

IRS Rules for Reporting Direct Sales under 1099 NEC Form 2021

The Internal Revenue Service has issued a guideline detailing “Every business owner to report the direct sales of consumer products using [1099 NEC Form](#) from 2021”.

Key Takeaways

- Taxpayers can start reporting direct sales of consumer products on deposit-commission or buy-sell using “New 1099 NEC box 2”.
- Also, they can use 1099 MISC Box 7 to report direct sales of consumer products on resale.
- Taxpayers who are using the 1099 NEC Form must submit the respective copies to the IRS & to the recipient by “January 31st, 2022”.
- Those, who are reporting direct sales using 1099 MISC must submit both copies on two different deadlines.

Why new Form 1099 NEC?

The PATH Act accelerated the changes in due dates of reporting non-employee compensation using “[1099 MISC](#)” previously. Due to this the deadline was changed from “February 28” to “January 31st”. Hence, beginning with the tax year 2020, the IRS has instructed every business owner to report non-employee compensation on the “New 1099 NEC Form”. Businesses that pay non-employee for performing work on a course of business such as rewards, professional fees, etc must use “1099 NEC”.

What’s new in the 1099 NEC Tax Return for 2021?

Besides the above changes, beginning with the tax year 2021, the IRS recommended the business to use 1099 NEC Box 2 to report direct sales. If the payer made direct sales of consumer products on resale in the 2021 tax year, then the taxpayer can file “1099 NEC Box”. It means the payer can either use 1099 MISC box 7 or Form 1099 NEC box 2 to report direct sales.

Does New 1099 NEC reflect any change in the 1099 MISC Form?

Yes, along with reporting non-employee compensation on the “1099 NEC Tax Form” the IRS revised the 1099 MISC Tax Form. The IRS has instructed taxpayers to use **1099 MISC box 7** to report direct sales of consumer products on resale. From the 2020 tax year, the businesses which made direct sales of \$5,000 or more consumer goods to recipients for the resale purpose use the “1099 MISC Tax Return”.

Do I use 1099 MISC or Form 1099 NEC to report direct sales?

As there are two information returns to report the direct sales made in 2021, choose the one depending on the deadlines. Because deadlines to report copy A to the IRS are not the same for both forms. So, make sure to use the right tax return before filing. So, that you can [avoid errors on 1099 Tax Forms](#).

Did the changes make influence the deadline?

Yes, there are two different deadlines depending on the form you choose to report direct sales to the Internal Revenue Service. In case, if you choose 1099 NEC Tax Return, then start preparing your information return at the beginning of the new tax year. Because the IRS requires 1099 NEC Forms to be submitted by the end of January every year.

If you report direct sales using 1099 MISC, then start preparing your tax return in the middle of January. Furthermore, send the **recipient copy by “January 31st”** and a copy to the **IRS by “March 31st” electronically.**

About Form 1099 Online

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