

# 1099 Reporting:

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





## Good vs. Service

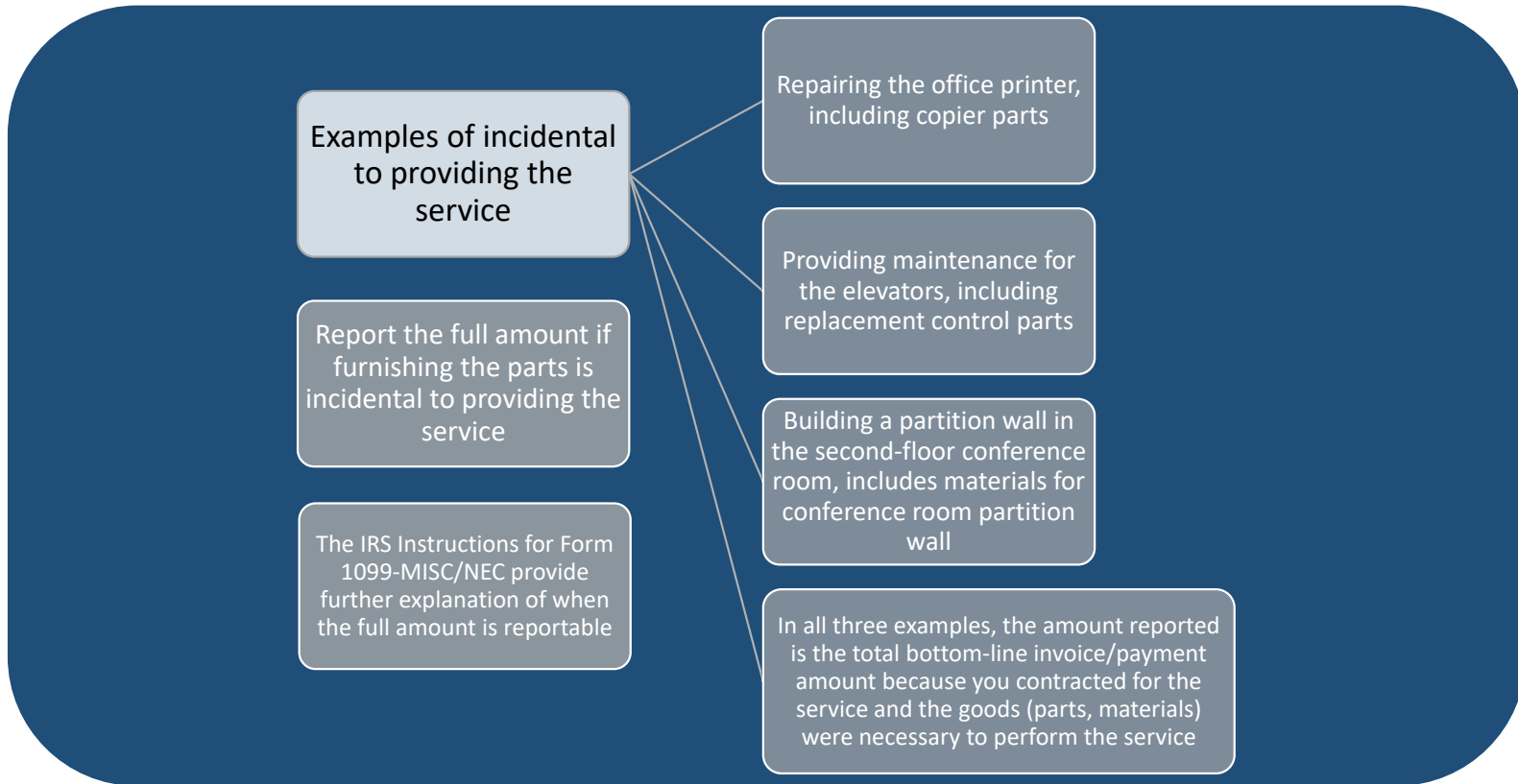
The IRS instructs that, when making a payment for a combination of goods and services (or parts and labor), the payer should report the entire amount of the payments if supplying the parts or materials was incidental to providing the service

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

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!**

Thank you for watching!

Questions? Please submit an [Other Accounting/SABHRS Questions](#)  
request in ServiceNow or call 406-444-3092