Policy & Preparation: Self-Employed Taxpayer Received 1099-MISC and Not 1099-NEC

[2020+ Returns Only]

In 2020, the IRS introduced **Form 1099-NEC**, *Nonemployee Compensation* as the new way to report self-employment income in place of **Form 1099-MISC**, *Miscellaneous Income*.

	VOID CORR	ECTED		_
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		•	OMB No. 1545-0116	
			2021	Nonemployee Compensation
			Form 1099-NEC	
PAYER'S TIN	RECIPIENT'S TIN	1 Nonemployee compensation		Copy 1
RECIPIENT'S name		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale		For State Tax Department
		3		
Street address (including apt. no.)				
		4 Federal income tax withheld		
City or town, state or province, country, and ZIP or foreign postal code		\$		
		5 State tax withheld	6 State/Payer's state no.	7 State income
Account number (see instructions)		\$		\$
		\$		\$
Form 1099-NEC	9NEC	Department of the	Treasury - Internal Revenue Service	

If a self-employed taxpayer comes to the Tax Help Program for return preparation and has been given **Form 1099-MISC** (with entries in **Box 3** for **Other Income**) instead of **Form 1099-NEC**, the Tax Help Program can assist the taxpayer.

How to Assist the Taxpayer

Follow these steps:

- Confirm that the income included on Form 1099-MISC is actually self-employment and not another form of compensation.
- 2. Instruct the taxpayer to contact the employer to have a corrected **Form 1099-NEC** issued.
- 3. If the taxpayer is unable to obtain a corrected **Form 1099-NEC**, the Tax Help Program will prepare the tax return and treat the income as if it were reported on **Form 1099-NEC**.
 - a. The Form 1099-MISC will not be entered in the tax return.
 - b. A **Schedule C** will be created reporting the compensation erroneously listed on **Form 1099-MISC** as <u>cash income</u>.
 - c. Self-employment expenses listed by the taxpayer can be reported on the **Schedule C**.
 - d. The return can be e-filed.

Important: The taxpayer should be aware of the error in reporting by the payer, understand how we have prepared the return, and be informed of the chance that the IRS may ask for more information at a later date.