use Form 1099-MISC to report the rent paid over to the property owner. See Regulations section 1.6041-3(d) and Regulations section 1.6041-1(e)(5), Example 5.
- Machine rentals (for example, renting a bulldozer to level your parking lot). If the machine rental is part of a contract that includes both the use of the machine and the operator, prorate the rental between the rent of the machine (report that in box 1) and the operator's charge (report that on Form 1099-NEC in box 1a).
- Pasture rentals (for example, farmers paying for the use of grazing land).

Public housing agencies must report in box 1 rental assistance payments made to owners of housing projects. See Rev. Rul. 88-53, 1988-1 C.B. 384.

Coin-operated amusements. If an arrangement between an owner of coin-operated amusements and an owner of a business establishment where the amusements are placed is a lease of the amusements or the amusement space, the owner of the amusements or the owner of the space, whoever makes the payments, must report the lease payments in box 1 of Form 1099-MISC if the payments total at least $2,000. However, if the arrangement is a joint venture, the joint venture must file a Form 1065, U.S. Return of Partnership Income, and provide each partner with the information necessary to report the partner's share of the taxable income. Coin-operated amusements include video games, pinball machines, jukeboxes, pool tables, slot machines, and other machines and gaming devices operated by coins or tokens inserted into the machines by individual users. For more information, see Rev. Rul. 92-49, 1992-1 C.B. 433.

Box 2. Royalties

Enter gross royalty payments (or similar amounts) of $10 or more. Report royalties from oil, gas, or other mineral properties before reduction for severance and other taxes that may have been withheld and paid. Do not include surface royalties. They should be reported in box 1. Do not report oil or gas payments for a working interest in box 2; report payments for working interests in box 1a of Form 1099-NEC. Do not report timber royalties made under a pay-as-cut contract; report these timber royalties on Form 1099-S.

Use box 2 to report royalty payments from intangible property such as patents, copyrights, trade names, and trademarks. Report the gross royalties (before reduction for fees, commissions, or expenses) paid by a publisher directly to an author or literary agent, unless the agent is a corporation. The literary agent (whether or not a corporation) that receives the royalty payment on behalf of the author must report the gross amount of royalty payments to the author on Form 1099-MISC whether or not the publisher reported the payment to the agent on its Form 1099-MISC.

Box 3. Other Income

Enter other income of $2,000 or more required to be reported on Form 1099-MISC that is not reportable in one of the other boxes on the form.

Also, enter in box 3 prizes and awards that are not for services performed. Include the fair market value (FMV) of merchandise won on game shows. Also, include amounts paid to a winner of a sweepstakes not involving a wager. If a wager is made, report the winnings on Form W-2G.

Tip: If, not later than 60 days after the winner becomes entitled to the prize, the winner can choose the option of a lump sum or an annuity payable over at least 10 years. The payment of winnings is considered made when actually paid. If the winner chooses an annuity, file Form 1099-MISC each year to report the annuity paid during that year.

Do not include wages, any bonuses, prizes, and awards paid to your employees. Report these on Form W-2. Do not include in box 3 prizes and awards for services performed by nonemployees, such as an award for the top commission salesperson. Report them in box 1a of Form 1099-NEC.

Prizes and awards received in recognition of past accomplishments in religious, charitable, scientific, artistic, educational, literary, or civic fields are not reportable if:

- The winners are chosen without action on their part,
- The winners are not expected to perform future services, and
- The payer transfers the prize or award to a charitable organization or governmental unit under a designation made by the recipient. See Rev. Proc. 87-54, 1987-2 C.B. 669.

Other items required to be reported in box 3 include the following.

1. Payments as explained earlier under *Deceased employee's wages*.
2. Payments as explained earlier under *Indian gaming profits, payments to tribal members*.
3. A payment or series of payments made to individuals for participating in a medical research study or studies.
4. A payment or series of payments made to individuals to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.
5. Termination payments to former self-employed insurance salespeople. These payments are not subject to self-employment tax and are reportable in box 3 (rather than box 1a of Form 1099-NEC) if all the following apply.

a. The payments are received from an insurance company because of services performed as an insurance salesperson for the company.

b. The payments are received after termination of the salesperson's agreement to perform services for the company.

c. The salesperson did not perform any services for the company after termination and before the end of the year.

d. The salesperson enters into a covenant not to compete against the company for at least 1 year after the date of termination.

e. The amount of the payments depends primarily on policies sold by the salesperson or credited to the salesperson's account during the last year of the service agreement or to the extent those policies remain in force for some period after termination, or both.

f. The amount of the payments does not depend at all on length of service or overall earnings from the company (regardless of whether eligibility for payment depends on length of service).

If the termination payments do not meet all these requirements, report them in box 1a of Form 1099-NEC.

6. Generally, all punitive damages, any damages for nonphysical injuries or sickness, and any other taxable damages. Report punitive damages even if they relate to physical injury or physical sickness. Generally, report all compensatory damages for nonphysical injuries or sickness, such as employment discrimination or defamation. However, do not report damages (other than punitive damages):

a. Received on account of personal physical injuries or physical sickness;

b. That do not exceed the amount paid for medical care for emotional distress;

c. Received on account of nonphysical injuries (for example, emotional distress) under a written binding agreement, court decree, or mediation award in effect on or issued by September 13, 1995; or

d. That are for a replacement of capital, such as damages paid to a buyer by a contractor who failed to complete construction of a building.

Damages received on account of emotional distress, including physical symptoms such as insomnia, headaches, and stomach disorders, are not considered received for a physical injury or physical sickness and are reportable unless described in item 6b or 6c above. However, damages received on account of emotional distress due to physical injuries or physical sickness are not reportable.

Also, report liquidated damages received under the Age Discrimination in Employment Act of 1967.

Tip: Taxable back pay damages may be wages and reportable on Form W-2. See *Pub. 957*.

Foreign agricultural workers. Report in box 3 compensation of $2,000 or more paid in a calendar year to an H-2A visa agricultural worker who did not give you a valid TIN. You must also withhold federal income tax under the backup withholding rules. For more information, go to *IRS.gov* and enter "foreign agricultural workers" in the search box.

Account reported under FATCA. If you are an FFI reporting pursuant to an election described in Regulations section 1.1471-4(d)(5)(i)(A) a U.S. account required to be reported under chapter 4 to which during the year you made no payments reportable on an applicable Form 1099, enter -0- in box 3. In addition, if you are an FFI described in the preceding sentence and, during the year, you made payments to the account required to be reported under chapter 4, but those payments are not reportable on an applicable Form 1099 (for example, because the payment is under the applicable reporting threshold), you must report the account on this Form 1099-MISC and enter -0- in box 3.

Box 4. Federal Income Tax Withheld

Enter backup withholding. For example, persons who have not furnished their TINs to you are subject to withholding on payments required to be reported in boxes 1, 2 (net of severance taxes), 3, 5 (only with respect to cash payments to crew members for their share of proceeds from the catch), 6, 8, 9, and 10. For more information on backup withholding, including the rate, see part N in the current Pub. 1099.

Also, enter any income tax withheld from payments to members of Indian tribes from the net revenues of class II or class III gaming activities conducted or licensed by the tribes.

Box 5. Fishing Boat Proceeds

If you are the operator of a fishing boat, enter the individual's share of all proceeds from the sale of a catch or the FMV of a distribution in kind to each crew member of fishing boats with normally fewer than 10 crew members. A fishing boat has normally fewer than 10 crew members if the average size of the operating crew was fewer than 10 on trips during the preceding 4 calendar quarters.

In addition, report cash payments of up to $100 per trip that are contingent on a minimum catch and are paid solely for additional duties (such as mate, engineer, or cook) for which additional cash payments are traditional in the industry. However, do not report on Form 1099-MISC any wages reportable on Form W-2.

Box 6. Medical and Health Care Payments

Enter payments of $2,000 or more made in the course of your trade or business to each physician or other supplier or provider of medical or health care services. Include payments made by medical and health care insurers under health, accident, and sickness insurance programs. If payment is made to a corporation, list the corporation as the recipient rather than the individual providing the services. Payments to persons providing health care services often include charges for injections, drugs, dentures, and similar items. In these cases, the entire payment is subject to information reporting. You are not required to report payments to pharmacies for prescription drugs.

The exemption from issuing Form 1099-MISC to a corporation does not apply to payments for medical or health care services provided by corporations, including professional corporations. However, you are not required to report payments made to a tax-exempt hospital or extended care facility or to a hospital or extended care facility owned and operated by the United States (or its territories), a state, the District of Columbia, or any of their political subdivisions, agencies, or instrumentalities.

Caution: Generally, payments made under a flexible spending arrangement (as defined in section 106(c)(2)) or a health reimbursement arrangement, which is treated as employer-provided coverage under an accident or health

plan for purposes of section 106 are exempt from the reporting requirements of section 6041.

Box 7. Payer Made Direct Sales Totaling $5,000 or More

Enter an "X" in the checkbox for sales by you totaling $5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other commission basis for resale (by the buyer or any other person) anywhere other than in a permanent retail establishment. Do not enter a dollar amount in this box.

You may either use box 7 on Form 1099-MISC or box 2 on Form 1099-NEC to report the direct sales totaling $5,000 or more. If you use Form 1099-NEC to report these sales, then you are required to file the Form 1099-NEC with the IRS by January 31.

Caution: Report these sales on only one form.

The report you must give to the recipient for these direct sales need not be made on the official form. It may be in the form of a letter showing this information along with commissions, prizes, awards, etc.

Box 8. Substitute Payments in Lieu of Dividends or Interest

Enter aggregate payments of at least $10 of substitute payments received by a broker for a customer in lieu of dividends or tax-exempt interest as a result of a loan of a customer's securities. Substitute payment means a payment in lieu of:

1. A dividend, or
2. Tax-exempt interest to the extent that interest (including original issue discount) has accrued while the securities were on a loan.

For this purpose, a customer includes an individual, trust, estate, partnership, association, company, or corporation. See Notice 2003-67, which is on page 752 of Internal Revenue Bulletin 2003-40 at *IRS.gov/irb/2003-40_IRB#NOT-2003-67*. It does not include a tax-exempt organization, the United States, any state, the District of Columbia, a U.S. territory, or a foreign government. File Form 1099-MISC with the IRS and furnish a copy to the customer for whom you received the substitute payment.

Box 9. Crop Insurance Proceeds

Enter crop insurance proceeds of $2,000 or more paid to farmers by insurance companies unless the farmer has informed the insurance company that expenses have been capitalized under section 278, 263A, or 447.

Box 10. Gross Proceeds Paid to an Attorney

Enter gross proceeds of $600 or more paid to an attorney in connection with legal services (regardless of whether the services are performed for the payer). See *Payments to attorneys*, earlier.

Box 11. Fish Purchased for Resale

If you are in the trade or business of purchasing fish for resale, you must report total cash payments of $600 or more paid during the year to any person who is engaged in the trade or business of catching fish. You are required to keep records showing the date and amount of each cash payment made during the year, but you must report only the total amount paid for the year on Form 1099-MISC.

"Fish" means all fish and other forms of aquatic life. "Cash" means U.S. and foreign coin and currency and a cashier's check, bank draft, traveler's check, or money order. Cash does not include a check drawn on your personal or business account.

Box 12. Section 409A Deferrals

You do not have to complete this box. For details, see Notice 2008-115, available at *IRS.gov/irb/2008-52_IRB#NOT-2008-115*.

If you complete this box, enter the total amount deferred during the year of at least $2,000 for the nonemployee under all nonqualified plans. The deferrals during the year include earnings on the current year and prior year deferrals. For additional information, see Regulations sections 1.409A-1 through 1.409A-6. See the instructions for box 15, later.

For deferrals and earnings under nonqualified deferred compensation (NQDC) plans for employees, see the *General Instructions for Forms W-2 and W-3*.

Box 13a. Cash Tips

Enter the total amount designated as cash tips included in box 3. Cash tips include tips paid in cash or charged by customers.

Box 13b. Treasury Tipped Occupation Code(s) (TTOC)

Enter the TTOC for the payee's tipped occupation(s). Enter up to two code(s) based on the occupation(s) that the tips were received in. If tips were received in more than two occupations, include the Treasury Tipped Occupation Code for any two of the three or more occupations in which tips were received. If any tips were received in a nonqualifying occupation, then "000" must be input as one of the occupation code(s). See *IRS.gov/TTOC* for the applicable code(s).

Box 14. Overtime Compensation

Enter the total amount of qualified overtime compensation included in box 3. Qualified overtime compensation is compensation that is paid to an individual required under section 7 of the Fair Labor Standards Act (FLSA) of 1938 that is more than the regular rate at which the individual is paid. For example, only the "half" portion of "time-and-a-half" compensation would be reported in box 14. For more information about overtime compensation, go to *Overtime Pay*.

Box 15. Nonqualified Deferred Compensation

Enter all amounts deferred of at least $2,000 (including earnings on amounts deferred) that are includible in income under section 409A because the NQDC plan fails to satisfy the requirements of section 409A. Do not include amounts properly reported on a Form 1099-MISC, corrected Form 1099-MISC, Form W-2, or Form W-2c for a prior year. Also, do not include amounts that are considered to be subject to a substantial risk of forfeiture for purposes of section 409A. For additional information, see Regulations sections 1.409A-1 through 1.409A-6; Notice 2008-113, available at *IRS.gov/irb/2008-51_IRB#NOT-2008-113*; *Notice 2008-115*; Notice 2010-6, available at *IRS.gov/irb/2010-03_IRB#NOT-2010-6*; and Notice 2010-80, available at *IRS.gov/irb/2010-51_IRB#NOT-2010-80*.

Boxes 16–18. State Information

These boxes are provided for your convenience only and need not be completed for the IRS. Use the state information boxes to report payments for up to two states. Keep the information for each state separated by the dash line. If you withheld state income tax on this payment, you may enter it in box 16. In box 17, enter the abbreviated name of the state and the payer's state identification number. The state number is the payer's identification number assigned by the individual state. In box 18, you may enter the amount of the state payment.

If a state tax department requires that you send them a paper copy of this form, use Copy 1 to provide information to the state tax department. Give Copy 2 to the recipient for use in filing the recipient's state income tax return.

Specific Instructions for Form 1099-NEC

File Form 1099-NEC, Nonemployee Compensation, for each person in the course of your business during the year to whom you have paid at least $2,000 in:

1. Services performed by someone who is not your employee (including parts and materials) (box 1a); or
2. Payments to an attorney (box 1a). (See *Payments to attorneys*, later.)

File Form 1099-NEC or Form 1099-MISC to report sales totaling $5,000 or more of consumer products to a person on a buy-sell, a deposit-commission, or other commission basis for resale.

Caution: If you use Form 1099-NEC to report sales totaling $5,000 or more, then you are required to file Form 1099-NEC with the IRS by January 31.

You must also file Form 1099-NEC for each person from whom you have withheld any federal income tax (report in box 4) under the backup withholding rules regardless of the amount of the payment.

Caution: Be sure to report each payment in the proper box because the IRS uses this information to determine whether the recipient has properly reported the payment.

Reportable payments to corporations. The following payments made to corporations must generally be reported on Form 1099-NEC.

- Attorneys' fees reported in box 1a.
- Payments by a federal executive agency for services (vendors) reported in box 1a.

Caution: Federal executive agencies may also have to file Form 8596, Information Return for Federal Contracts, and Form 8596-A, Quarterly Transmittal of Information Returns for Federal Contracts, if a contracted amount for personal services is more than $25,000. See Rev. Rul. 2003-66, which is on page 1115 of Internal Revenue Bulletin 2003-26 at *IRS.gov/pub/irs_irbs/irb03-26.pdf* for details.

Payments to attorneys. The term "attorney" includes a law firm or other provider of legal services. Attorneys' fees of $2,000 or more paid in the course of your trade or business are reportable in box 1a of Form 1099-NEC, under section 6041A(a)(1).

Gross proceeds paid to attorneys. Gross proceeds are not reportable by you in box 1a of Form 1099-NEC. See the Form 1099-MISC, box 10, instructions, earlier.

Payments to corporations for legal services. The exemption from reporting payments made to corporations does not apply to payments for legal services. Therefore, you must report attorneys' fees (in box 1a of Form 1099-NEC) or gross proceeds (in box 10 of Form 1099-MISC) as described earlier to corporations that provide legal services.

Taxpayer identification numbers (TINs). To report payments to an attorney on Form 1099-NEC, you must obtain the attorney's TIN. You may use Form W-9 to obtain the attorney's TIN. An attorney is required to promptly supply its TIN whether it is a corporation or other entity, but the attorney is not required to certify its TIN. If the attorney fails to provide its TIN, the attorney may be subject to a penalty under section 6723 and its regulations, and you must backup withhold on the reportable payments.

Independent contractor or employee. Generally, you must report payments to independent contractors on Form 1099-NEC in box 1a. See the instructions for box 1a.

Tip: Section 530 of the Revenue Act of 1978, as extended by section 269(c) of P.L. 97-248, deals with the employment tax status of independent contractors and employees. To qualify for relief under section 530, employers must file Form 1099-NEC. Additional requirements for relief are discussed in Rev. Proc. 85-18, 1985-1 C.B. 518. Also, see *Pub. 15-A* for special rules that may apply to technical service specialists and test proctors and room supervisors.

Transit passes and parking for independent contractors. Although you cannot provide qualified transportation fringes to independent contractors, the working condition and de minimis fringe rules for transit passes and parking apply to independent contractors. Tokens or farecards that enable an independent contractor to commute on a public transit system (not including privately operated van pools) are excludable from the independent contractor's gross income and are not reportable on Form 1099-NEC if their value in any month is $21 or less. However, if the value of a pass provided in a month is greater than $21, the full value is part of the gross income and must be reported on Form 1099-NEC. The value of parking may be excludable from an independent contractor's gross income, and, therefore, not reportable on Form 1099-NEC if certain requirements are met. See Regulations section 1.132-9(b), Q/A-24.

Directors' fees. You must report directors' fees and other remuneration, including payments made after retirement, on Form 1099-NEC in the year paid. Report them in box 1a.

Commissions paid to lottery ticket sales agents. A state that has control over and responsibility for online and instant lottery games must file Form 1099-NEC to report commissions paid, whether directly or indirectly, to licensed sales agents. For example, State X retains control over and liability for online and instant lottery games. For online ticket sales, State X pays commissions by allowing an agent to retain 5% of the ticket proceeds the agent remits to State X. For instant ticket sales, State X pays commissions by providing tickets to the agent for 5% less than the proceeds to be obtained by the agent from the sale of those tickets. If the commissions for the year total $2,000 or more, they must be reported in box 1a of Form 1099-NEC. See Rev. Rul. 92-96, 1992-2 C.B. 281.

Payments made on behalf of another person. For payments reportable under section 6041, if you make a payment on behalf of another person who is the source of the funds, you may be responsible for filing Form 1099-NEC. You are the payor for information reporting purposes if you perform management or oversight functions in connection with the payment, or have a significant economic interest in the payment (such as a lien). For example, a bank that provides financing to a real estate developer for a construction project maintains an account from which it makes payments for services in connection with the project. The bank performs management and oversight functions over the payments and is responsible for filing information returns for payments of $2,000 or more paid to contractors. For more information, see Regulations section 1.6041-1(e).

Exceptions

Some payments do not have to be reported on Form 1099-NEC, although they may be taxable to the recipient. Payments for which a Form 1099-NEC is not required include all of the following.

- Generally, payments to a corporation (including an LLC) that is treated as a C or S corporation). However, see *Reportable payments to corporations*, earlier.
- Payments for merchandise, telegrams, telephone, freight, storage, and similar items.
- Payments of rent to real estate agents or property managers. However, the real estate agent or property manager must use Form 1099-MISC to report the rent paid over to the property owner. See Regulations section 1.6041-3(d); Regulations section 1.6041-1(e)(5), Example 5; and, the instructions for box 1a.
- Wages, any bonuses, prizes, and awards paid to employees (report these on Form W-2).
- Military differential wage payments made to employees while they are on active duty in the U.S. Armed Forces or other uniformed services (report on Form W-2).
- Business travel allowances paid to employees (may be reportable on Form W-2).
- Cost of current life insurance protection (report on Form W-2 or Form 1099-R).
- Payments to a tax-exempt organization including tax-exempt trusts (IRAs, HSAs, Archer MSAs, Coverdell ESAs, and ABLE (529A) accounts), the United States, a state, the District of Columbia, a U.S. territory, or a foreign government.
- Compensation for injuries or sickness by the Department of Justice as a PSO disability or survivor's benefit, or under a state program that provides benefits for surviving dependents of a PSO who has died as the direct and proximate result of a personal injury sustained in the line of duty.
- Compensation for wrongful incarceration for any criminal offense for which there was a conviction under federal or state law. See section 139F, certain amounts received by wrongfully incarcerated individuals.

State or local sales taxes. If state or local sales taxes are imposed on the service provider and you (as the buyer) pay them to the service provider, report them on Form 1099-NEC as part of the reportable payment. However, if sales taxes are imposed on you (as the buyer) and collected from you by the service provider, do not report the sales taxes on Form 1099-NEC.

Fees paid to informers. A payment to an informer as an award, fee, or reward for information about criminal activity does not have to be reported if the payment is made by a federal, state, or local government agency, or by a nonprofit organization exempt from tax under section 501(c)(3) that makes the payment to further the charitable purpose of lessening the burdens of government. For more information, see Regulations section 1.6041-3(l).

Scholarships. Do not use Form 1099-NEC to report scholarship or fellowship grants. Scholarship or fellowship grants that are taxable to the recipient because they are paid for teaching, research, or other services as a condition for receiving the grant are considered wages and must be reported on Form W-2. Other taxable scholarship or fellowship payments (to a degree or nondegree candidate) do not have to be reported to the IRS on any form, unless section 6050S requires reporting of such amounts by an educational institution on Form 1098-T. See section 117(b)–(d) and Regulations section 1.6041-3(n) for more information.

Difficulty-of-care payments. Do not use Form 1099-NEC to report difficulty-of-care payments that are excludable from the recipient's gross income. Difficulty-of-care payments to foster care providers are not reportable if paid for fewer than 11 children under age 19 and fewer than six individuals age 19 or older. See section 131(c). Amounts paid for more than 10 children or more than five other individuals are reportable on Form 1099-NEC.

Certain Medicaid waiver payments may be excludable from income as difficulty-of-care payments. For more information, see Notice 2014-7, available at *IRS.gov/irb/2014-4_IRB#NOT-2014-7*; and Medicaid waiver payments frequently asked questions (FAQs), available at *IRS.gov/Individuals/Certain-Medicaid-Payments-May-Be-Excludable-From-Income*.

Canceled debt. A canceled debt is not reportable on Form 1099-NEC. Canceled debts reportable under section 6050P must be reported on Form 1099-C. See the Instructions for Forms 1099-A and 1099-C.

Employee business expense reimbursements. Do not use Form 1099-NEC to report employee business expense reimbursements. Report payments made to employees under a nonaccountable plan as wages on Form W-2. Generally, payments made to employees under an accountable plan are not reportable on Form W-2, except in certain cases when you pay a per diem or mileage allowance. For more information, see the *General Instructions for Forms W-2 and W-3*, and *Pub. 463*. For information on reporting employee moving expense reimbursements on Form W-2, see the *General Instructions for Forms W-2 and W-3*.

Statements to Recipients

If you are required to file Form 1099-NEC, you must furnish a statement to the recipient. For more information about the requirement to furnish a statement to each recipient, and truncation, see part M in the current Pub. 1099.

You can furnish each recipient with a single payee statement reporting all Form 1099-NEC payment types. You are required to furnish the payee statements and file with the IRS by January 31.

Truncating recipient's TIN on payee statements. Pursuant to Regulations section 301.6109-4, all filers of this form may truncate a recipient's TIN (social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN)) on payee statements. Truncation is not allowed on any documents the filer files with

the IRS. A payer's TIN may not be truncated on any form. See part J in the current Pub. 1099.

2nd TIN Not.

You may enter an "X" in this box if you were notified by the IRS twice within 3 calendar years that the payee provided an incorrect TIN. If you mark this box, the IRS will not send you any further notices about this account.

However, if you received both IRS notices in the same year, or if you received them in different years but they are both related to information returns filed for the same year, do not check the box at this time. For purposes of the two-notices-in-3-years rule, you are considered to have received one notice and you are not required to send a second "B" notice to the taxpayer on receipt of the second notice. See part N in the current Pub. 1099.

Tip: For information on the TIN Matching System offered by the IRS, see the current Pub. 1099.

Recipient's TIN

Enter the recipient's TIN using hyphens in the proper format. SSNs, ITINs, and ATINs should be in the XXX-XX-XXXX format. EINs should be in the XX-XXXXXXX format.

Caution: You should make every effort to ensure that you have the correct type of number reported in the correct format.

For Calendar Year

Enter the 4-digit calendar year in the "For calendar-year" entry space for the calendar year this form is being filed.

Country

For a list of country codes, go to *IRS.gov/CountryCodes*.

Account Number

The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 1099-NEC. See part L in the current Pub. 1099.

Box 1a. Nonemployee Compensation

Enter nonemployee compensation (NEC) of $2,000 or more. Include fees, commissions, prizes and awards for services performed as a nonemployee, and other forms of compensation for services performed for your trade or business by an individual who is not your employee. Include oil and gas payments for a working interest, whether or not services are performed. Also, include expenses incurred for the use of an entertainment facility that you treat as compensation to a nonemployee. Federal executive agencies that make payments to vendors for services, including payments to corporations, must report the payments in this box. See Rev. Rul. 2003-66.

What is NEC? If the following four conditions are met, you must generally report a payment as NEC.

- You made the payment to someone who is not your employee.
- You made the payment for services in the course of your trade or business (including government agencies and nonprofit organizations).
- You made the payment to an individual, partnership, estate, or, in some cases, a corporation.
- You made payments to the payee of at least $2,000 during the year.

Self-employment tax. Generally, amounts paid to individuals that are reportable in box 1a are subject to self-employment tax. If payments to individuals are not subject to this tax, report the payments in box 3 of Form 1099-MISC. However, report section 530 (of the Revenue Act of 1978) worker payments in box 1a of Form 1099-NEC.

Examples. The following are some examples of payments to be reported in box 1a.

- Professional service fees, such as fees to attorneys (including corporations), accountants, architects, contractors, engineers, etc.
- Fees paid by one professional to another, such as fee-splitting or referral fees.
- Payments by attorneys to witnesses or experts in legal adjudication.
- Payment for services, including payment for parts or materials used to perform the services if supplying the parts or materials was incidental to providing the service. For example, report the total insurance company payments to an auto repair shop under a repair contract showing an amount for labor and another amount for parts, if furnishing parts was incidental to repairing the auto.
- Commissions paid to nonemployee salespersons that are subject to repayment but not repaid during the calendar year.
- A fee paid to a nonemployee, including an independent contractor, or travel reimbursement for which the nonemployee did not account to the payer, if the fee and reimbursement total at least $2,000. To help you determine whether someone is an independent contractor or an employee, see *Pub. 15-A*.
- Payments to nonemployee entertainers for services. Use Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, for payments to nonresident aliens.
- Exchanges of services between individuals in the course of their trades or businesses. For example, an attorney represents a painter for nonpayment of business debts in exchange for the painting of the attorney's law offices. The amount reportable by each on Form 1099-NEC is the FMV of their own services performed. However, if the attorney represents the painter in a divorce proceeding, this is an activity that is unrelated to the painter's trade or business. The attorney must report on Form 1099-NEC the value of their services. But the painter need not report on Form 1099-NEC the value of painting the law offices because the work is in exchange for legal services that are separate from the painter's business.
- Taxable fringe benefits for nonemployees. For information on the valuation of fringe benefits, see *Pub. 15-B*.
- Taxable fringe benefits for nonemployees, including those related to personal use of company assets (for example, business aircraft, yacht, auto) by a nonemployee or their guest under Regulations section 1.61-21(a)(4). For more information on the valuation of fringe benefits, see *Pub. 15-B*.
- Gross oil and gas payments for a working interest.
- Payments to an insurance salesperson who is not your common law or statutory employee. See *Pub. 15-A* for the definition of employee. However, for termination payments to former insurance salespeople, see the instructions for box 3 of Form 1099-MISC.
- Directors' fees as explained under *Directors' fees*, earlier.
- Commissions paid to licensed lottery ticket sales agents as explained under *Commissions paid to lottery ticket sales agents*, earlier.
- Payments to section 530 (of the Revenue Act of 1978) workers. See the *TIP* under *Independent contractor or employee*, earlier.

Golden parachute payments. A parachute payment is any payment that meets all of the following conditions.

1. The payment is in the nature of compensation.

2. The payment is to, or for the benefit of, a disqualified individual. A disqualified individual is one who at any time during the 12-month period prior to and ending on the date of the change in ownership or control of the corporation (the disqualified individual determination period) was an employee or independent contractor and was, in regard to that corporation, a shareholder, an officer, or a highly compensated individual.

3. The payment is contingent on a change in the ownership of a corporation, the effective control of a corporation, or the ownership of a substantial portion of the assets of a corporation (a change in ownership or control).

4. The payment has (together with other payments described in (1), (2), and (3), above, made to the same individual) an aggregate present value of at least three times the individual's base amount.

For more details, see Regulations section 1.280G-1. Also, see Rev. Proc. 2003-68, which is on page 398 of Internal Revenue Bulletin 2003-34 at *IRS.gov/irb/2003-34_IRB#RP-2003-68*, concerning the valuation of stock options for purposes of golden parachute payment rules. For the treatment of unvested shares of restricted stock, see Rev. Rul. 2005-39, available at *IRS.gov/irb/2005-27_IRB#RR-2005-39*.

Independent contractor. Enter in box 1a the total compensation, including any golden parachute payment. For employee reporting of these payments, see *Pub. 15-A*.

Payments not reported in box 1a. Do not report in box 1a:
- Expense reimbursements paid to volunteers of nonprofit organizations;
- Deceased employee wages paid in the year after death (report in box 3 of Form 1099-MISC) (see *Deceased employee's wages*, earlier);
- Payments more appropriately described as rent (report in box 1a of Form 1099-MISC), royalties (report in box 2 of Form 1099-MISC), not subject to self-employment tax (report in box 3 of Form 1099-MISC), and interest (use Form 1099-INT);
- The cost of current life insurance protection (report on Form W-2 or Form 1099-R);
- An employee's wages, travel or auto allowance, or bonuses and prizes (report on Form W-2); and
- The cost of group-term life insurance paid on behalf of a former employee (report on Form W-2).

Box 1b. Cash Tips

Enter the total amount designated as cash tips included in box 1a. Cash tips include tips paid in cash or charged by customers.

Box 1c. Treasury Tipped Occupation Codes(s) (TTOC)

Enter the TTOC for the payee's tipped occupation(s). Enter up to two code(s) based on the occupation(s) that the tips were received in. If tips were received in more than two occupations, include the Treasury Tipped Occupation Code for any two of the three or more occupations in which tips were received. If any tips were received in a nonqualifying occupation, then "000" must be input as one of the occupation code(s). See *IRS.gov/TTOC* for the applicable code(s).

Box 1d. Overtime Compensation

Enter the total amount of qualified overtime compensation included in box 1a. Qualified overtime compensation is compensation that is paid to an individual required under section 7 of the Fair Labor Standards Act (FLSA) of 1938 that is more than the regular rate at which the individual is paid. For example, only the "half" portion of "time-and-a-half" compensation would be reported in box 1d. For more information about overtime compensation, go to *Overtime Pay*.

Box 2. Payer Made Direct Sales Totaling $5,000 or More

Enter an "X" in the checkbox for sales by you totaling $5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other commission basis for resale (by the buyer or any other person) anywhere other than in a permanent retail establishment. Do not enter a dollar amount in this box.

You may either use box 2 on Form 1099-NEC or box 7 on Form 1099-MISC to report the direct sales totaling $5,000 or more. If you use Form 1099-NEC to report these sales, then you are required to file the Form 1099-NEC with the IRS by January 31.

Caution: Report these sales on only one form.

The report you must give to the recipient for these direct sales need not be made on the official form. It may be in the form of a letter showing this information along with commissions, prizes, awards, etc.

Box 3. Excess Golden Parachute Payments

Enter any excess golden parachute payments. An excess parachute payment is the amount over the base amount (the average annual compensation for services includible in the individual's gross income over the most recent 5 tax years). See Q/A-38 through Q/A-44 of Regulations section 1.280G-1 for how to compute the excess amount.

Box 4. Federal Income Tax Withheld

Enter backup withholding. For example, persons who have not furnished their TINs to you are subject to withholding on payments required to be reported in box 1a. For more information on backup withholding, including the rate, see part N in the current Pub. 1099.

Boxes 5–7. State Information

These boxes are provided for your convenience only and need not be completed for the IRS. Use the state information boxes to report payments for up to two states. Keep the information for each state separated by the dash line. If you withheld state income tax on this payment, you may enter it in box 5. In box 6, enter the abbreviated name of the state and the payer's state identification number. In box 7, you may enter the amount of the state payment.

If a state tax department requires that you send them a paper copy of this form, use Copy 1 to provide information to the state tax department. Give Copy 2 to the recipient for use in filing the recipient's state income tax return.

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