

IRS Form 1099-MISC & Form 1099-NEC

The University of Connecticut is required by law to report certain payments of income it made during the calendar year to the IRS and to the recipient by filing [Form 1099-MISC](#) or [Form 1099-NEC](#).

The following types of payments made in the course of the University's trade or business when paid to individuals, partnerships, single member limited liability companies, and limited liability companies taxed as partnerships must be reported on [Form 1099-MISC](#) if they aggregate to **\$600** or more (\$10 or more for royalties) during the calendar year:

➤ **Rents (Box 1)**

Examples:

- Equipment and machines rentals
- Office rent unless paid to a real estate agent or property manager that is not the property owner

➤ **Royalties (Box 2)**

Examples:

- Industrial, Literary, Patents

➤ **Other income (Box 3)**

Examples:

- Prizes and awards that are **not** for services performed. (Include the fair market value of merchandise won if given in lieu of a cash award.)
- Research subject payments
- Certain litigation settlements (not paid to attorneys/law firms which are reportable in Box 10)

➤ **Fishing Boat Proceeds (Box 5)**

➤ **Medical and health care payments (Box 6)**

- **IMPORTANT NOTE!** Payments of medical and healthcare payments must also be reported to **C and S corporations**.

➤ **Crop Insurance Proceeds (Box 9)**

➤ **Gross Proceeds Paid to an Attorney (Box 10)** – Only report on Form 1099-MISC, the payments made to an attorney or law firm for a legal settlement but do not include payments for **attorney services** which are reportable in **Box 1 of Form 1099-NEC**.

Example, University agrees to pay punitive damages of \$10,000 to a law firm representing the claimant. The University hired an attorney from a local law firm to present the University during the mediation of this case. The lawyer's fee for her legal representation services was \$1,000. The total punitive damages of \$10,000 would be reported in Box 10 of Form 1099-MISC and the lawyer's fee for services of \$1,000 would be reported in Box 1 of Form 1099-NEC.

- **IMPORTANT NOTE!** Gross proceeds paid to an attorney or law firm must also be reported to **C and S Corporations**.

➤ **Section 409A deferrals (Box 12)**

➤ **Nonqualified deferred compensation (Box 14)**

The following types of payments for **SERVICES** rendered by non-employees in the course of the University's trade or business must be reported on [Form 1099-NEC](#) if they aggregate to **\$600** or more during the calendar year and are paid to individuals, partnerships, single member limited liability companies, and limited liability companies taxed as partnerships:

➤ **Non-employee compensation (Box 1):**

- Includes payments for **services** performed for the University in the course of its trade or business by individuals or entities that are not employed by the University.
- Non-employee expense reimbursements for service providers are only includible in the reportable payment if the expense is not reimbursed in accordance with the University's accountable plan. For example, if the University agrees to pay a fixed amount for expected travel expenses but does not require the service provider to substantiate the travel expenses incurred with actual receipts, then the travel allowance will be includible in the reportable payment.

Examples of reportable non-employee compensation payments:

- Professional service fees paid to **attorneys (reporting includes C and S Corporations)**
 - Professional fees paid to accountants, architects, business consultants, etc.
 - Payments made to customize merchandise or awards. This is deemed as a purchase of a *service*.
 - Payment for services, including the cost of *incidental* parts or materials used to perform those services
 - Payments to non-employee entertainers or performers
 - Honorariums or payments to guest lecturers
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Common payments that are NOT required to be reported on either Form 1099-MISC or Form 1099-NEC:

- Payments to C and S Corporations including LLCs that are taxed as C or S Corporations (**with the exception of medical/health care payments, legal fees and proceeds paid to an attorney**)
- Payments to tax-exempt organizations including: tax-exempt trusts, U.S. government, a U.S. state or U.S. possession
- Payments to foreign individuals, entities and foreign governments (see Form 1042-S reporting requirements)
- Payments for freight, inventory, merchandise, storage or utilities
- Wages, expense reimbursements or allowances paid to employees including back-pay (report on form W-2)
- **Scholarships or fellowships made to U.S. tax residents are not reportable on Form 1099-MISC but they may still be taxable to recipients. Note: Scholarships or fellowships that are given in exchange for services to be rendered to the University should be reported as wages on Form W-2.**