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What are the key requirements for both the 1099-MISC?

Our goal is to help you better understand your obligation and all the required information you need to collect for 1099-MISC Thresholds and Reporting Requirements

Companies must send 1099-MISC forms if they have paid a nonemployee \$600 or more during the year. There are other requirements depending on the type of payments and the relationship between the payor and payee. According to IRS guidance, a form 1099-MISC may be required if a company makes the following types of payments:

- ◆ Royalties: At least \$10 in royalties. A common example of a royalty payment is a payment made to an author for the right to publish or distribute the author's work.
- ◆ At least \$600 in:
  1. Rents: In most cases, this is where rental payments are reported if your business rents property, such as equipment, cars or real estate.
  2. Services performed by someone who is not your employee: Examples of services are professional fees paid to attorneys, accountants, engineers, directors, speakers, etc.;
  3. Repairs to office machines, equipment, etc.; installation services, landscaping services, marketing services, etc.
  4. Prizes and awards: This applies to general prizes and contest winners that your business has awarded. Yes, even winners may have to pay taxes on prizes.
- ◆ Punitive damages.
- ◆ Medical and health care payments: You must report any payments made in the course of your trade or business to doctors or other suppliers/providers of medical services." Examples include payments for lab work, physical exams, hospital fees/charges, etc. Unlike several other payments types, medical and health care payments must be reported even if paid to corporations. Payments to tax-exempt hospitals are not reportable, only payments to for-profit hospitals are reported.
- ◆ Attorney fees: Payments made to an attorney in the context of a legal settlement

If a company makes payments to another company that is incorporated or to an LLC that elects to be treated as a C-Corporation, then this would not be reported on a 1099-MISC. Unless the company paid for attorney fees. Those do require a 1099-MISC even if the attorney has an LLC treated as a or C-Corp.

If you have any questions please call us 256-489-1478