

Payments to Independent Contractors



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The information contained in this presentation is current as of the date it was presented. It should not be considered official guidance.

Type of Business Relationship

- Independent contractor
- Employee (common-law employee)

Common-Law Rules

- Behavioral
- Financial
- Type of Relationship

Form SS-8

- Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding

Employment Tax Obligations

- Form and publication for independent contractors
 - Form 1099 - MISC Miscellaneous Income
 - Publication 15 – Circular E, Employer’s Tax Guide

Form 1099 - MISC

- Payment to someone who is not your employee;
- Payment for services in the course of your trade or business;
- Payment to an individual, partnership, estate, or in some cases, a corporation; and
- Payments to the payee of at least \$600 during the year.

Information Reported on Form 1099

- The payer's (your) name and address.
- The payer's federal identification number.
- The recipient's identification number.
- The recipient's name and address, and
- Box 7- the amount paid to the independent contractor.

Form W-9

Form W-9, Request for Taxpayer Identification Number and Certification

- Form W-9 can be used to request the correct name and Taxpayer Identification Number or the payee.

Backup Withholding

Initiate backup withholding when a payee:

- Does not provide you their TIN; or
- Provides an obviously incorrect TIN;
- Report backup withholding on Form 945, Annual Return of Withheld Federal Income Tax, and
- You, the payer, can be held liable if you did not withhold the required backup withholding.

CP2100 and CP2100A Notices

- You, the payer, will receive a notice from the IRS if there are:
- Missing or obviously incorrect TINs, or
- The payee name does not match the assigned TIN in the IRS database

Contact Information

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Frequently Asked Questions

Question #1

Can a sole proprietor have an SSN or does he or she need an EIN?

Frequently Asked Questions

Question #2

Are payments to Limited Liability Companies (LLCs) required to be reported on Forms 1099?

Frequently Asked Questions

Question #3

Is an Individual ITIN considered a valid TIN for purposes of filing Form 1099? Am I required to backup withhold if a payee provides an ITIN?