

FORM 1099 INFORMATION AND EXAMPLES

An employer does not generally have to withhold or pay any taxes on payments to independent contractors. However, if you make total payments of \$600 or more during a calendar year to another person (other than a corporation) in the course of your farm business, you must file information returns (Form 1099) to report these payments. You report interest payments, including interest paid on installment sale contracts, of \$600 or more on form 1099-INT. Payments of \$600 or more made for rents, commissions, fees, prizes, awards, independent contractors, and other payments and compensation, including payments to subcontractors and payments for services provided to you by nonemployees are reported on Form 1099-MISC.

If you pay a contractor who is not a dealer in supplies for both supplies and services, you must report both the payment for the supplies and for services.

You must prepare separate copies of Form 1099-INT and form 1099-MISC for each person. Each person who received payments totaling \$600 or more for the calendar year for the items described above must be given a statement by January 31 of the following year.

If you classify an employee as an independent contractor and you had no reasonable basis for doing so, you will have to pay employment taxes for that worker. Further, if you do not withhold income and social security taxes from his or her wages, you may be held personally liable for a penalty of 100% of the tax if you are the person responsible for the collection and payment of withholding taxes.

You must use a separate transmittal, Form 1096, Annual Summary and Transmittal of U.S. Information Returns, for each different type of 1099 form, i.e. Form 1099-INT and Form 1099-MISC. You may be subject to a \$50 penalty for each incorrectly filed document.

Additional information relative to Form 1099 reporting can be found in IRS Publication 225 "Farmer's Tax Guide" or in an IRS booklet titled "2002 Instructions for Forms 1099, 1098, 5498, 1096, and W-2G".

Independent Contractor, Landlord, Lender, ETC.	Date	Rent, Interest, Machine Hire, ETC.	Amount	
Name: <i>Sam Smith</i>	1-15	<i>Grass Rent</i>	800	00
SSN or EIN: 333-22-4444	1-21	<i>Combining Milo</i>	1,054	50
Address: <i>RR #1, Box 99</i>				
<i>Anytown, OK 77777</i>				
		Total	1,854	50
Name: <i>Andy Over</i>	5-10	<i>Spray Wheat</i>	1,200	00
SSN or EIN: 123-45-6789	8-7	<i>Spray Alfalfa</i>	860	00
Address: <i>Box 999</i>				
<i>Anytown, OK 77777</i>				
		Total	2,060	00
Name: <i>Smith Bros.</i>	7-2	<i>Combining Wheat</i>	8,800	00
SSN or EIN: 22-7777777				
Address: <i>Rt #1, Box 99</i>				
<i>Anytown, OK 77777</i>				
		Total	8,800	00
Name:				
SSN or EIN:				
Address:				
		Total		