

## **Form 1099-NEC (Adjunct Professors?)**

For organizations who have historically reported payments of more than \$600 to “independent contractors” on Form 1099-MISC, the 2021 filing season likely provided a big change.

Reporting for these payments has been relocated to a new Form 1099-NEC (Nonemployee Compensation).

Basically, organizations now file Form 1099-NEC, Nonemployee Compensation (NEC), for each person in the course of their business to whom you have paid the following during the year at least \$600 in:

1. Services performed by someone who is not your employee (including parts and materials) (box 1);
2. Cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish (box 1); or
3. Payments to an attorney (box 1). (See Payments to attorneys, later.)

Also, file Form 1099-NEC for each person from whom you have withheld any federal income tax (report in box 4) under the backup withholding rules regardless of the amount of the payment. There are exclusions that are much the same as they were for the 1099-MISC in prior years.

Now, here is an issue. With the new Form 1099-NEC, the IRS can “isolate” all of an entities payments to independent contractors. A problem could arise for institutions who pay “adjunct professors” as independent contractors. The IRS has long held – in several court cases where they prevailed – that “adjuncts” are generally considered employees and should be paid as such and issued Form W-2’s each year – rather than 1099-MISC or, now 1099-NEC.

If you are a school that reports compensation to adjunct professors on Form 1099-NEC, you should look into “Section 530 relief.” A good summary may be found in IRS Publication 1976 (2 pages) at:

<https://www.irs.gov/pub/irs-pdf/p1976.pdf>

Also, we would love to talk further about this issue with you.