



1099-Misc | 1099-NEC Income Treatment Scenarios

1099-Misc Scenario 4: Client has not received 1099-Misc but should have received it.

Henry tells you that he received payment in 2010 for work done on a contractor basis, however the company has yet to send a 1099-Misc and its now early April.

How should Henry report his income?

Henry should file his return with a Schedule C including the amounts that were paid to him by this company. The fact that a 1099-Misc was not issued does not mean that the income does not have to be reported.

If needed you should help Henry to reconstruct his income and determine what allowable expenses he must report for this business.

1099-Misc Scenario 5: Client received 1099-Misc, and the income is incorrectly classified.

Mary won a prize from a local community sponsored activity. She received a Form 1099-Misc with the prize amount reflected on 1099-NEC in Box 1 as "Nonemployee Compensation". Upon reading the instructions for Form 1099-Misc she sees that the amount should have been correctly reported in Box 3 "Other Income" and is not subject to self-employment tax because she did not "earn" the income.

How should Mary report her income?

Before filing her return, Mary should contact the entity that sent her the 1099-Misc and ask them to file a corrected Form 1099-Misc with the amount correctly reflected in Box 3 instead of Box 7. Among other tax implications, reporting the amount on the Schedule C might inadvertently qualify her to take the EITC when it is obvious that this is not earned income and should not be included in the calculation for qualification of EITC. In addition, reporting the income on Schedule C would require Mary to pay self-employment that she does not owe.