

10 Things You Should Know About 1099s

Exploring the many types of 1099s

A [1099 form](#) reports certain types of income that a taxpayer has earned throughout the year. A 1099 is important since it's used to record non-employment income earned by a taxpayer. Whether it's cash [dividends](#) paid for owning a stock or [interest income](#) earned from a bank account, a 1099 may be issued.

There are many types of 1099 forms since there are various ways to earn non-employment income. For example, as of the 2020 tax year, independent contractors and freelancers who earned \$600 or more in non-employment income should receive a 1099-NEC.¹

Although taxpayers may not like receiving tax documents, such as 1099s, and businesses probably like issuing them even less, 1099s are important since they keep track of income that isn't recorded in a person's wages or salary. The [Internal Revenue Service](#) (IRS) matches nearly all 1099s and [W-2 forms](#) (those are the wage-report forms from your employer) against your [Form 1040](#) or other tax forms. If they don't match, it sends out a CP2000 notice to taxpayers, saying they owe more money.²

This article lists the 10 things you should know about 1099s, including a review of the various types and what to do in case you don't receive your 1099 or it's inaccurate.

KEY TAKEAWAYS

- Form 1099 is used to report certain types of non-employment income to the IRS, and there are many different types.
- As of 2020, certain types of non-employment income for freelance and independent contract work must be reported on a 1099-NEC.
- The deadline to mail 1099s to taxpayers is usually Jan. 31.
- Even if a 1099 form has not been received, taxpayers are responsible for paying the taxes owed on any income earned during the tax year.
- If you receive an incorrect 1099 form and the payer already sent it to the IRS, ask the originator to send a corrected form.

1. Who Should Receive a 1099 Form?

Form 1099 is used to report certain types of non-employment income to the IRS, such as [dividends](#) from a stock or pay you received as an [independent contractor](#).

Businesses must issue 1099s to any [payee](#) (other than a corporation) who receives at least \$600 during the year. However, there are exceptions to the \$600 threshold rule. For example, a 1099 is typically issued by a financial services provider if a customer earned \$10 or more in interest income.³

2. There Are Many Varieties of 1099s

There are many types of 1099s, depending on the type of income that was earned during the tax year. As of 2021, there are 20 varieties of 1099 forms, and listed below are several of the most popular:⁴

1099-INT

A [1099-INT](#) is sent to taxpayers if they earned more than \$10 worth of interest in the tax year. Typically, banks, brokerage firms, and other investment firms send out a 1099-INT.⁵

1099-DIV

A [1099-DIV](#) is typically sent to a taxpayer if dividend income was earned throughout the tax year. Dividends are usually in the form of cash payments that are paid to investors by corporations as a reward for owning their stock or [equity](#) shares.⁶

1099-G

A 1099-G is sent to those who received money from the federal, state, and local government. For example, taxpayers who received a [local tax](#) refund or unemployment benefits would likely receive a 1099-G.⁷

1099-R

A [1099-R](#) is issued if a taxpayer received a distribution or payout from a [pension](#), retirement plan, or [individual retirement account](#) (IRA). Also, certain [annuities](#) and life insurance contracts may issue a 1099-R. However, not all retirement distributions are taxable, and a tax professional should be consulted if you're unsure whether you should pay taxes on a distribution.⁸

1099-B

A [1099-B](#) is sent to a taxpayer listing the various transactions from a broker, such as the sale of stocks, commodities, and other securities. Also, some types of [bartering](#) transactions executed through a barter exchange would be listed and reported on a 1099-B form.⁹

1099-S

A 1099-S is issued to taxpayers for real estate transactions if they had closed a sale or an exchange during the tax year. Some examples of real estate transactions could be realizing gains or proceeds from the sale of land, commercial and industrial buildings, as well as residential properties, such as a home or condominium.¹⁰

As a reminder, please consult a tax professional since the proceeds realized from a real estate transaction could be exempt from taxes, depending on the taxpayer's particular financial situation.¹¹

1099-MISC

A [1099-MISC](#) is typically issued for income that falls outside the other 1099 forms. For example, some types of non-employment income are reported on a 1099-MISC, such as money received from prizes or awards.³

1099-NEC

The IRS has made changes to its reporting requirements for non-employee compensation. Beginning in the 2020 tax year, businesses are required to report some types of non-employee compensation on form 1099-NEC. In the past, form 1099-MISC was used.¹²

Form 1099-NEC must be filed if a business paid a non-employee \$600 or more in the tax year. A non-employee might be an independent contractor or any person hired on a contract basis to complete work, such as a graphic designer, writer, or web developer.

Taxpayers who were self-employed, performed freelance work, or had a side gig that earned more than \$600 in income may receive a 1099-NEC form. However, non-employee income could also include fees, benefits, commissions, and royalties. Payments to an attorney that exceeded \$600 for the tax year must be reported on a 1099-NEC as well.¹

Although self-employed taxpayers who earned less than \$600 may not receive a 1099-NEC, they still must report all income when filing their taxes. A copy of the 1099-NEC form and the instructions are located on the IRS website.¹³¹⁴

Tip: Freelancers hired through a freelance marketplace, such as Upwork, may not receive a 1099 unless the income exceeds a certain threshold. Please check the company's policies, but remember, all income must be reported regardless if a 1099 was issued or not.

3. What If You Don't Get All Your 1099s

Taxpayers should record all of their tax documents to ensure that they have received them in time for filing their taxes. If you haven't received a 1099, contact the employer or payer to request the missing documents. If the 1099 does not arrive in time, taxpayers are required to file their tax return by the tax filing today for that year.¹⁵

It's important to remember that you are responsible for paying the taxes you owe even if you don't get the form. If the company submits a 1099 form to the IRS, but you don't receive it for some reason, the IRS will send you a letter (actually, a bill) saying you owe taxes on the income. Please note that the letter may not arrive in a timely manner.

If a taxpayer hasn't received the expected 1099 for income earned—even if the business didn't file the 1099 form—the taxpayer might be able to report it under miscellaneous income.¹⁶ However, it's best to contact a tax professional to determine the correct way to file for your particular tax situation.

4. Stay on Top of a New Address

Whether or not the payer has your correct address, the information will be reported to the IRS (and your state tax authority) based on your [Social Security number](#) (SSN). As a result, it's important to update your address directly with payers.

Important: Taxpayers don't include 1099s with their tax returns when they submit them to the IRS, but it's a good idea to keep the forms with your tax records in case of an audit.

5. The IRS Gets Your 1099, Too

Any Form 1099 sent to you goes to the IRS, too, often a little later. The deadline is Jan. 31 for mailing 1099s to most taxpayers, but some are due Feb. 15.¹⁷

Others are due to the IRS at the end of February. Some payers send them simultaneously to taxpayers and the IRS. Although most payers mail taxpayer copies by Jan. 31, they may wait a few weeks to collect all of the IRS copies, summarize them, and transmit them to the IRS. This is usually done electronically.¹⁶

6. Report Errors Immediately

The time delay means you may have a chance to correct obvious errors, so don't just put arriving 1099s in a pile. Make sure you open them immediately.

What do you do when you get a 1099-MISC on Jan. 31 that reports \$8,000 worth of income when you really only got paid \$800 from the company? Tell the payer immediately. There may be time for them to correct it before sending it to the IRS, which is in your best interest.

If the payer already dispatched the incorrect form to the IRS, ask the payer to send a corrected form. There's a special box on the form to show it is correcting a prior 1099 to make sure the IRS doesn't add the amounts together.¹⁸

Tip: For taxpayers unsure about the amount of income earned or how that income should be reported, seek help from a tax professional.

7. Report Every 1099

The key to Form 1099 is IRS computerized matching. Every Form 1099 includes the payer's [employer identification number](#) (EIN) and the payee's Social Security (or taxpayer-identification) number. The IRS matches nearly every 1099 form with the payee's tax return.

If you disagree with the information on the 1099 form, but you can't convince the payer you're correct, explain it on your tax return.¹⁹ For example, suppose you received a \$100,000 payment from your car insurance company to cover your [medical expenses](#) and pain from the whiplash you suffered in an accident. Payment for personal physical injuries is excludable from income, and it shouldn't normally be the subject of a Form 1099.

If you haven't succeeded in convincing your insurance company to cancel Form 1099, try to explain it on your tax return. One possibility is to include a zero with a "see note" on line 7a, the "other income" line of a 1040 form, which is reported on line 8 of Schedule 1.

Then in the footnote, show something like this:

Payment erroneously reported by XYZ insurance on Form 1099: \$100,000

Amount excludable under Section 104 for personal physical injuries: \$100,000

Net to Line 7a: \$0

There's no perfect solution, but one thing is clear. If you receive a 1099 form, you can't just ignore it because the IRS won't.

8. Don't Overlook a 1099 Form

No one likes a tax audit, and there are numerous tales about what will provoke one. But if you forget to report the \$500 of interest you earned on a bank account, the IRS will send you a computer-generated letter billing you for the tax on that interest.²⁰ If it's correct, pay it.

9. Don't Forget State Taxes

Most states have an [income tax](#), and they receive the same information the IRS does. So if you missed a 1099 form on your federal return, be aware that your state will probably catch up with it, too.

10. When to Ask for Help

Although taxpayers are responsible for recording their income and filing their taxes, there are times when you don't know what to do about a situation. In these situations, ask for help from the IRS or a tax advisor.

For example, if a taxpayer does not receive a 1099-R (for distributions from pensions and retirement plans), and contacting the payer has not resolved the issue, the IRS suggests that you contact them. The IRS will, in turn, contact the payer or employer on your behalf.²¹

1099 Form FAQs

What Is the 1099 Form Used for?

The 1099 form is used to report non-employment income to the Internal Revenue Service (IRS). Businesses are required to issue a 1099 form to a payee who has received at least \$600 or more during the tax year. For example, a taxpayer might receive a 1099 form if they received dividends, which are cash payments paid to investors for owning a company's stock.

Do I Have to Pay Taxes on a 1099 Form?

Typically, income that has been reported on a 1099 is taxable. However, there are many exceptions and offsets that reduce taxable income.

For example, let's say a taxpayer has a gain from the sale of a home, meaning the selling price was higher than the original cost basis. The taxpayer might not owe taxes on that gain since they may qualify for an exclusion up to \$250,000, depending on their tax situation.¹¹

It's best to consult a tax professional if you're unsure whether you need to pay taxes on 1099 income.

Who Needs to Get a 1099 Form?

Usually, anyone who was paid \$600 or more in non-employment income should receive a 1099. However, there are many types of 1099s for different situations. Also, there are many exceptions to the \$600 rule, meaning you may receive a 1099 even if you were paid less than \$600 in non-employment income during the tax year.

Do I Need a 1099 Form to File Taxes?

Taxpayers must report any income even if they did not receive their 1099 form. However, taxpayers do not need to send the 1099 form to the IRS when they file their taxes. In other words, the IRS receives the 1099, containing the taxpayer's Social Security number, from the issuer or payer.

What Is the Difference Between a 1099 and a W2?

A 1099 form shows non-employment income, such as income earned by freelancers and independent contractors. On the other hand, a [W-2](#) shows the annual wages or employment income that a taxpayer earned from a particular employer during the tax year. Unlike a 1099, a W-2 shows the taxes withheld by the employer from the employee's salary throughout the year.

The Bottom Line

A 1099 form is used to report non-employment income, including dividends paid from owning a stock or income that you earned as an independent contractor. There are a variety of 1099 forms since there are many types of income, including interest income, local tax refunds, and retirement account payouts.

Whether you receive all of your 1099 forms or not, taxpayers are required to report the income when they file their taxes. Taxpayers do not need to send their 1099 forms to the IRS when filing but should report any errors on their 1099s.

It's important to consult a tax professional if you own a business and you're unsure about issuing 1099s. Also, seek tax help if you're a taxpayer with questions about your non-employment income or how to report that income properly to the IRS.

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