

Form 1099 Information Returns*

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Introduction

Form 1099 is used to report various forms of income other than wages, salaries, and tips to the Internal Revenue Service (IRS) and to the recipient of the payment. Agricultural producers may both receive Form 1099 information returns and be required to issue them. The Form notifies the IRS and the recipient of the payment. The IRS will then look for the amounts from the Form 1099 to show up on the recipient's Federal tax return. This article covers many 1099s that producers may encounter.

Form 1099 Informational Returns

Who Must File a Form 1099

If you or your farm paid another individual a combined total of \$600 or more for rent, custom work, services, or interest as part of your farming business during the year, you may be required to report the payments with a Form 1099. This is true whether you paid as a sole proprietor, partnership, corporation, estate, or trust. See **Filing Information Returns** at the end of this document.

Generally, you are **NOT** required to file Form 1099 when payments are made to a corporation, government agency, or tax-exempt organization. You are **NOT** required to file if payment was made for material or supplies only.

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Who Should Receive a Form 1099

You may receive a Form 1099 if you have provided a combined total of \$600 or more in rent, services, custom work, and interest to others. You may also receive a Form 1099 for government program payments or other types of income. The amount is reported to the IRS, and to the state where you reside. In some cases, you may receive a Form 1099 for proceeds that were distributed entirely, or in part, to one or more other individuals. See the discussion on **Nominee Reporting** below.

Common Forms 1099 Used in Agriculture (in alphabetic order)

Form 1099-A

Acquisition or abandonment of secured property. Reports the amount of principal owed and the fair market value of secured property that a lender repossessed or that you abandoned. Report the gain or loss on the disposition of the farm property on Form 4797, Sales of Business Property.

Form 1099-B

Barter. Reports exchanges of property or service under formal barter exchange contracts. **DO NOT** report exchanges between farmers or ranchers on Form 1099-B unless it involves a barter exchange contract. Use Form 1099-MISC below instead.

Broker. Reports gain or loss from commodity futures and options trades. These gains and losses are reported as either hedging or speculative transactions, based on your intent and the way transactions are recorded.

Hedging is intended to reduce price risk. It requires taking a position in the market that is the opposite of what you will do with the physical commodity. Example: Planting corn and selling a corn futures contract. You **must** identify a hedging transaction in your records on the day it occurs, and the risk being hedged within 35 days.

Report gain or loss from **hedging** transactions reported on Form 1099-B on Schedule F (Form 1040), Other Income, even if the amount is negative. The income (or loss) is included with other farm income and is subject to ordinary tax rates and Self Employment (SE) tax.

Speculation is intended to profit from trading in the commodity market. Commodity futures and trades that do not include purchase or ownership of the physical commodity are treated as speculation. For example, selling corn and buying a futures contract for corn.

Report the aggregate profit or loss from **speculative** transactions on Form 6781. The speculative gains are generally taxed at a lower rate and are not subject to SE tax, but net losses may be limited

to no more than \$3,000 in one year. Any remainder carries over to following years.

Form 1099-C

Cancellation of debt. Reports cancellation or forgiveness of debt by lenders. Report cancellation of debt incurred in farming on Schedule F (Form 1040), Other Income. Report forgiveness of non-business debt on Form 1040. However, **Qualified Farm Indebtedness** may be excluded from income if specific requirements are met. See IRS Publication 4681, Cancelled Debts, Foreclosures, Repossessions, and Abandonments, for detailed information on this subject.

Form 1099-DIV

Dividends and distributions. Reports \$10 or more of dividends and interest from investments. Report dividends on Form 1040. Note that Patronage Dividends are reported to you on Form 1099-PATR (see below).

Form 1099-G, including Form CCC-1099-G

Certain government payments. Reports payments for state and federal government programs and market gain on CCC loans. Report Agricultural Payments from box 7 and Market Gain from box 9 on Schedule F, lines 4a and 4b. Report Disaster Payments on lines 6a and 6b. For a Form 1099-G issued to you for proceeds that were distributed to more than one individual see the discussion on **Nominee Reporting** below.

CRP Annual Rental Payments. CRP payments are considered ordinary income subject to SE tax by the IRS, and are reported along with other government payments. However, individuals receiving Social Security retirement or disability benefits can exclude CRP payments from farm income, as well as some non-farmers within the Sixth and Eighth Circuit.

CCC Loans. Generally, you don't report loans you receive as income. However, if you use commodities as collateral to secure CCC loans you *may elect* to treat the loans as income. Report the amount of the loans as income on Schedule F (Form 1040), line 5a, in the year received. The amount reported as income becomes a tax basis in the commodities produced.

When the loan is repaid and the commodities are sold, report the sale on Schedule F (Form 1040), line 1a, and deduct the tax basis on line 1b.

For more information see **Government Payments: Form 1099-G** on the RuralTax website at <https://extension.usu.edu/ruraltax/tax-topics/government-payments-1099g>

Form 1099-INT

Interest. Reports \$10 or more of interest payments on business loans from individuals. Enter the interest you paid in box 1, Form 1099-INT. Enter interest reported to you on Form 1040.

Form 1099-K

Payment Card and Third-Party Network Transactions. Reports gross payments to you of \$600 or more for goods or services made through credit card, gift or debit card, and on-line payment services. These third-party organizations act as an intermediary between the payer and you.

For 2024, these entities are required to issue a 1099-K if total payments exceed \$5,000, but they may send a 1099-K even if the payments are less. This is part of a phase-in approach where \$600 will be the threshold, similar to other Form-1099s. Note that all income is taxable unless it is excluded by law, no matter the amount or whether a Form 1099-K is issued.

What to report: Report the full amount of gross payments from Form 1099-K. Use your records to verify accuracy and proper reporting of gross payments on your tax return.

Transactions may include things like sales of farm products, farm supplies, hauling or custom work, and rent paid to you by credit card or through a third-party online service or app. Payment from family and friends should not be reported on Form 1099-K, but sales of personal items, like furniture, cars, and appliances, should be. If the transactions are farm income, you should deduct fees, credits, refunds, and shipping costs charged by the credit card company or third-party on-line payment entities as farm expense.

Many on-line payment services generally report payments made to a business account but not to personal accounts. The exception is when you identify a payment in your personal account as “Purchase.” Consider creating a business account for receiving farm income and a personal account for non-farm income.

Where to report: Report gross payments as you would income from other forms of payment. Report gross payment for farm-related sales on Schedule F (Form 1040), line 1a or line 2. Report custom work on line 7, and other sales on line 8. Report gross payments for sales of farm equipment on Form 4797. Rent will generally be reported on Schedule E (Form 1040). Report sales of personal items, like autos and appliances, and sales and services from a hobby, on Form 1040.

For a Form 1099-K issued to you for proceeds that were distributed to more than one individual, see the discussion on **Nominee Reporting** below.

1099-K vs 1099-MISC and 1099-NEC: Instructions for Forms 1099-MISC and 1099-NEC state that transactions reported on Form 1099-K are not subject to reporting on the MISC or NEC forms.

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This information is intended for educational purposes only. Seek the advice of your tax professional regarding the application of these general principles to your individual circumstances.

If you receive a 1099-MISC or 1099-NEC for transactions included in Form 1099-K:

1. Enter the gross amount of farm income reported on Form 1099-K on Schedule F (Form 1040)
2. Enter the duplicated amounts as Other Expense "Form 1099-MISC/NEC received in error"

The amount reported as expense should offset the amount reported on 1099-MISC or 1099-NEC.

Form 1099-MISC

Miscellaneous. Reports payments for rents, crop insurance proceeds, and other things. Common farm payments that require Form 1099-MISC are listed below. **DO NOT** report payments you made for farm expenses and purchased by credit or debit card, or by on-line payment services. These are reported by the card company or payment service.

For a Form 1099-MISC issued to you for proceeds that were distributed to more than one individual, see the discussion on **Nominee Reporting** below.

Rents. Including land rent, building rent, and machinery lease you paid. Report payments you made in box 1. If a rental agreement for machinery includes use of both the machine and an operator, prorate the amount paid between rent for the machine (box 1) and non-employee compensation for the operator (see 1099-NEC below).

Report payments you received based on the rental agreement. Generally,

- Cash rent to a landlord is reported on Schedule E (Form 1040).
- Rent based on a crop or livestock share-rent arrangement to you, as a landlord who does not materially participate in the farming operation, is reported on Form 4835: Farm Rental Income and Expenses.
- Rent based on a crop or livestock share-rent arrangement to you, as a landowner (or sub-lessor) who is materially participating in the farm, is reported on Schedule F (Form 1040).

Federal Income Tax Withheld. You must withhold federal income tax under the backup withholding rules on H-2A workers and other employees who did not give you a valid TIN. Report payments you made in box 4.

Royalties. Payments for royalties from publications. Report payments you made in box 2. **DO NOT** use for surface royalties, oil or gas payments, or timber royalties under a pay-as-cut contract. Report income from royalties on Form 1040.

Other. Payments that are not for services performed or reported elsewhere are included in box 3. This includes prizes for games and recognition, punitive damages, and other items not normally found in farm businesses. Report payment to an H-2A visa agricultural worker who did not give you a valid TIN in box 3.

Report sales of **timber** on Form 1099-S, **NOT** as Other on Form 1099-MISC. Report wages, bonuses, and incentives paid to employees on Form W-2, **NOT** on Form 1099-MISC.

Report payments you received as a result of farming activities, like corn contest winnings, on Schedule F (Form 1040) Other Income.

Crop Insurance. Reports crop insurance payments paid to you by insurance companies. Report on Form Schedule F (Form 1040).

Gross Proceeds Paid to an Attorney. Reports gross payments of \$600 or more paid to someone else's attorney concerning damages or settlement proceeds involving the farm or ranch, even if the attorney is incorporated. For payments to your attorney see 1099-NEC below.

Form 1099-NEC

Non-employee Compensation. Reports total payment of \$600 or more for contract services involving the agricultural business that are not provided by an employee. **DO NOT** report payments you made for contract services by credit or debit card, or by on-line payment services. These are reported by the card company or payment service.

Report most non-employee compensation received by you, including contract payment for livestock production, on Schedule F (Form 1040), Other Income. Report custom work income as Custom Hire (Machine Work).

For a Form 1099-NEC issued to you for proceeds that were distributed to more than one individual, see the discussion on **Nominee Reporting** below.

Report payments you made for services provided to the farm or ranch business by others who are not your employees on Form 1099-NEC, box 1. It is critical that business owners correctly determine whether the individuals providing services are employees or independent contractors. See IRS Pub 15-A and the IRS website for help in determining whether someone is an independent contractor or an employee.

Generally, you must withhold and pay income taxes, social security taxes, and Medicare taxes, as well as pay unemployment tax on wages paid to an employee. You do not generally have to withhold or pay any taxes on payments to independent contractors.

Examples of those who may qualify as non-employees include:

accountants	hay baling on shares
independent contractors	custom machine operators
crop scouts and consultants	mechanics
custom hire (machine work)	

Include in non-employee compensation amounts for parts and materials purchased that are part of the service provided, including hay and feed, repair parts and materials, and road materials. **DO NOT** include payments primarily for parts, materials, utilities, freight, or storage. Payments to log haulers are considered freight, not services. Report fees paid to your attorney for services to the business, even if the attorney is incorporated.

Include exchanges of goods and services between individuals in the course of operating a farm business (**barter**). Report the fair market value of goods or services you gave in exchange to someone else on Form 1099-NEC, box 1. Report the value of goods exchanged for labor of an employee in amounts on Form W-2.

Generally, report the value of goods and services traded in a barter exchange as offsetting income and expense on Schedule F (Form 1040). For example, report the value of baling hay for your neighbor as Other Income, and the hay you received as Feed Purchased. If no cash traded hands, the value for baling equals the value of the hay.

Note. If an exchange of goods and/or services includes an asset used in the trade or business of farming, rather than an inventory item, the acquisition or disposition of that asset is not reported on Form 1040 Schedule F.

Example 1:

Mary Smith gives John Clay three 5-year-old raised beef cows in exchange for John spraying her hay field. They determine that the value exchanged is \$2,100. Mary will issue a Form 1099-NEC to John with \$2,100 reported as Non-employee compensation.

On her Federal income tax return, Mary will include \$2,100 on Form 1040 Schedule F in Custom hire expense. She will also report the sale of the three raised cows in Part I of Form 4797 (Sales of Business Property).

John will report \$2,100 on Schedule F (Form 1040) as Custom hire income. He will also record the \$2,100 purchase of three beef cows in his depreciation records, and on Form 4562 (Depreciation and Amortization) to claim the allowable depreciation and any other cost recovery he is eligible for and elects to use in the current tax year.

Form 1099-PATR

Distributions from Cooperatives. Reports \$10 or more in patronage dividends, non-patronage dividends, per-unit retain allocations, and redeemed nonqualified notices from a Co-op. Report total amounts on Schedule F (Form 1040), line 3a Cooperative distributions. Subtract the amount of patronage distributions that come from buying items for family use, capital assets, or depreciable

assets from the Co-op and list the balance on line 3b.

Patronage Dividends. The patronage dividend is usually a combination of cash (check from the Co-op) and a qualified written notice of allocation or a per-unit retain. A qualified written notice of allocation represents the portion of patronage dividend retained for a certain period by the Co-op. It is included in taxable income the year notice is received.

Note. The *Return* of the qualified written notice of allocation or per-unit retain is not included on Form 1099-PATR. This amount should have been reported as taxable income on Schedule F (Form 1040), Patronage dividends in the year it was received.

Per-Unit Retain Allocations. A farm cooperative may report the *gross* amount of product sold through the Co-op, such as grain or milk. Report the sale as a Cooperative Distribution on Schedule F (Form 1040), line 3a and 3b. **DO NOT** double report this income as sales of livestock, produce, grain, and other products you raised. Deduct the distribution reported from total sales.

If *deductions* for hauling, marketing, drying, and storage have **NOT** been subtracted out of the gross amount reported, be sure to report as expenses on Schedule F (Form 1040).

Redeemed Nonqualified Notices. “Nonqualified” written notice of allocation and per-unit retains are not included in income in the year of notification. They are reported on Form 1099-PATR as taxable income for the year in which you redeem them.

Section 199A(g) qual, items. This is your share of the Co-op’s Domestic Production Activities Deduction. Use Form 8995-A to calculate the amount reported on Form 1040.

Form 1099-S

Proceeds from Real Estate Transactions. Reports the sale or exchange of real estate, including land, buildings, and timber royalties.

Report timber payments made under a pay-as-cut contract. Enter “timber” in box 3 as the legal description. These payments often qualify for capital gains treatment. Lump-sum purchases of timber are exempt from reporting on Form 1099-S.

Nominee Reporting

At times, a Form 1099 is issued to one person for amounts received that actually belong to one or more other persons. The person receiving the original Form 1099 is considered a nominee recipient. The nominee must report the entire amount shown on Form 1099 on his or her tax return for matching purposes. The nominee must then issue the **same type** of Form 1099 to each of the other persons

showing the amount they are responsible for reporting. Each person will report that amount on his or her tax return for matching purposes. The nominee may reduce his or her taxable income by the amount of *nominee distribution* reported to others (see examples below).

It is the nominee's responsibility to also file these Forms 1099, along with Form 1096 with the IRS. See Filing Information Returns below. The nominee will be the Payer on the Form 1099 and the other person will be the Recipient. A spouse does not have to file a nominee form to show amounts reportable by the other spouse.

Agricultural Program Payments

Reporting of nominee distributions are often seen when government payments reported to one family member are actually constructively received by multiple family members (such as payments received in a parent's name, but actually shared by the parent and one or more children), and in cases when payments are reported in the name of an officer of an organization when the payments are actually shared by the members of the organization.

Report full amount on Schedule F (Form 1040), line 4a, and net amount on Schedule F (Form 1040), line 4b. Issue Form 1099-G for the amount belonging to other producers.

Example 2:

Ima Jones receives Form 1099-G for \$24,000. She paid \$8,000 to Rich Smith. Ima reports \$24,000 on line 4a, and \$16,000 on line 4b (\$24,000 - \$8,000). She issues a Form 1099-G to Rich for \$8,000. She also files Form 1099-G Copy A and Form 1096 with the IRS.

Example 3:

Dustin Rhodes is president of the Alkali Flats Irrigation Association (AFIA). In their application for federal irrigation subsidies, AFIA listed Dustin, rather than the Association, as the subsidy recipient. The irrigation subsidy was actually received by AFIA and distributed to AFIA's members. Nominee 1099s will have to be filed by Dustin to accurately show the amount received by each AFIA member. The net effect is that each AFIA member will show his/her share of the subsidy as farm income.

Contract Livestock Growing

Report the entire amount of contract income on Schedule F (Form 1040). Report the amount of the nominee distribution on Schedule F (Form 1040), Custom hire. Issue Form 1099-NEC with the amount of the nominee distribution in box 1.

Example 4:

Bob White grew chickens with Silver Poultry. His son, Eric, now operates the farm, but the contract remains in Bob's name. Silver Poultry issues a 1099-NEC to Bob for the year's broiler pay. Bob reports the entire amount on Schedule F (Form 1040), Custom hire income, and again as Custom hire expense. His net farm profit from Silver Poultry is zero. Bob issues a Form 1099-NEC to Eric with the same amount in box 1. Eric includes the broiler pay on his Schedule F (Form 1040).

Filing Information Returns

Recipients. Most 1099 forms a farm business will file should be sent to the recipient by January 31. Forms 1099-B and 1099-S should be sent to the recipient by February 31, as well as Form 1099-MISC with gross payments to an attorney.

Your accounting software or tax preparer might alert you when a Form 1099 may be required.

IRS. If you are required to issue 1099 forms for your farm business, file the Form 1099 Copy A with the IRS. If you are filing by paper, file Form 1096, Annual Summary and Transmittal of Information Returns, as well.

Form 1099-NEC is due January 31, whether filed by paper or electronically. All others are due February 28 if filed by paper, or by March 31 if filed electronically.

If you anticipate issuing a Form 1099, send the recipient a Form W-9 as soon as possible to request reporting information from their business. Sending a Form W-9 before cash payment is made can ensure you receive the information in a timely manner. Keep the information on hand for future use. Download Form W-9 at <https://www.irs.gov/pub/irs-pdf/fw9.pdf>

Reporting Requirements. If your farm business issues a combined total of 10 or more information returns to recipients, you are **required** to file electronically. This includes all of the 1099 forms listed in this document plus W-2s. See your tax preparer or go to the IRS Information Returns Intake System (IRIS) portal to file.

IRS Publications

More information on these and other 1099 forms can be found in A Guide to Information Returns on the IRS website at www.irs.gov. Detailed information on specific Form 1099s can also be found by entering the form name (ex. "Form 1099-MISC") in the search bar on the IRS website. The IRS website will include the specified form and instructions for completing the form.

Additional Topics

This fact sheet was written as part of Rural Tax Education a national effort including Cooperative Extension programs at participating land-grant universities to provide income tax education materials to farmers, ranchers, and other agricultural producers. For a list of universities involved, other fact sheets and additional information related to agricultural income tax please see RuralTax.org.

This information is intended for educational purposes only. You are encouraged to seek the advice of your tax or legal advisor, or other authoritative sources, regarding the application of these general tax principles to your individual circumstances. Pursuant to Treasury Department (IRS) Circular 230 Regulations, any federal tax advice contained here is not intended or written to be used, and may not be used, for the purpose of avoiding tax-related penalties or promoting, marketing or recommending to another party any tax-related matters addressed herein.

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