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.
Examples of incidental to providing the service:

- 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

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

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

- 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
Both – the goods were necessary to perform the service
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 for watching!

Questions? Please submit an Other Accounting/SABHRS Questions request in ServiceNow or call 406-444-3092