

# Forbes



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## Tricks & Traps With IRS Form 1099



IRS Forms 1099 generally come in the mail around the end of January and report how much you were paid in the prior calendar year. Don't ignore them, as each one will be matched against your tax return when you file. Forms 1099 can be wrong, so check them carefully. IRS Forms 1099 remind you that you earned interest, received a consulting fee, or were paid some other kind of

income. They notify the IRS too. Each Form 1099 is matched to your [Social Security number](#), so the IRS can easily spew out a tax bill if you fail to report one.

If you don't include the reported item on your tax return, you're almost guaranteed an audit or a tax notice. Make sure payers have your correct address so you get a copy. Update your address directly with payers, and put in a forwarding order at the U.S. Post Office. It's also a good idea to file an IRS change of address [Form 8822](#). The IRS explains why at [Topic 157 – Change of Address–How to Notify IRS](#). Even if an issuer has your old address, the information will be reported to the IRS (and your state) based on your Social Security Number.

Unlike Forms W-2, you don't file Forms 1099 with your return. You need Forms 1099 that report dividends and stock proceeds that you might not otherwise know about. But for many other Forms 1099, if you know about your payment, you don't really need the form. One possible exception: the IRS suggests that if you don't receive a Form 1099-R, you should ask.

An alternative to asking an issuer for a Form 1099 is to get a transcript of your account from the IRS. In fact, that is not a bad idea in any event, just to be sure that you know about all payments reported to you. A transcript should show all Forms 1099 issued under your Social Security number, so getting a transcript is a useful way to double check your information, especially if you have moved or have other reasons to think that you might not have a paper copy of each Form 1099 that was issued to you.

Forms 1099 come in many varieties, including [1099-INT](#) for interest, [1099-DIV](#) for dividends, [1099-G](#) for tax refunds, [1099-R](#) for pensions, and [1099-MISC](#) for miscellaneous income. Newest is [new Form 1099-NEC for](#)

[independent contractors](#). In the past, you used 1099-MISC, but for 2020 payments use new [Form 1099-NEC](#) for consulting payments and any other form of independent contractor pay.

Incorrect Forms 1099 happen, so check your forms carefully. If you receive a Form 1099 that you think is wrong, notify the payor right away and ask the payor to correct it. There are several ways of making a correction. They can destroy the incorrect one if they have not already sent a copy to the IRS. If they have already sent a copy to the IRS, they can issue a corrected Form 1099. A corrected Form 1099 will supersede the incorrect one.

There are many judgment calls companies have to make when issuing these forms. For example, most lawsuit settlements are reported, and in many cases the tax rules are not clear. If you settled a suit and received taxable damages, report the payment as income. But if you have arguments that the lawsuit recovery should not be taxable, the last thing you want is a Form 1099.

Some damages are tax-free under [Section 104](#) of the tax code, but only physical injuries and physical sickness qualify. Receiving a Form 1099 can be especially worrisome since with some [lawsuit settlements, legal fees can't be deducted](#).

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