

We have heard from many members about states assessing taxes on transactions within those states based on 1099s issued to carriers within those states. Upon review, our attorneys have reported the following.

There is a general exception from the requirement to file I.R.S. 1099 forms for payments made for “freight services”. According to a 1999 IRS ruling (<http://www.irs.gov/pub/irs-wd/9932048.pdf>) the exception for “freight” has been in existence since 1918. The IRS has consistently interpreted the term “freight” using its plain meaning, “as a method or service for transporting goods or the cost of such transportation”. The interpretation results in a general exception from reporting of payments for truck, rail, ship, and air freight services. Additionally, payments to incorporated trucking companies are excepted from reporting (Internal Revenue Code Section 1.6041-3(c)).

Furthermore, payments made to owner-operators may be excepted as “freight” under Treas. Reg. Section 16041-3(c), but household goods hauled by a moving company are not considered “freight” eligible for the exception. Please note that the freight services exception does not apply to independent sales agents who may be used by members, or to any other types of service providers—these remain subject to the 1099 requirement, although they may be subject to other exceptions depending on the nature of your individual operation.

General IRS Guidance:

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- IRS 1099 Guide for Employers: <https://www.irs.gov/pub/irs-pdf/p15.pdf>
 - IRS 1099 Instructions (on the first page, note that the 2nd bullet point in “Exceptions” specifically includes freight): <https://www.irs.gov/pub/irs-pdf/i1099msc.pdf>

Additional background on the specific exemption for freight:

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- [1999 IRS Chief Counsel Memorandum](#)
 - [2014 IRS Chief Counsel Memorandum](#)

The above is for informational purposes only and is not intended to be legal advice upon which you can rely. Please be advised that not all cases are the same and that you should consult with experienced tax counsel or a CPA about your individual situation.

If you have any questions, please contact advocacy@tianet.org.

The Transportation Intermediaries Association (TIA) is the leading education and policy organization for North American third-party logistics professionals. TIA is the only organization representing 3PLs doing business in both domestic and international commerce. With over 1,800 members, TIA is the voice of 3PLs to shippers, carriers, government officials, and international organizations. As a condition of membership, all TIA members are required to sign and adhere to the TIA Code of Ethics. The members



of TIA include property brokers, domestic freight forwarders, international forwarders and NVOCCs, air freight forwarders, logistics management companies, and intermodal marketing companies. TIA is the U.S. member of FIATA (International Federation of Freight Forwarder Associations) representing more than 40,000 3PLs around the world.

For more information, please contact TIA at 703-299-5700 or visit us on the web at www.tianet.org