

Contract Labor

It is important that business owners correctly determine whether the individuals providing services are independent contractors or employees:

<https://www.irs.gov/businesses/small-businesses-self-employed/independent-contractor-self-employed-or-employee>

According to the IRS,

File **Form-NEC** to report payments of at least \$600 to a **person who's not an employee** for services, including payments to an attorney.

“File Form **1099-MISC** for each person to whom you have 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.
 - 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.
 - Generally, the cash paid from a notional principal contract to an individual, partnership, or estate.
 - Payments to an attorney.
 - Any fishing boat proceeds.

In addition, use Form **1099-MISC** to report that you made direct sales of at least \$5,000 of consumer products to a buyer for resale anywhere other than a permanent retail establishment.”

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.
- Payments made to or for homeowners from the HFA Hardest Hit Fund or similar state program (report on Form 1098-MA).
- 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.”

For more information, visit *<https://www.irs.gov/instructions/i1099mec>

W-9

Use Form W-9 to request the taxpayer identification number (TIN), certain certifications, and claims for exemption of the person or business that received the payment from your business.

<https://www.irs.gov/pub/irs-pdf/fw9.pdf>