

1099 Reporting:

Part 1 – Goods Purchases Vs. Service Purchases
Reportable Vs. Nonreportable





Good vs. Service

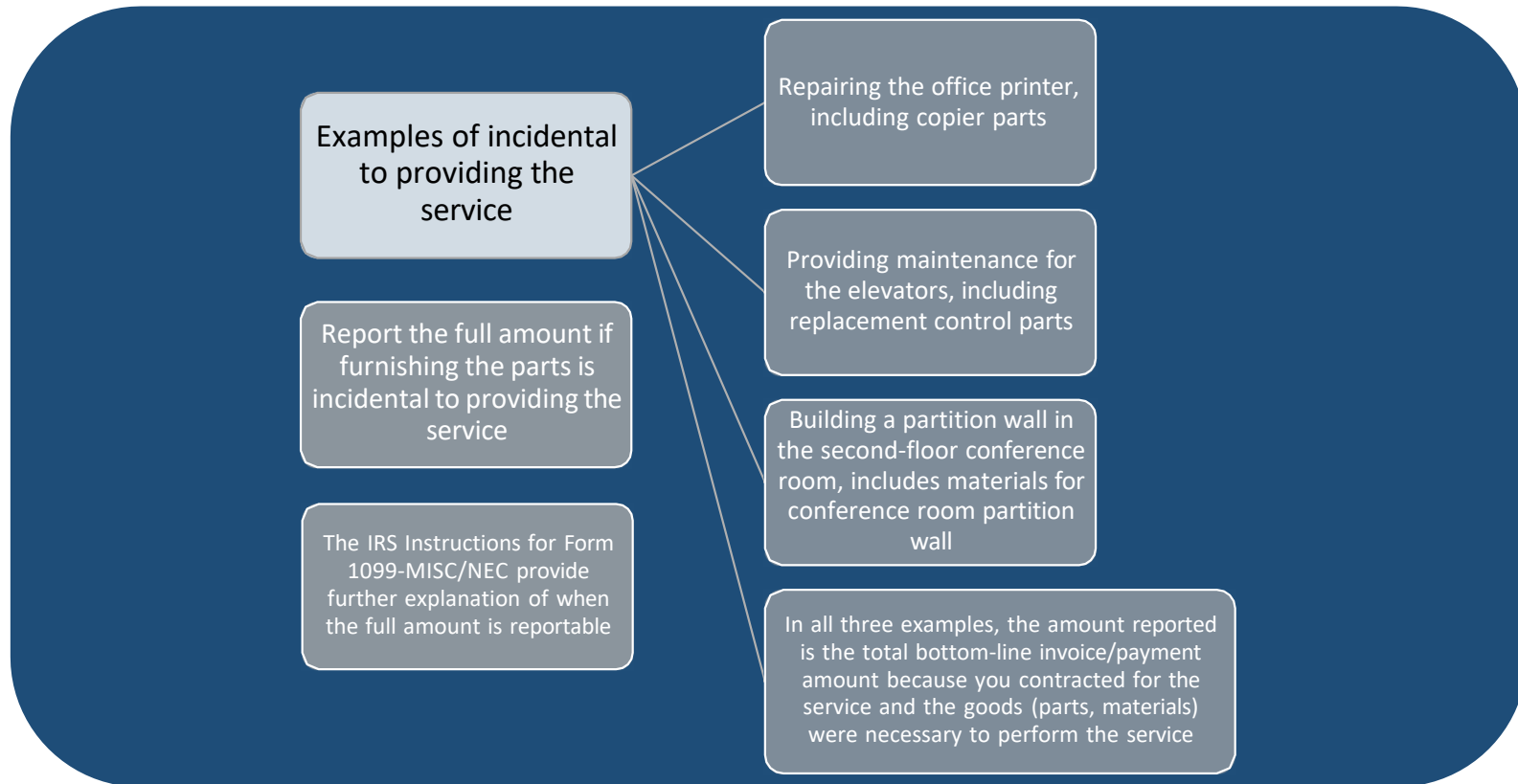
The IRS instructs that, when making a payment for a combination of goods and services (or parts and labor), the payer should report the entire amount of the payments if supplying the parts or materials was incidental to providing the service

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 auto



Reportable Vs. Nonreportable





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



Reportable Vs. Nonreportable

1

Your organization purchases a dozen paintings from an art show

- Treated as goods purchased
- Not reportable

2

Your organization hires an artist to create a dozen paintings for your offices

- Treated as a payment for a service
- Artwork is created specifically for you according to your specifications
- Reportable
 - ✓ Form 1099-NEC Box 1



Review Questions

An interior design company constructs several cubicles for your office area. Do you report the amount of the service/labor, the amount of the materials and parts, or both?



Review Questions

Both – the goods were necessary to perform the service



Review Questions

Your office purchases several photographs to hang around the building.
Reportable or not?



Review Questions

Non-reportable – goods purchased



Review Questions

Are the following items reportable or non-reportable?

- | | |
|------------------------------|---------------|
| 1. Consultants | Reportable |
| 2. Medical Services | Reportable |
| 3. Governments | Nonreportable |
| 4. Non-employee compensation | Reportable |
| 5. Storage Facilities | Nonreportable |
| 6. Insurance Premiums | Nonreportable |



THANK YOU!

Thank you!

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