

R.7

Special Requirements for Payments for Services

If a business pays self-employed individuals and small businesses more than \$600 in a calendar year the business is required to report the payments to the Internal Revenue Service on Form 1099.

Generally a business does not need to file a Form 1099 to report payments to corporations, but you are required to report all payments to attorneys.

You do not need to report payments for merchandise, storage, and rent.

If you fail to file Forms 1099 as required, the IRS may disallow any deductions for the expenses that should have been reported on the Forms 1099. Also, the IRS will charge penalties for failure to file Form 1099.

Penalties are adjusted annually. In 2026 they are:

- \$60/form for filled within 30 days of the due date
- \$130/form filed by August 1
- \$340/form filed after August 1
- \$680/form if failure to file was not accidental

For information about how to file Forms 1099 and when they are due see the IRS website.