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American Trucking Associations State Laws Newsletter

IRS Says No 1099s Needed for Owner-Operators – In a memorandum issued by its Office of Chief Counsel, the federal Internal Revenue Service confirms that a motor carrier need not issue Forms 1099 to report payments to owner-operators under lease to the carrier, if the payments represent amounts earned for hauling freight. This ruling is nothing new; the memo mentions in passing that federal law has had such an exemption since 1918 for payments made for hauling freight, and that “freight” is to be interpreted broadly. The exemption is currently in IRS regulation section 1.6041-3(c). IRS adds that whether a specific charge is actually for the hauling of freight may depend on the particular facts of a given transaction. We would caution carriers using owner-operators that although the law appears clear that no 1099s need to be issued to them, it may still be advisable to do so, in order to protect the operators’ status as independent contractors. The memo is IRS CCM no. 20151002F, dated June 6, 2014, and released March 6, 2015. It can be found on-line here: <http://www.irs.gov/pub/irs-lafa/151002f.pdf>. By the way, the memo mentions this newsletter.