

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



Reporting Classifications

1099-MISC Box 1: Rental Payments & Surface Royalties

- Examples include land, buildings, offices, conference rooms, equipment, rental assistance payments to property owners
- 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 – more than 30 years is reported on 1099-S and less than 30 years on 1099-MISC



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



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



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
- 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

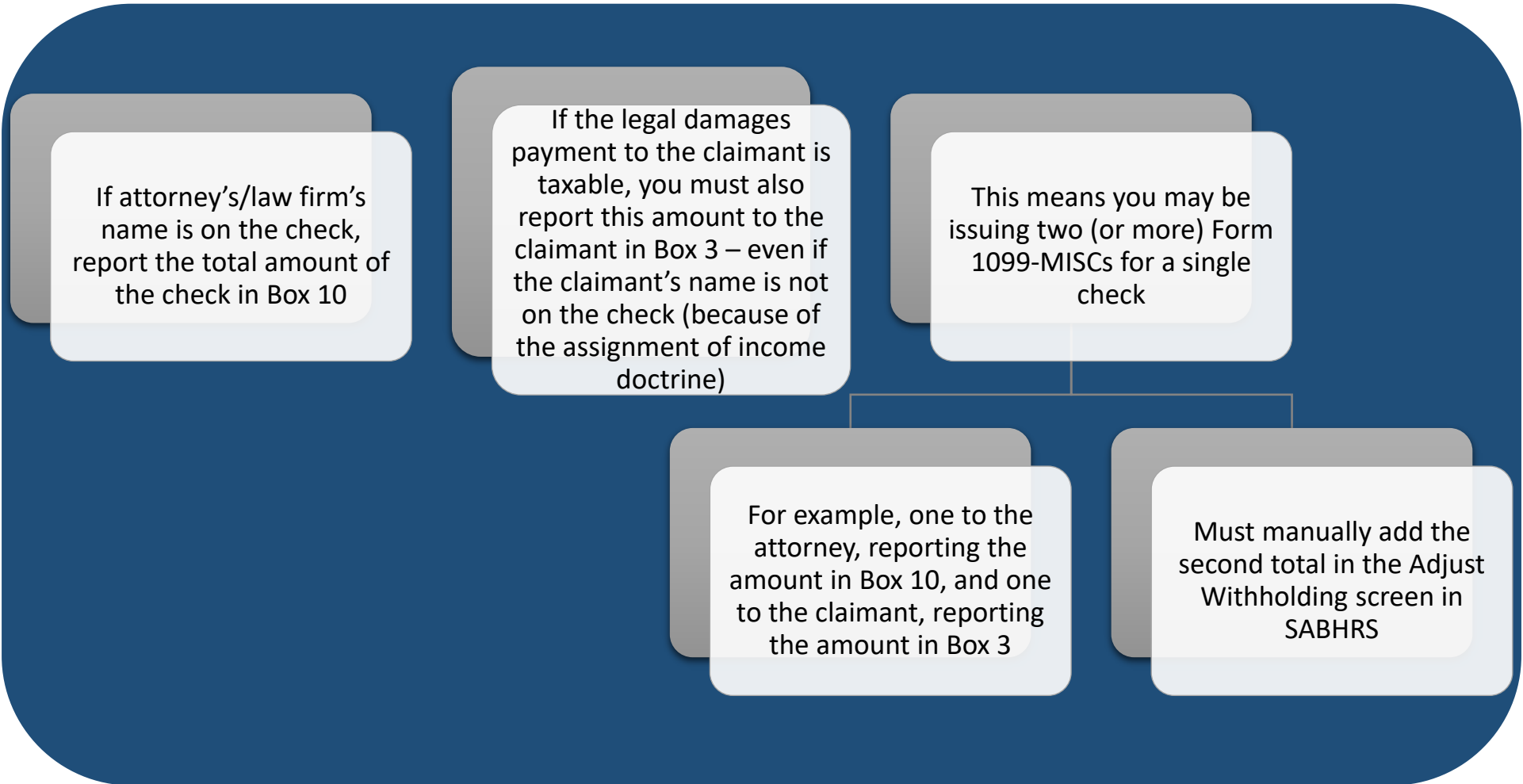
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Non-reportable

- 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 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
 - Note: Honorarium amounts have changed from \$50/day to \$100/day
 - [Reference: MCA 2-15-122](#)



Reporting Classifications

1099-NEC Box 1 – Nonemployee Compensation

- Non-Employee Travel
 - non-overnight meals, no-receipt lodging are 1099 reportable
 - Overnight meals, lodging reimbursement at actual cost with a receipt provided, and mileage are not 1099 reportable

Resources

- <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



THANK YOU!

Thank you for watching!

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