

# 1099 Reporting:

## Part 3 - Reporting Classifications





# Reporting Classifications

| Box     | Reportable   |
|---------|--|
| MISC-1  | Rents & Surface Royalties                          |
| MISC-2  | Royalties (intellectual property)                  |
| MISC-3  | Other Income                                       |
| MISC-4  | Federal Income Tax Withholding/Backup Withholding* |
| MISC-6  | Medical and Health Care Payments                   |
| MISC-10 | Gross Proceeds Paid to an Attorney                 |
| NEC-1   | Nonemployee Compensation                           |

\*The State of Montana rarely, if ever, uses this box



## Reporting Classifications

| Box     | Reportable                      |
|---------|---------------------------------|
| G-2     | State Income Tax Refund/Credit  |
| G-6     | Taxable Grants                  |
| MISC-5  | Misc. Fishing Boat Proceeds     |
| MISC-8  | Misc. Substitute Payments       |
| MISC-9  | Misc. Crop Insurance Proceeds   |
| MISC-14 | Misc. Excess Golden Parachute   |
| NEC-4   | NEC Federal Income Tax Withheld |

The State of Montana rarely uses these boxes. If you think you may need to, please contact us.



# Reporting Classifications

## 1099-MISC Box 1: Rental Payments & Surface Royalties

- Examples include land, buildings, offices, conference rooms, equipment, rental assistance payments to property owners
- Operating lease – considered as “rent” by IRS the rental is generally returned to lessor at end of lease
- Capital lease – considered as “purchase of goods” by IRS the rental is generally owned by lessee at the end of lease
- If capital lease payments include interest, the interest portion of the payment should be reported on form 1099-INT if more than \$600 paid to a reportable entity
- Easements – more than 30 years is reported on 1099-S and less than 30 years on 1099-MISC
- MOM Policy 335 – Capital Assets defines operating vs. capital lease

**1099-MISC issued if total is greater than \$600**



# Reporting Classifications

## 1099-MISC Box 2: Gross Royalty Payments

- Intellectual property such as literary rights, copyrights, motion picture, publishing, licensing fees, mineral rights

## 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
- Oil or gas payments for a working interest are reported in Box 1 of the 1099-NEC as non-employee compensation
- Timber royalties made under a pay-as-cut contract are reported on the form 1099-S
- Proceeds from real estate transactions

1099-MISC issued if total is greater than \$10



# 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 awards/prizes not for services performed

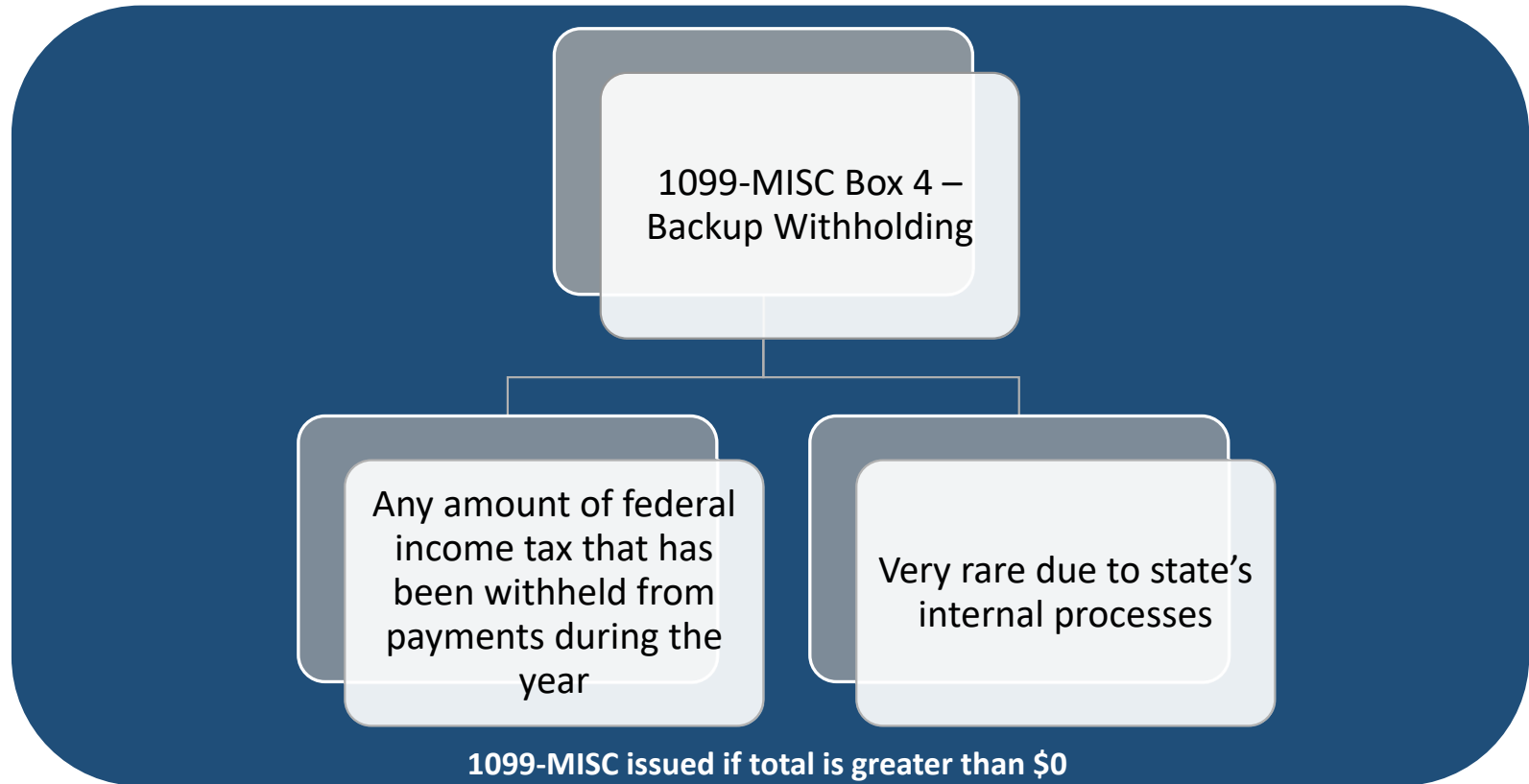
## Other income not recorded in Box 3

- Legal damages received due to personal physical injury or physical sickness; damages that do not exceed the amount paid for medical care for emotional distress
- Property claims

**1099-MISC issued if total is greater than \$600**



## Reporting Classifications





## Reporting Classifications

### 1099-MISC Box 6 – Medical or Health Care Services

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

### 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

**1099-MISC issued if total is greater than \$600**





# 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

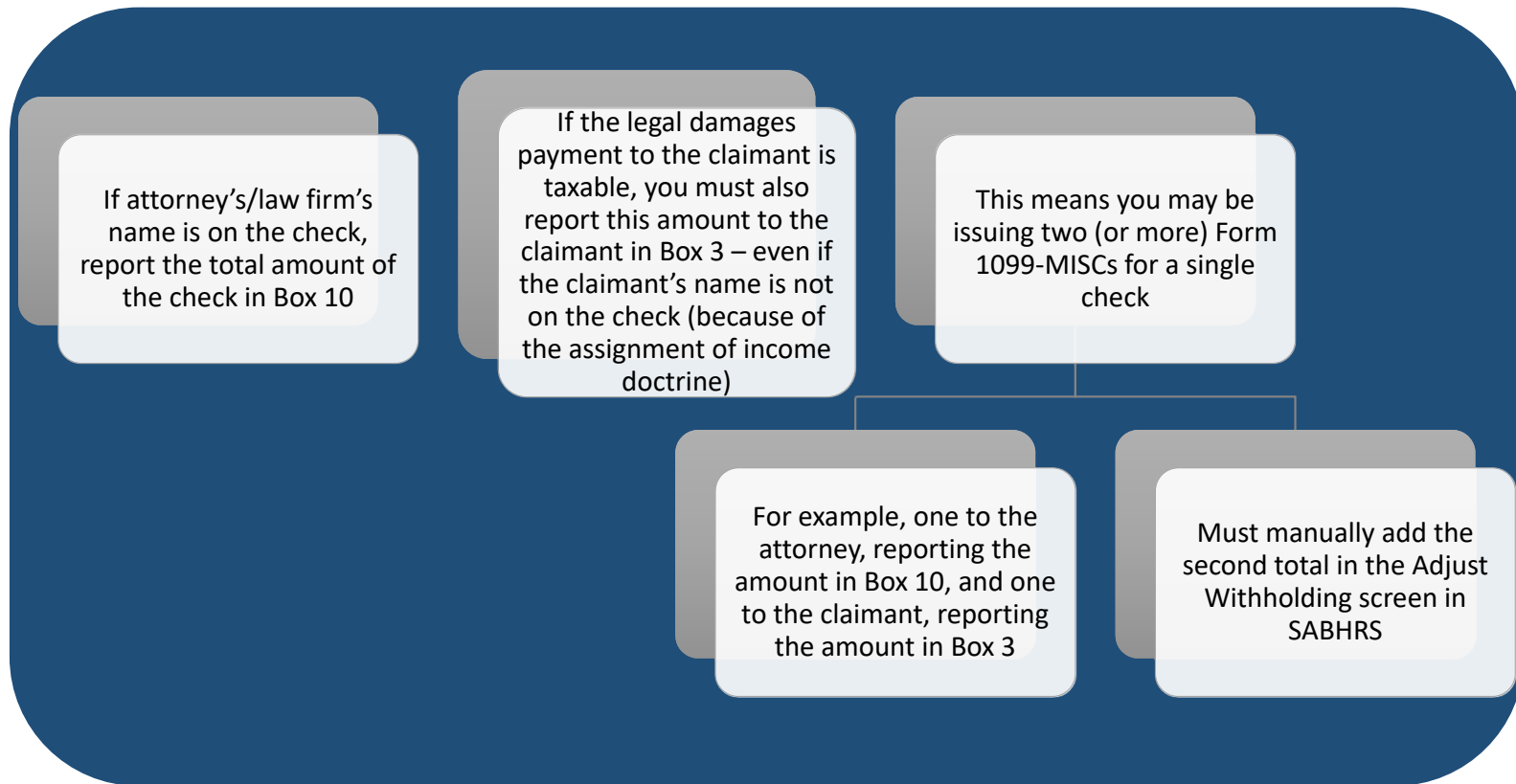
## Non-reportable

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

**1099-MISC issued if total is greater than \$600**



# Reporting Classifications





## Reporting Classifications

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

- 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 company/organization?

- 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

- Commissions
- Prizes
- Awards
- Honorariums
- Payments for a working interest

**1099-NEC issued if total is greater than \$600**



# THANK YOU!

Thank you for watching!

Questions? Please open a Case – SAB in ServiceNow  
or call 406-444-3092