

IRS 1099 Reporting and Forms

With assistance and information from the Internal Revenue Service and the Municipal Research Services Center (MRSC), the Conservation Commission is providing information to assist conservation districts that are working with landowners and cooperators who receive cost share assistance.

What form do we use?

Questions have arisen over time about whether conservation districts were required to issue IRS Form 1099 to landowners and cooperators who receive cost share payments. The answer is, it depends.

The form for the district to file (if needed) is Form 1099-G Certain Government Payments which is the required form for grant (and certain government) payments made by local governments, under certain conditions. [Click this link to the IRS website for the forms and publications associated with 1099's and, more specifically, 1099-G.](#)

What governs whether a Form 1099-G is issued?

Rule of thumb: Unless specifically stated that the grant is “tax exempt”, it is taxable and therefore reportable on form 1099-G. For the purpose of this DO brief dated January, 2017, “grants” are payments to landowners and cooperators. The grants that are required to be reported to the IRS are:

- Amounts of **taxable** grants to provide subsidized energy financing or grants for projects designed to conserve or produce energy, but only with respect to energy property or a dwelling unit located in the United States.
- Any amount of a **taxable** grant administered by an Indian tribal government
- Amounts of other **taxable** grants of \$600 or more
- USDA agricultural subsidy payments

So when is a grant a “taxable” vs. “non-taxable”?

According to the IRS, the primary evaluation occurs when the funds are disbursed. The deciding factors are:

- If the funds are disbursed in advance of the work, then it is a taxable grant and a Form 1099-G is required. Landowners and cooperators receiving a Form 1099-G should be encouraged to consult their tax advisor.
- If the funds are held and subject to reimbursing, then it's non-taxable and a Form 1099-G is **not** required. **Important:** *The reimbursement must be subject to inspection to assure that the work has been completed; the recipient is only reimbursed for actual costs and the granting government maintains appropriate documentation to support “reimbursement.”*

When do Conservation Districts issue Form 1099-G?

Conservation districts should only issue IRS Form 1099-G to a landowner or cooperator who receives cost share funding that can't be documented as reimbursement for actual costs. The dollar amount should be put in Box 6 (Taxable Grants) on the Form 1099-G and provided to the landowner or cooperator by January 31st and to IRS by February 28th of each year.

Important considerations:

Some districts have, as part of their cost share policy, allowed certain project types to be eligible to receive funding for 100% of the project cost. The same rules apply:

- Funding received by a landowner or cooperator to reimburse expenses related to the project are not Taxable and therefore do not require a form 1099-G;
- Funding received that were not reimbursed expenses related to the project are considered taxable and must be reported on form 1099-G.

However, some conservation district cost share policies have provisions designating certain projects to not have a direct benefit for the landowner, but are still important for natural resources. Remember, in those cases, if the district pays directly for the implementation of the project it is considered a public works project subject to prevailing wage rules. For more information on that, please see the Commission's District Operations Brief on prevailing wages linked [here](#).

What if we have questions?

We hope you find this information helpful as you evaluate your grants and payments made to cooperators. We are not experts in the area of IRS tax rules and would encourage districts to discuss this issue with a local IRS office to assure compliance with the reporting requirements. Here is the link to the WA State offices and their contact information: <http://www.irs.gov/uac/Contact-My-Local-Office-in-Washington>