

1099 Reporting:

2025 Live Training





1099 Reporting: Deadlines

- **December 2** - Interfacing agencies can begin submitting TEST files
- **December 12** - Adjustments related to January-October 2025
- **January 2 - 9** - Interfacing agencies can submit their 1099 file
- **January 13** - Last day for agencies to manually adjust 1099 payments using the Adjust Withholding page
 - CY2025 corrections found after this date require the submission of a 1099 Duplicate/Correction request (Form 222) in ServiceNow.
- **January 16** - Last day for payment cancellations/reissues/ACH returns



1099 Reporting: Deadlines (Continued)

- **January 23** - 1099-MISC/1099-NEC/1099-G file to be sent to the IRS
- **January 28** - 1099-MISC/1099-NEC/1099-G forms to be mailed to suppliers
 - Tentative date to have all forms mailed to meet January 30 deadline
 - We will notify agencies when forms have been mailed
- **February 2** - Payment cancellations/reissues/ACH returns will resume, and the Adjust Withholding page will be re-opened for calendar year 2026 transactions



Good vs. Service

Goods = Not reportable ❌

Services = Reportable ✅

The IRS instructs that, when making a payment for a combination of goods and services (or parts and labor), the payer should report the entire amount of the payments if supplying the parts or materials was incidental to providing the service

For example, report the total payments to an auto repair shop under a repair contract

When invoiced for labor and parts, if furnishing parts was incidental to repairing the vehicle



Reportable Vs. Nonreportable

Examples of incidental to providing the service

Report the full amount if furnishing the parts is incidental to providing the service

The IRS Instructions for Form 1099-MISC/NEC provide further explanation of when the full amount is reportable

Repairing the office printer, including copier parts

Providing maintenance for the elevators, including replacement control parts

Building a partition wall in the second-floor conference room, includes materials for conference room partition wall

In all three examples, the amount reported is the total bottom-line invoice/payment amount because you contracted for the service and the goods (parts, materials) were necessary to perform the service



Reportable Vs. Nonreportable

Example of
payment not
incidental to
providing the
service

- A supplier sells you equipment, and itemized further down on the bill of sale is a charge for “operator training on-site”
- In this case, you should separate the amount for training services and report that dollar amount in Box 1 of Form 1099-NEC

The IRS Instructions for Form 1099-MISC/NEC provide further explanation of when the full amount is reportable



Review Questions

Are the following items reportable or nonreportable?

- | | |
|------------------------------------|------------------------------|
| 1. Consultants/Contracted Services | Reportable – 1099-NEC box 1 |
| 2. Storage Facilities | Nonreportable* |
| 3. Office Rent | Reportable – 1099-MISC box 1 |
| 4. Payments to government entities | Nonreportable |
| 5. Medical Services | Reportable – 1099-MISC box 6 |

*Storage facilities are a specific exemption from the rental reporting rule



Review Questions

Are the following government classifications reportable or nonreportable?

- | | |
|---|----------------|
| 1. C Corp or S Corp | Nonreportable* |
| 2. LLC/S Corp | Nonreportable* |
| 3. Partnership | Reportable |
| 4. Government | Nonreportable |
| 5. Individual | Reportable |
| 6. Single-member LLC or LLC/Partnership | Reportable |

*No corporate exemption for medical and legal services



Reporting Classifications

Box	Payment Type
MISC-1	Rents
MISC-2	Royalties
MISC-3	Other Income
MISC-6	Medical and Health Care Payments
MISC-10	Gross Proceeds Paid to an Attorney
NEC-1	Non-employee Compensation
G-6	Taxable Grants



Reporting Classifications

Box	Payment Type
MISC-5	Misc. Fishing Boat Proceeds
MISC-8	Substitute Payments in Lieu of Dividends or Interest
MISC-9	Crop Insurance Proceeds
NEC-3	Excess Golden Parachute
NEC-4	NEC Federal Income Tax Withheld
G-2	State Income Tax Refund/Credit

*New for TY2025: Excess Golden Parachute payments moved from 1099-MISC to 1099-NEC



Reporting Classifications

1099-MISC Box 1: Rental Payments

- Examples include land, buildings, offices, conference rooms, equipment, rental assistance payments to property owners, surface royalties
 - Storage facility rentals are not reportable
- Leases – considered as “rent” by the IRS as the rental is generally returned to lessor at end of lease
- Finance Purchases – considered as “purchase of goods” by the IRS as the rental is generally owned by lessee at the end of lease
- Easements – if fewer than 30 years remain, report as rent. If 30 years or more remain, report on the 1099-S.



Reporting Classifications

1099-MISC Box 2: Gross Royalty Payments

- Intellectual property such as literary rights, copyrights, trademarks, photographs, motion picture, publishing, licensing fees, mineral rights
- You are purchasing the right to use something that belongs to someone else

Royalties not recorded in Box 2

- Surface royalties (i.e., payments for the right to strip mine property owned by another) are reported in Box 1 as rent
- Working oil or gas interests are reported in Box 1 of the 1099-NEC as non-employee compensation
- Timber royalties made under a pay-as-cut contract and proceeds from real estate transactions are reported on the 1099-S



Reporting Classifications

1099-MISC Box 3: Other Income

- Items not specifically reportable in other boxes
- Reportable legal damages; punitive, non-physical injury, discrimination/defamation
- Fair market value of prizes/awards not in exchange for services performed
 - If awarded in exchange for services, report in Box 1 of Form 1099-NEC



Reporting Classifications

1099-MISC Box 6 – Medical or Health Care Services

- Corporate exemptions do not apply
- Doctors/dentists
- Counselors
- Home health care workers
- Clinics/hospitals/nursing homes
- Veterinarians
- Medical billing services

Medical or health care services not recorded in Box 6

- Health insurance premiums
- Prescription drugs
- Medical goods that are separate from services
- For “pure” scientific research without providing any illness treatment



Reporting Classifications

1

1099-MISC Box 10 – Attorney Gross Proceeds

- No corporate exemption
- Includes amount paid for fees, if cannot be separated from settlement
- If payment is jointly payable to attorney and client, report full amount to attorney in Box 10

2

Reportable

- Defamation
- Discrimination
- Emotional injuries not arising from physical injuries

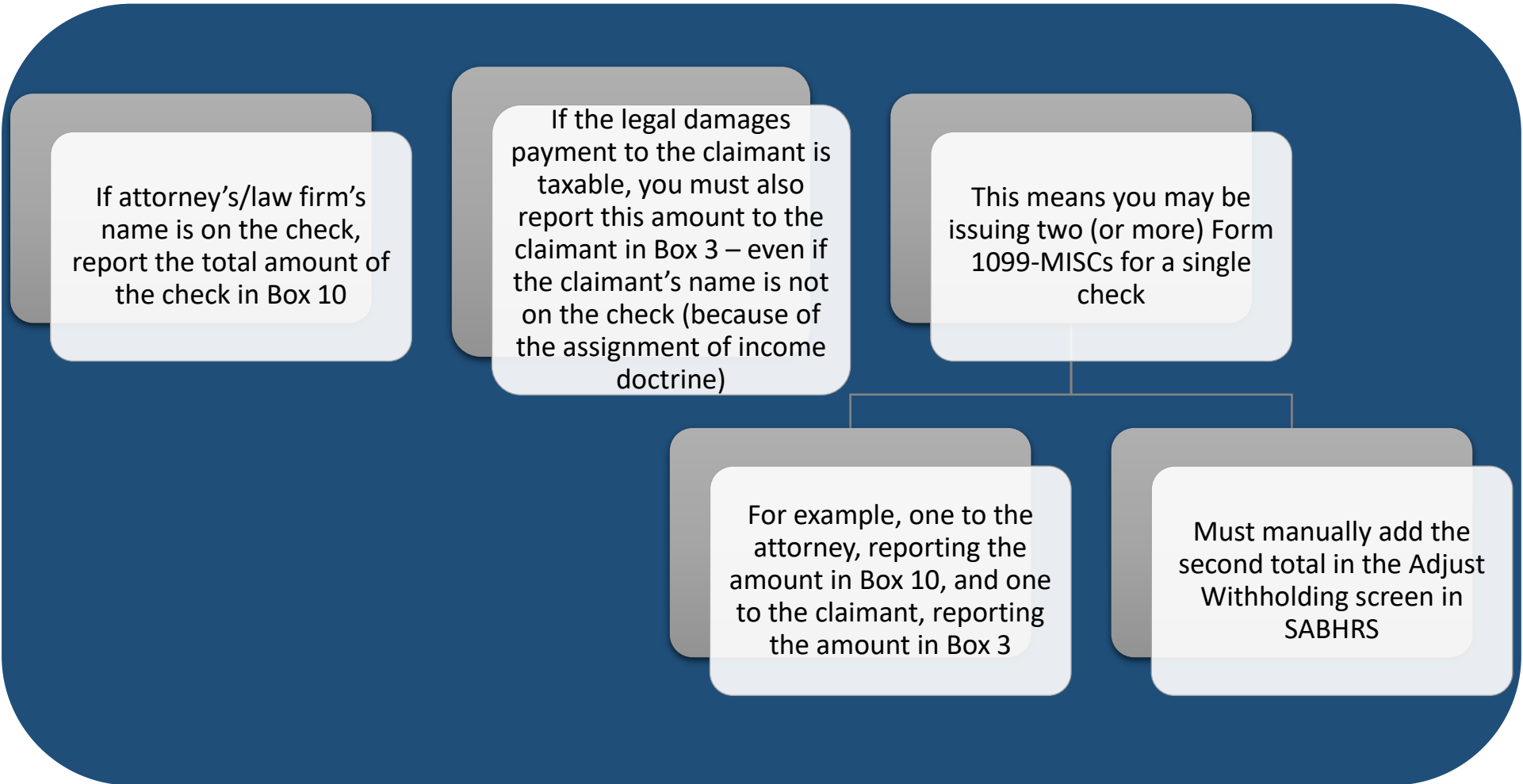
3

Non-reportable

- Payments for damages received due to personal physical injury or physical sickness
- Property claims



Reporting Classifications





Reporting Classifications

1099-NEC Box 1 – Did the attorney/law firm perform services for your agency?

- If yes, report the amount in box 1 of the 1099-NEC
- No corporate exemption

1099-MISC Box 10 – Did the attorney/law firm perform services for your agency?

- If no, and the attorney's name is on the check, report the gross amount of the check in Box 10 of 1099-MISC
- No corporate exemption

1099-MISC Box 3 – Legal damages to claimant, report if taxable

- Punitive damages are always taxable and reportable
- Reported in Box 3 of the 1099-MISC

At times, more than one 1099 is required



Reporting Classifications

1099-NEC Box 1 – Nonemployee Compensation

- Payments for services to nonemployees
- Standard payee exemptions apply (Corps, tax-exempts, govt. payees), except no corporate exemption for legal services payments

Examples

- Consultants
- Training
- Office cleaning
- Prizes/awards
- Honorariums paid to boards, commissions, etc.
 - Max \$100/day ([MCA 2-15-122](#))



Reporting Classifications

1099-NEC Box 1 & Non-Employee Travel

- Reportable Non-employee Travel
 - Non-overnight meals
 - No-receipt lodging
 - Reimbursements for personal equipment usage
 - <https://www.irs.gov/pub/irs-pdf/p5137.pdf> page 32
 - [MCA 2-18-501](#)



Reporting Classifications

1099-NEC Box 1 & Non-Employee Travel

- Non-reportable Non-Employee Travel
 - Overnight meals
 - Lodging reimbursement at actual cost with a receipt provided
 - Mileage
 - Any other personal reimbursement with a receipt provided
 - <https://www.irs.gov/pub/irs-pdf/p5137.pdf> page 32
 - [MCA 2-18-501](#)



Reporting Classifications

1099-G Box 6 – Taxable Grants

- Corporate exemptions apply
- Grants not based on individual need
 - Examples:
 - Cash grants paid to long-time residents who meet age and residency requirements
 - Local government grants to resident homeowners for installing solar panels
- Grants predicated on the individual/organization providing services reportable on 1099-NEC box 1

Grants not recorded in Box 6

- General Welfare Exclusion
 - Grant must be made pursuant to a governmental program, and
 - Be for the promotion of the general welfare (based on need), and
 - Not represent compensation for services
- Disaster Relief Payment Exclusion
 - IRS code provides that disaster relief grants are excluded from gross income and are therefore nonreportable



1099 Reporting: New Reporting Thresholds

The IRS has updated the reportability thresholds for tax year 2026:

- 1099 NEC threshold increases to \$2,000 in TY26
- 1099 MISC Box 1 Rent threshold increases to \$2,000 in TY26
- 1099 MISC Box 3 Other Income threshold increases to \$2,000 in TY26
- 1099 MISC Box 6 Medical and Health Care Payments threshold increases to \$2,000 in TY26

*Please remember to mark all reportable payments, even if it doesn't meet the threshold



1099 Reporting: Verifying Reporting Information

- MTAP_PAYMENT_DETAIL_REPORT will show all payments made by the business unit entered for the date range selected
- Query includes the supplier's government class, helping to determine reportability
- Run this query regardless of how the suppliers get marked for 1099 reporting (interface or manual)
 - Doing this will reduce corrections & help realize the volume of your agency's 1099 MISC/NEC reporting
- Sorting the query by supplier name will help you quickly determine if all payments to the supplier have correctly been marked for reporting

A screenshot of the MTAP_PAYMENT_DETAIL_REPORT interface. It features a title bar "MTAP_PAYMENT_DETAIL_REPORT" and three input fields: "*Business Unit" with a search icon, "*From Date" with the value "01/01/2024" and a calendar icon, and "*Through Date" with the value "01/31/2024" and a calendar icon. Below these fields is a "View Results" button.

MTAP_PAYMENT_DETAIL_REPORT

*Business Unit

*From Date 01/01/2024

*Through Date 01/31/2024

View Results

TIP: If your agency processes a large number of payments, running for a smaller date or schedule your query to produce quicker results



1099 Reporting: Verifying Reporting Information

- MTAP_PAYMENT_DTL_BY_SUPPLIER will show all payments for a specific supplier ID made by the business unit entered for the date range selected
- This query is a direct copy of the MTAP_PAYMENT_DETAIL_REPORT query, but was modified in the prompt to allow users to pull results for Supplier ID.
- Use to narrow your search results or assist a supplier with 1099-related questions

MTAP_PAYMENT_DTL_BY_SUPPLIER

Business Unit like

*From Date 31

*Through Date 31

Supplier ID

[View Results](#)



1099 Reporting: Verifying Reporting Information

- MTAP_1099_VCHR_INFO is a helpful tool to use when answering questions from suppliers 1099-related questions
- Search by supplier TIN
- Results will populate all payments made to that supplier across all Business Units you have access to, including amounts, descriptions, and dates
- Use the results of this query along with the Adjust Withholding screen to answer any questions you may receive

MTAP_1099_VCHR_INFO - Vendor 1099 info for vouchers

Tax ID

[View Results](#)

Vendor 1099 info for vouchers 201															
Unit	Voucher	Vchr Line #	Descr	Merchandise Amt	Withholding	Code	Distrib Line #	Amount	Account	Pymnt Status	SetID	Remit Supp	Scheduled	Bank Account	
52010	P0240363	1	MARCH 2023 JANITORIAL SERVICES	1,075.84	Y	N01	1	1,075.84	62105	P	STATE	0001106627	3/24/2023	CHK	
5401Z	00877103	1	1102671 ABM JANITORIAL SERVICE	1,704.19	Y	N01	1	1,704.19	62105	P	STATE	0001106627	3/24/2023	CHK	
5401Z	00877104	1	1103010 ABM JANITORIAL SERVICE	1,514.84	Y	N01	1	1,514.84	62105	P	STATE	0001106627	3/24/2023	CHK	
5401Z	00877105	1	1103179 ABM JANITORIAL SERVICE	1,365.48	Y	N01	1	1,365.48	62105	P	STATE	0001106627	3/24/2023	CHK	
66020	00231698	1	DLISFY21CONWSD_01-4	3,332.77	Y	N01	1	3,332.77	62701	P	STATE	0001106627	11/7/2023	CHK	
52010	P0319532	1	JANITORIAL SERVICES	564.81	Y	N01	1	564.81	62105	P	STATE	0001106627	11/15/2023	CHK	
52010	P0323901	1	OFFICE JANITORIAL	423.61	Y	N01	1	423.61	62105	P	STATE	0001106627	11/30/2023	CHK	



1099 Reporting: Verifying Reporting Information

Reviewing the Information

Name	Remit Vndr	Vendor SetID	Vchr Line Amt	Line	Descr	Withhold Code	Amount	Payment Reference	Payment Date	Reconciled	Pymnt Select Status	Stat/ Actn	Bank Account
ABM INDUSTRY GROUPS LLC	0001106627	STATE	1,624.44	1	JANITORIAL SERVICES	N01	1,624.44	0028863967	8/18/2023	8/23/2023	PAID		CHK
ABM INDUSTRY GROUPS LLC	0001106627	STATE	1,075.84	1	JANITORIAL SERVICES		1,075.84	0028870799	8/24/2023	8/29/2023	PAID		CHK
ABM INDUSTRY GROUPS LLC	0001106627	STATE	1,624.44	1	JANITORIAL SERVICES	N01	1,624.44	0029071621	10/2/2023	10/6/2023	PAID		CHK
ABM INDUSTRY GROUPS LLC	0001106627	STATE	358.61	1	JANITORIAL SERVICES	N01	358.61	0029111877	10/18/2023	10/23/2023	PAID		CHK
ABM INDUSTRY GROUPS LLC	0001106627	STATE	564.81	1	JANITORIAL SERVICES	N01	564.81	0029171478	11/17/2023	11/22/2023	PAID		CHK
ABM INDUSTRY GROUPS, LLC	0001106627	STATE	1,624.44	1	JANITORIAL SERVICES		1,624.44	0028789590	7/26/2023	8/8/2023	PAID		CHK

In the query results shown, you will notice the variation in the withholding code information



If ABM was paid for the same type of services for each payment, the withholding information should be consistent



If you see a payment with a description that clearly indicates a service provided, but is not marked, you may want to investigate further



1099 Reporting: Adjust Withholding Screen

- Navigate to: Main Menu > Suppliers > 1099/Global Withholding > Maintain > Adjust Withholding
- Enter the Supplier ID and click search
- If more than one location is shown, review all to make sure you are not missing information
- No withholding adjustments allowed for prior years
- Adjustments will not reflect on original voucher screen

Withholding Adjustment

Find an Existing Value

▼ **Search Criteria**
Enter any information you have and click Search. Leave fields blank for a list of all values.

Recent Searches

Choose from recent searches

✎

Saved Searches

Choose from saved

*Supplier SetID

=

STATE

Q

Supplier ID

begins with

0001106627

Supplier Location

begins with

^ Show fewer options

Search

Clear

Save Search

▼ **Search Results**
2 results Supplier SetID "STATE", Supplier ID "0001106627"

<<

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1-2 of 2

>

>>

View All

Supplier SetID	Supplier ID	Supplier Location	Supplier Name	
STATE	0001106627	000001	ABM INDUSTRY GROUPS, LLC	>
STATE	0001106627	000002	ABM INDUSTRY GROUPS, LLC	>



1099 Reporting: Adjust Withholding Screen

Search Criteria

Business Unit	<input type="text"/>	Q
Entity	IRS	Q
Jurisdiction	FED	Q
Type	<input type="text"/>	Q
Class	<input type="text"/>	Q
Start Date	<input type="text"/>	Calendar icon
End Date	<input type="text"/>	Calendar icon

[Search](#)

- Enter the Business Unit, Type*, and date range
 - *Type is not a required field. You may wish to leave it blank in order to pull all reporting types for the supplier
- Click Search



1099 Reporting: Adjust Withholding Screen

Adjustments

Grid icon Search icon 1-1 of 7 View All

Main Information Transaction Info Payment Information Adjustment Reason

Short Name	*Business Unit	*Type	*Class		
Original	61080	1099N	01	+	-

- Only the first line of results will populate. Select “View All” to see all results
- Click the expansion arrow to see all columns






1099 Reporting: Manually Add Withholding

- If there are no entries yet, enter your information on the first legacy line
- If there are existing entries, select the on the far right of the last line in the series – this will create a blank line to make your entry
 - ❖ Never use the to delete original lines
- Enter the BU that issued the payment, and it will auto-populate the full BU which may need to be adjusted to match the voucher information
- Select the correct withholding classification in the “Class” column
- Enter the payment amount
- Select the original payment date
- Include relevant information in the description regarding the original payment – i.e. reference ID, the reason for the adjustment, initials, etc.



1099 Reporting: Manually Adjust Existing Withholding

- To adjust or remove existing withholding lines use the  on the line that you need to correct
- Reverse the original line completely, then add a third line with the correct amount or withholding class
- Below is an example of how to correctly change a payment's withholding class from M03 to M02
 - Adjustments can be made for incorrect BUs, WH class, and amounts
- NEVER delete a supplier's original entry line

Short Name	Business Unit	Type	Class	Basis Amt	Payment Date	Bank Account	Method	Payment Reference	Posted Date	Creation Date	User ID
Legacy	52010	1099M	02	135.00	01/05/2023 				03/09/2023	03/09/2023	CFC761
Legacy	52010	1099M	03	-135.00	01/05/2023 				03/09/2023	03/09/2023	CFC761
Original	52010	1099M	03	135.00	01/05/2023	CHK	System Check	0028153822	02/01/2023	02/01/2023	CA2099



1099 Reporting: New SABHRS Withholding Types

- New SABHRS Withholding Types in Adjust Withholding Screen
 - 2025M & 2025N added for TY2025 adjustments and forward
 - Available February 2, 2026
 - Remember to submit a 1099 Correction request in ServiceNow for all prior year adjustments
- 1099G remains the same for all tax years
- No change to the voucher screen for agencies that manually enter vouchers with 1099 withholding

Look Up Type

Withholding Entity

IRS

Withholding Type

begins with

Search

Clear

Cancel

Basic Lookup

Search Results

View 100

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Withholding Type	Description
1099	1099 Prior to 2020
1099G	1099 Gov 2020 Forward
1099M	1099 Misc 2020 - 2024
1099N	1099 NEC 2020 - 2024
2025M	1099 Misc 2025 Forward
2025N	1099 NEC 2025 Forward

NEW

DAILY OPERATIONS SECTION | STATEWIDE ACCOUNTING BUREAU (SAB)



1099 Reporting: Common Errors

- Selecting the incorrect Withholding Type code.
 - Please select the correct withholding type code
- Marking a foreign vendor payment for withholding
 - Foreign vendor payments are generally not 1099 reportable
 - If you think one of your foreign vendor payments is 1099 reportable, please contact SAB and we will help you determine if it is
- Marking Payment Plus payments for withholding
 - SABHRS does not pick up PPlus payments so these can be ignored

Look Up Type ×

Withholding Entity

IRS

Withholding Type

begins with ▼

Search

Clear

Cancel

Basic Lookup

Search Results

View 100

|< < 1-6 of 6 > >|

Withholding Type	Description
1099	1099 Prior to 2020
1099G	1099 Gov 2020 Forward
1099M	1099 Misc 2020 - 2024
1099N	1099 NEC 2020 - 2024
2025M	1099 Misc 2025 Forward
2025N	1099 NEC 2025 Forward



1099 Correction/Duplicate Request

ServiceNow

- ServiceNow 1099 Correction/Duplicate Request (Form 222)
 - Used by agencies to request either a duplicate or correction to form 1099-MISC, 1099-NEC, or 1099-G after the deadline
 - Upon completion, corrected form will be submitted to the IRS and mailed to the payee

The screenshot shows the ServiceNow interface for the "1099 Correction/Duplicate" form. The header includes the "MONTANA" logo and navigation links for "Knowledge", "Catalog", "Tickets" (with a count of 1), and "Agency". The breadcrumb trail is: Home > All Catalogs > SAB Service Catalog > Payment Related Requests > 1099 Correction/Duplicate. The main content area displays the title "1099 Correction/Duplicate" and "Form 222". Below this is the "STATEWIDE ACCOUNTING BUREAU" logo and the text "1099 CORRECTION/DUPPLICATE".



1099 Correction/Duplicate Request

ServiceNow

ServiceNow 1099 Correction/Duplicate Request (Form 222)

Important to verify the information before submitting the request

Navigate to MT Payment Inquiry in SABHRS

○ [Main Menu>Reporting Tools>Query>Query Viewer](#)

- **MTAP_PAYMENT_DTL_BY_SUPPLIER**

- ✓ BU
- ✓ Voucher ID
- ✓ Supplier ID
- ✓ Withholding code
- ✓ Payment Amount
- ✓ Payment Reference ID
- ✓ Payment Method
- ✓ Government Classification

Failure to report 1099-MISC/NEC to IRS = \$\$\$ penalty per 1099



1042-S Reporting: Deadlines

- **January 15** – Review of 2025 foreign transactions should be complete
- **February 2** – All documentation related to reportable payments is due to SAB
- **March 15** – All 1042-S forms must be mailed to suppliers and submitted to the IRS. Completed by SAB



1042-S Reporting: What is Reportable

- Goods purchases exempt from reporting
- U.S. source income is reportable and subject to backup withholding
- No corporate or government tax exemption
- No minimum dollar threshold for reporting
- 30% backup withholding unless valid treaty claim is made
 - See Claim of Tax Treaty Benefit section on W-8
- 1042-S reporting is tracked outside of SABHRS
 - Per MOM 330, never pay foreign suppliers via PCard unless travel related
 - Wire payments must be carefully reviewed prior to submission
 - Does not allow for SAB review if backup withholding required



1042-S Reporting: Foreign Payment Release

- Foreign payments must be reviewed by SAB prior to release for potential backup withholding requirement
- Held payments are released by submitting a Foreign Payment Release request in ServiceNow
 - Payment will not be released without a valid W-8, invoice(s), and/or proper withholding (if applicable) is accounted for
- Agencies are responsible for monitoring their held payments by running MTAP_HELD_VOUCHERS

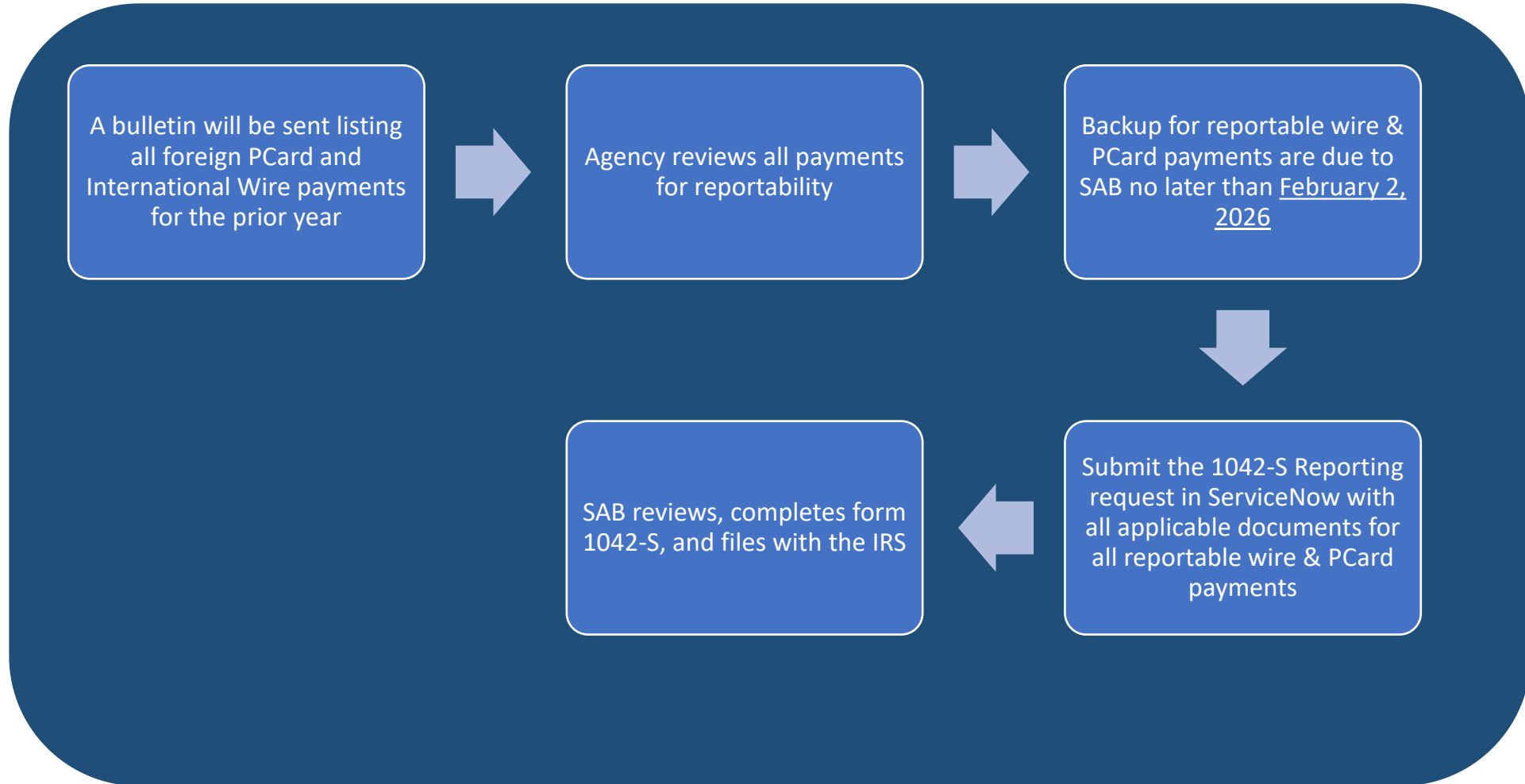
[Foreign Payment Release](#)

Foreign Payment Release

View Details



1042-S Reporting: Reporting Process





1099 Reporting: Discussion Time

What questions do you have?



THANK YOU!

Thank you!

If you have additional questions after this session, please open a
Case – SAB in ServiceNow or call 406-444-3092