

Crewshares and IRS Form 1099-MISC and other tax tips for fishers

January 23, 2024

Jerry Liboff, tax preparer and Ralph Andrew, tax preparer

Boat Captain / Business Owner

Pays crewshares* and **PLANS AHEAD** to issue AND file 1099's **accurately and timely.**

IS Responsible for issuing Form 1099-MISC to crewmember(s) by January 31 and filing the forms WITH FORM 1096 with the IRS (filing) by February 28.

IS NOT responsible for withholding federal tax, Social Security & Medicare from pay (unless certain exceptions are invoked).

*Crewshares – common term in the industry for crewmember's pay. Generally based on a share or percentage of the boat's catch.

Crewmembers

- Crew on fishing boats in Alaska earning a percentage of their boat's catch are generally considered "self-employed"⁵ and earn "other income" in the form of "fishing boat proceeds".
- Crew members are responsible for filing federal taxes – and to report any other fishing-related compensation.
 - Crew, like captains, should set aside some income for payment of taxes.
 - Crew should also review closely the Forms 1099 they receive for accuracy!
- Crew are responsible for providing their full legal name, address and Social Security Number to their boat captain. Some provide a driver's license copy showing an address along with their SSN. Captains may optionally use IRS Form W-9 (which is NOT filed with the IRS) at <https://www.irs.gov/pub/irs-pdf/fw9.pdf>

Form 1099-MISC is a \$ reporting mechanism

- File Form 1099-MISC for each person you have paid during the year:
 - at least \$600 in:
 - ...fishing boat proceeds³
- Form 1099-MISC is posted on the IRS website – **HOWEVER...**
 - Copy A (in red font) should **NOT** be printed from the internet for submittal to the IRS because it won't be scannable. **If you file 1099-MISC on paper ONLY use the forms IRS publishes.** A penalty may be imposed for filing with the IRS information return forms that can't be scanned. *Source: IRS*
 - **Copy B may be filled and downloaded from the internet and printed and used** to satisfy the requirement to provide the information to the recipient. *Source: IRS*
 - **NOTABLE:** Starting tax year 2023, **if you have 10 or more information returns, you must file them electronically** according to the IRS.⁴ Go to www.irs.gov/InfoReturn for e-file options.

Form 1099-MISC – *for businesses who pay self-employed workers*

The boat captain/business owner assembles Form 1099-MISC for two entities:

1. **IRS** – Mail Copy A by **February 28, 2024** or April 1, 2024 if filed electronically⁶
2. **Crew** - Copy B – give to the payment recipient (the crewmember) by **January 31, 2024** or face penalties varying from \$60 to \$310 per Form.

To reduce the risk of identity theft, you may truncate a payee's tax identification number on the statements you give to them on paper or in electronic format (Copy B).¹²

You may **NOT** truncate Copy A (the one you send the IRS). You may **NOT** truncate YOUR own taxpayer ID as payer/filer (consider using an IRS-issued Employee Identification # rather than SSN).

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☐ VOID☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents	OMB No. 1545-0115	Miscellaneous Information Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the current General Instructions for Certain Information Returns.
		\$	Form 1099-MISC	
		2 Royalties	(Rev. January 2024)	
\$	For calendar year _____			
PAYER'S TIN		3 Other income	4 Federal income tax withheld	Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the current General Instructions for Certain Information Returns.
		\$	\$	
		5 Fishing boat proceeds	6 Medical and health care payments	
RECIPIENT'S TIN		\$	\$	
RECIPIENT'S name		7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>	8 Substitute payments in lieu of dividends or interest	
Street address (including apt. no.)		9 Crop insurance proceeds	10 Gross proceeds paid to an attorney	
City or town, state or province, country, and ZIP or foreign postal code		11 Fish purchased for resale	12 Section 409A deferrals	
		13 FATCA filing requirement <input type="checkbox"/>	14 Excess golden parachute payments	
		\$	\$	
Account number (see instructions)		15 Nonqualified deferred compensation	16 State tax withheld	
		2nd TIN not <input type="checkbox"/>	17 State/Payer's state no.	
		\$	\$	
		\$	\$	

Form **1099-MISC** (Rev. 1-2024)

Cat. No. 14425J

www.irs.gov/Form1099MISC

Department of the Treasury - Internal Revenue Service

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☐ CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents \$		OMB No. 1545-0115 Form 1099-MISC (Rev. January 2024) For calendar year 2024		Miscellaneous Information
PAYER'S Full Legal Name PO Box 123 Anytown, Alaska USA 99999 (907) 123-1234		2 Royalties \$				
		3 Other income \$		4 Federal income tax withheld \$ 0		
PAYER'S TIN 47-1234567	RECIPIENT'S TIN 574-55-5555	5 Fishing boat proceeds \$ 5,000.00		6 Medical and health care payments \$		Copy B For Recipient This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
RECIPIENT'S name Crewmember's Full Legal Name		7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>		8 Substitute payments in lieu of dividends or interest \$		
Street address (including apt. no.) PO Box 345		9 Crop insurance proceeds \$		10 Gross proceeds paid to an attorney \$		
City or town, state or province, country, and ZIP or foreign postal code Anytown, Alaska USA 99999		11 Fish purchased for resale \$		12 Section 409A deferrals \$		
		13 FATCA filing requirement <input type="checkbox"/>		14 Excess golden parachute payments \$		
Account number (see instructions)		15 Nonqualified deferred compensation \$		16 State tax withheld \$		17 State/Payer's state no.
				18 State income \$		

Form **1099-MISC** (Rev. 1-2024)

(keep for your records)

www.irs.gov/Form1099MISC

Department of the Treasury - Internal Revenue Service

Form 1096

Annual Summary and Transmittal of U.S. Information Returns²

The boat captain/business owner files Form 1099-MISC with the IRS with a Form 1096 – a summary “transmittal document”.

Form 1096 is a summary used to ‘transmit’ paper Forms 1099-MISC (*and other ‘Information Returns’ like Form 1099-NEC*) to the IRS.

Form 1096 is a transmittal form that must accompany all paper Forms 1099 you submit to the IRS. It summarizes the information on the Forms 1099 that you’re sending.


Source: IRS presentation at
<https://www.stayexempt.irs.gov/se/files/downloads/ITG%20L2%20form%201099.pdf>)

Form 1096		Annual Summary and Transmittal of U.S. Information Returns		OMB No. 1545-0108												
Department of the Treasury Internal Revenue Service				2023												
FILER'S name																
Street address (including room or suite number)																
City or town, state or province, country, and ZIP or foreign postal code																
Name of person to contact			Telephone number		For Official Use Only <div></div>											
Email address			Fax number													
1 Employer identification number		2 Social security number		3 Total number of forms												
				4 Federal income tax withheld \$												
				5 Total amount reported with this Form 1096 \$												
6 Enter an "X" in only one box below to indicate the type of form being filed.																
W-2G 32	1097-BTC 50	1098 81	1098-C 78	1098-E 84	1098-F 03	1098-Q 74	1098-T 83	1099-A 80	1099-B 79	1099-C 85	1099-CAP 73		1099-DIV 91	1099-G 86	1099-INT 92	1099-K 10
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1099-LS 16	1099-LTC 93	1099-MISC 95	1099-NEC 71	1099-OID 96	1099-PATR 97	1099-Q 31	1099-QA 1A	1099-R 98	1099-S 75	1099-SA 94	1099-SB 43	3921 25	3922 26	5498 28	5498-ESA 72	5498-QA 2A
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5498-SA 27	<input type="checkbox"/>															

Return this entire page to the Internal Revenue Service. Photocopies are not acceptable.
Send this form, with the copies of the form checked in box 6, to the IRS in a flat mailer (not folded).

Under penalties of perjury, I declare that I have examined this return and accompanying documents and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature	Title	Date
Instructions		
Future developments. For the latest information about developments related to Form 1096, such as legislation enacted after it was published, go to www.irs.gov/Form1096 .		
Reminder. You may be required to electronically file (e-file) information returns. Go to www.irs.gov/infotreturn for e-file options. Also, see part F in the 2023 General Instructions for Certain Information Returns.		
Purpose of form. Use this form to transmit paper Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G to the IRS.		
Caution: Form 5498-QA can be filed on paper only, regardless of the number of returns.		
Who must file. Any person or entity who files any form checked in box 6 above must file Form 1096 to transmit those forms to the IRS.		
Caution: Your name and taxpayer identification number (TIN) (employer identification number (EIN) or social security number (SSN)) must match the name and TIN used on your 94X series tax return(s) or you may be subject to information return penalties. Do not use the name and/or TIN of your paying agent or service bureau.		
Enter the filer's name, address (including room, suite, or other unit number), and TIN in the spaces provided on the form. The name, address, and TIN of the filer on this form must be the same as those you enter in the upper left area of Form 1097, 1098, 1099, 3921, 3922, 5498, or W-2G.		
When to file. If any date shown falls on a Saturday, Sunday, or legal holiday in the District of Columbia or where the return is to be filed, the due date is the next business day. File Form 1096 in the calendar year following the year for which the information is being reported, as follows.		
<ul style="list-style-type: none">• With Forms 1097, 1098, 1099, 3921, 3922, or W-2G, file by February 28.*• With Forms 1099-NEC, file by January 31.• With Forms 5498, file by May 31.		
* Leap years do not impact the due date. See Announcement 91-179, 1991-49 I.R.B. 78, for more information.		
Where To File		
Send all information returns filed on paper with Form 1096 to the following.		
If your principal business, office or agency, or legal residence in the case of an individual, is located in:		Use the following address:
Alabama, Arizona, Arkansas, Delaware, Florida, Georgia, Kentucky, Maine, Massachusetts, Mississippi, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Texas, Vermont, Virginia		Internal Revenue Service P.O. Box 149213 Austin, TX 78714-9213
Alaska, Colorado, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Utah, Washington, Wisconsin, Wyoming		Internal Revenue Service Center P.O. Box 219256 Kansas City, MO 64121-9256

Form 1096 Department of the Treasury Internal Revenue Service		Annual Summary and Transmittal of U.S. Information Returns										OMB No. 1545-0108 2023					
FILER'S name																	
Street address (including room or suite number)																	
City or town, state or province, country, and ZIP or foreign postal code																	
Name of person to contact						Telephone number						For Official Use Only 					
Email address						Fax number											
1 Employer identification number			2 Social security number			3 Total number of forms			4 Federal income tax withheld \$			5 Total amount reported with this Form 1096 \$					
6 Enter an "X" in only one box below to indicate the type of form being filed.																	
W-2G 32	1097-BTC 50	1098 81	1098-C 78	1098-E 84	1098-F 03	1098-Q 74	1098-T 83	1099-A 80	1099-B 79	1099-C 85	1099-CAP 73		1099-DIV 91	1099-G 86	1099-INT 92	1099-K 10	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
1099-LS 16	1099-LTC 93	1099-MISC 95	1099-NEC 71	1099-OID 96	1099-PATR 97	1099-Q 31	1099-QA 1A	1099-R 98	1099-S 75	1099-SA 94	1099-SB 43	3921 25	3922 26	5498 28	5498-ESA 72	5498-QA 2A	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
5498-SA 27																	
<input type="checkbox"/>																	

Return this entire page to the Internal Revenue Service. Photocopies are not acceptable.
Send this form, with the copies of the form checked in box 6, to the IRS in a flat mailer (not folded).

Under penalties of perjury, I declare that I have examined this return and accompanying documents and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature

Title

Date

Instructions

When to file. If any date shown falls on a Saturday, Sunday, or legal holiday in the District of Columbia, the return is to be filed

For 1099-MISC

Form 1096

- Order official IRS information returns which include a **scannable Form 1096 for filing with the IRS**, visit www.irs.gov/orderforms

REMINDER

If you have 10 or more Form 1099-MISC's to submit to the IRS, you must e-file. In that case – NO FORM 1096 IS REQUIRED.

Do not print and use a Form 1096 from the IRS website. IT IS NOT SCANNABLE AND WILL NOT BE ACCEPTED. A penalty may be imposed for filing with the IRS information return forms that can't be scanned.

Source: IRS Form 1096 overview ¹

Form 1099-NEC

- Use Form 1099-NEC to report compensation paid to non-employees for work such as net hanging or other work NOT associated with the percent-of-catch crew pay
- File Form 1099-NEC for each person to whom you have paid during the year:
 - at least \$600 in non-employee compensation.
- Form 1099-MISC is posted on the IRS website
 - **Copy A** should NOT be printed from the web for submittal to the IRS because it won't be scannable. If you file 1099-NEC by mail use the forms IRS publishes. A penalty may be imposed for filing with the IRS information return forms that can't be scanned.¹⁰
 - **Copy B** may be filled and downloaded from the internet and printed and used to satisfy the requirement to provide the information to the recipient.
 - *NOTABLE: Like for Form 1099-MISC - starting tax year 2023 if you have 10 or more information returns, you must file them electronically. Go to [www.IRS.gov/InfoReturn](https://www.irs.gov/InfoReturn) for e-file options.*

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☐ VOID☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116 Form 1099-NEC (Rev. January 2024) For calendar year _____		Nonemployee Compensation		
PAYER'S TIN	RECIPIENT'S TIN				1 Nonemployee compensation \$	Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the current General Instructions for Certain Information Returns.
RECIPIENT'S name					2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>	
Street address (including apt. no.)		3				
City or town, state or province, country, and ZIP or foreign postal code		4 Federal income tax withheld \$				
Account number (see instructions)	2nd TIN not. <input type="checkbox"/>	5 State tax withheld \$	6 State/Payer's state no.		7 State income \$	
		\$			\$	

Form **1099-NEC** (Rev. 1-2024)

Cat. No. 72590N

www.irs.gov/Form1099NEC

Department of the Treasury - Internal Revenue Service

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☐ CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116 Form 1099-NEC (Rev. January 2024) For calendar year <input type="text"/>		Nonemployee Compensation
PAYER'S TIN	RECIPIENT'S TIN	1 Nonemployee compensation \$ <input type="text"/>		
RECIPIENT'S name		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>		
Street address (including apt. no.)		3 <input type="text"/>		
City or town, state or province, country, and ZIP or foreign postal code		4 Federal income tax withheld \$ <input type="text"/>		
Account number (see instructions)		5 State tax withheld \$ <input type="text"/>	6 State/Payer's state no. <input type="text"/>	7 State income \$ <input type="text"/>
		5 State tax withheld \$ <input type="text"/>	6 State/Payer's state no. <input type="text"/>	7 State income \$ <input type="text"/>

Form **1099-NEC** (Rev. 1-2024)

(keep for your records)

www.irs.gov/Form1099NEC

Department of the Treasury - Internal Revenue Service

NOTABLE TIPS

- Make sure all copies of the 1099-MISC appear **clear and legible** – the paper form is a carbonless, triplicate form that requires you to **press hard with a BLACK ballpoint pen using BLOCK CHARACTERS – not cursive/script**.
 - It's been advised (by the IRS) to use a “typewriter...12-point Courier Font”...
- Your (Payer's) name and EIN (or SSN if you opt) should be the same on Form 1096 as on individual Forms 1099. **Be consistent.**
- DO NOT enter “zero” or “none”. **Leave \$0 fields blank** (unless you're submitting a CORRECTION form – then enter \$0 where applicable).
- DO NOT omit the decimal when entering \$. Example: write **\$1,000.00**

NOTABLE TIPS

- When mailing the paper copy of Form 1099-MISC (or 1099-NEC) with Form 1096:
 - **Send Copy A of Form 1099 do NOT separate the page as you do for Copy B. Mail Copy A with Form 1096 as a WHOLE SINGLE UNFOLDED PAGE without staples or tape or tears in a single large envelope.**
- Double check, follow-up, close the loop:
 - **Confirm your crew receive the 1099-MISC (or 1099-NEC) – and that they know they can contact you with questions or concerns.** YOUR deadline for filing Forms with the IRS falls a month later (February). You have time to confirm accuracy with your crew.

Form 1099-MISC FAQs

- What if I don't file 1099-MISC's for my crew?
 - The IRS can levy penalties and fees against your fishing business.
 - Business-related loans may be harder to acquire. Lenders generally require adherence to tax-related law and will likely ask if you've filed 1099-MISC for your crew.
 - Crew should still report their fishing proceeds to the IRS when they file their taxes.
 - You should still file late using Forms 1099-MISC and 1096, even if you face a late filing penalty from the IRS.
- What is the **penalty** for **failure to file** Form 1099-MISC and Form 1096?
 - \$630 per Form MINIMUM if the failure is intentional, according to the IRS (up from \$250 in recent years)
 - Not to mention – your crewmember's attempts to file timely, accurate tax returns (Form 1040) may be impacted – or if they estimate the income figure they may be required to file an amended tax return as described at <https://www.irs.gov/newsroom/what-to-do-when-a-w-2-or-form-1099-is-missing-or-incorrect>
- **What if I don't file** 1099-MISC's and the accompanying Form 1096 on time?
 - \$60 to \$310 per Form depending on how late the filing is, according to the IRS (up from \$30 to \$100 in recent years)

Form 1099-MISC FAQs

- What is the **deadline** for filing Forms 1099-MISC and 1096?
 - File Form 1099-MISC with the IRS with Form 1096 if you paper file by February 28. Issue Form 1099's to your crew by January 31. **Use the newest IRS-published forms (not photocopies).**
- What if a crewmember does NOT provide a **Social Security Number**?
 - Crewmembers **MUST** provide a SSN to allow you to issue an accurate Form 1099-MISC . **If they choose NOT to provide a SSN** you run the risk of IRS penalties for failing to file timely/accurate Form 1099's. Without a SSN you should consider "backup withholding" 28% (fill box 4 of the 1099-MISC – and pay withheld \$ to the IRS using Form 945) to reduce risk of penalty. CONSIDER *'pre-season provision of SSN'* in your crew fishing contracts.
 - To adhere to IRS requirements FILE FORM 1099 EVEN IF YOU DO NOT HAVE THEIR SSN (some write "Refused" in SSN box especially when filing with software that requires an entry).
- What if the Social Security Number the crew member provides is incorrect?
 - The IRS uses verifies the crewmember's name and their taxpayer ID (SSN) listed on filed Forms 1099-MISC. If after you file the SSN on Form 1099 is found to be incorrect the IRS will send you a "CP2100 Notice". The boat captain may be held responsible for inaccurate filing. See IRS Tax topic 307 at <https://www.irs.gov/taxtopics/tc307> and Publication 1281 Backup Withholding for Missing and Incorrect Name/TINS at <https://www.irs.gov/pub/irs-pdf/p1281.pdf>

Form 1099-MISC FAQs

- What is the easiest way to file Form 1099-MISC – on **paper or e-file**?
 - They're both easy and take about the same amount of time. Order paper forms from IRS or acquire from BBEDC. **E-file at IRS' "IRIS" portal.**⁹
- Does 'crewshare' include expenses the captain paid on crew's behalf?
 - Generally, yes. It depends on the contract between the crew member and the boat captain.
- What if I paid crewshares of less than the \$600 filing threshold?
 - You don't have to issue to the crewmember a Form 1099-MISC (or Form 1099-NEC). HOWEVER, the crewmember is still required to report income to the IRS as self-employment income.
- What if I made a mistake on a Form 1099-MISC?
 - Submit a corrected Form(s). See the IRS' instructions for Forms 1099-MISC and 1099-NEC (process varies for paper-filed and e-filed Forms). NOTABLY, correcting an incorrect SSN requires the submittal of TWO corrected 1099's: one to VOID the error (using \$0's) and one to CORRECT the SSN (using the \$ amount paid). For more detail see <https://www.irs.gov/pub/irs-pdf/p1220.pdf>

Form 1099-MISC FAQs

- Are **amended Forms 1099-MISC required** if post-season bonuses are paid?
 - The deadline for issuing and filing Form 1099's should allow ample time for inclusion of post-season bonuses or pre-season payments for that matter. If you give a post-season bonus in a NEW tax year, consider including that figure in that CURRENT year Form 1099.
- What about **Form 1099-NEC**? Isn't it the same as Form 1099-MISC?
 - Form 1099-NEC is NOT the same as Form 1099-MISC. Form 1099-MISC has a box for crewmember fishing proceeds (Box 5). Form 1099-NEC is used solely for what the OLD Form 1099-MISC used to include in "Box 7" – Nonemployee Compensation.
- I issued Form 1099-MISC AND Form 1099-NEC during the tax year. Do I need to transmit separate Forms 1099 to the IRS?
 - Yes. Use separate forms. For more details including filing electronically see <https://www.irs.gov/businesses/small-businesses-self-employed/reporting-payments-to-independent-contractors>

Other Tax Topics of Interest to Fishers

Generally speaking...

- File taxes on time, every year.
- Keep copies of your taxes, organized by year in clearly labeled file folders.
- Keep a travel diary (if you claim travel expenses).
- Keep a vehicle mileage log (if you claim vehicle expenses like fish truck gas).
- Keep receipts especially for large purchases.
- Plan ahead – and proactively tap resources when you have tax questions.
- Always be prepared for an IRS audit.

Other Tax Topics of Interest to Fishers

Getting Ready for Taxes (fall season and January of the new year)

Issue Forms 1099 to your crew around January 15 each year.

Avoid penalties for underpayments or late payments

If you owe more than \$1,000 in tax - penalties start at 5% of the underpaid amount and can include interest on the unpaid amount.

Set aside at least 20% of your fishing income after fishing for federal taxes and send it to the IRS as “estimated tax” before the taxing filing deadline.

Special Rule for Fishers

- If at least two-thirds of your gross income is from fishing (and you expect to owe at least \$1,000 in tax in 2023), you can choose either of the two options and avoid the estimated tax penalty: **1) pay all of your estimated tax by Jan. 15 and file your individual return by April 15, OR file your individual return by March 1 and pay all the tax due.**^{7, 8, 11}

Other Tax Topics of Interest to Fishers

During the Season

Spend wisely

Deductible Expenses - offsets to income that sustain your business:

- Gear and supplies
- Fishing licenses
- Fishing-related air travel and meals and lodging expenses
- Repairs
- Nets
- Depreciation
 - Fishing boats and nets are depreciated over seven years – but you may be able to deduct some or all expenditures in the current year

Other Tax Topics of Interest to Fishers

Post-season

Put money for taxes away while you have it.

Write down an expense & income summary – for you and your tax preparer.

If you're anticipating debt you can't pay – alert your creditors & ask for time.

To reduce your taxable income, sustain your business, and bolster your future income –

- **BEFORE your business “year end”** look for opportunities to spend fishing earnings on necessary repairs, equipment, and critical supplies.
- Consider investing in an Individual Retirement Account (IRA). You can open an IRA account as late as tax day each year.

References

1. IRS website “About Form 1096, Annual Summary and Transmittal of U.S. Information Returns” at <https://www.irs.gov/forms-pubs/about-form-1096>
2. IRS Form 1096 PDF on the web at <https://www.irs.gov/pub/irs-pdf/f1096.pdf>
3. “About Form 1099-MISC, Miscellaneous Information” at <https://www.irs.gov/forms-pubs/about-form-1099-misc> See Also:
 1. Instructions for Forms 1099-MISC and 1099-NEC (01/2024) at <https://www.irs.gov/instructions/i1099mec> and
 2. Form 1099 as a viewable and fillable form at <https://www.irs.gov/pub/irs-pdf/f1099msc.pdf>
4. “E-File” details at <https://www.irs.gov/filing/e-file-information-returns>
5. Tax Information for Crewmen on Commercial Fishing Boats, Oregon State University at <https://seagrant.oregonstate.edu/sites/seagrant.oregonstate.edu/files/sgpubs/onlinepubs/g05006.pdf>
6. Instructions for Forms 1099-MISC and 1099-NEC, IRS (page 1) at <https://www.irs.gov/pub/irs-pdf/i1099mec.pdf>
7. Special Rule for Fishers paying estimated tax at <https://accountants.intuit.com/taxprocenter/tax-law-and-news/top-tax-tips-for-clients-in-the-commercial-fishing-industry/>
8. IRS Form 1040-ES, Estimated Tax For Individuals form at <https://www.irs.gov/forms-pubs/about-form-1040-es>
9. IRS Form 1099-MISC e-filing portal ‘IRIS’ on the web at <https://www.irs.gov/filing/e-file-forms-1099-with-iris>
10. IRS Form 1099-NEC on the web at <https://www.irs.gov/pub/irs-pdf/f1099nec.pdf>
11. IRS Topic No. 306, Penalty for Underpayment of Estimated Tax at <https://www.irs.gov/taxtopics/tc306>
12. Truncated Taxpayer Identification Numbers (TTIN), IRS website at <https://www.irs.gov/government-entities/federal-state-local-governments/truncated-taxpayer-identification-numbers>
13. **See Also**
 1. https://labor.alaska.gov/lss/forms/fish_faq.pdf
 2. IRS Topic no. 416, Farming and fishing income at <https://www.irs.gov/taxtopics/tc416>
 3. Tax Information for Crewmen on Commercial Fishing Boats, Oregon State University Seagrant program, 2005, at <https://seagrant.oregonstate.edu/sites/seagrant.oregonstate.edu/files/sgpubs/onlinepubs/g05006.pdf>
 4. Tips for Managing Yearly Fishing Income, Sea Grant Alaska, 2010, at <https://alaskaseagrant.org/wp-content/uploads/2022/03/asg-54manageinc.pdf>
 5. Establishing a Business in Alaska, Alaska Division of Investments, Chapter 5 at <https://alaskaseagrant.org/wp-content/uploads/2022/03/EstablishingABusiness.pdf>