MAFE has received some questions about new guidelines for distributing 1099s. We worked with a CPA to come up with the below opinion. We are providing this opinion to fairs so you can take this information to your tax professional and determine what it means for your fair. **MAFE cannot provide tax advice. If fairs have specific questions, they should contact their tax professional or the IRS directly.**

Beginning with the 2026 calendar year, fairs must follow the Federal Internal Revenue Service (IRS) regulations requiring livestock and exhibit auctions to issue a 1099-MISC to any youth who receives $2,000 or more in total payments from the sale of livestock, still exhibits, or related activities within a calendar year.

Tax filing requirements vary by individual. Receiving a 1099-MISC does not automatically mean the youth owes taxes. The following is provided to help with awareness of how this would be reported on the youth or a dependents adult's tax return.

A Dependent Child's Earned Income

IRS treats a dependent child differently depending on whether they earn money from work or through investments. Dependent children who have earned income of more than $16,100 in 2026 typically need to file a personal income tax return and might owe tax. Earned income applies to wages and salaries a child receives as a result of providing services to an employer or from self-employment, even if only through a part-time job.

However, even if a child earns less than this threshold, it may be a good idea to file a tax return. They could be eligible for a tax refund if they had income tax withheld from their paycheck.

A Dependent Child's Unearned Income

The IRS defines unearned income as passive revenue—such as interest, dividends, royalties, and capital gains—that does not come from active work like wages or self-employment. For the 2026 tax year, a dependent must file a tax return if their unearned income exceeds **$1,350-$1,400** (2026 amount not released yet). If that income surpasses **$2,700**, the "Kiddie Tax" rules apply, and the excess is taxed at the parents' marginal rate. In this scenario, parent(s) may elect to report the dependent's unearned income on their own return rather than filing a separate one for the child.

If a dependent has **both** earned and unearned income, the standard deduction is typically different than the parent's standard deduction. It is limited by the larger of unearned income threshold of $1,350-$1,400 in 2026 (number not released yet) or their earned income plus $450, with the maximum equal to the standard deduction for single taxpayers, which is $16,100 for 2026.

Treatment of Live Auction proceeds

"Under IRS Publication 225 (*Farmer's Tax Guide*), proceeds from live auctions for youth projects—such as those through 4-H or Future Farmers of America (FFA)—are classified as **earned income**. Because these funds result from active labor and animal husbandry rather than passive investments, they are not subject to the 'Kiddie Tax.' Furthermore, the IRS clarifies that if the project is conducted for educational purposes under the guidelines of a sponsoring organization, it is not considered a traditional trade or business. Consequently, these earnings are typically **exempt from self-employment tax**, provided the project is not motivated primarily by profit."

Summary of Income Tax Return Reporting

The gross income is reported on Schedule F as farm income. The amount actually subject to tax is the **profit,** the child may deduct the cost of the animal, feed, veterinary expenses, and entry fees. The resulting profit, after these allowable deductions, is then used to determine which filing thresholds apply.

Income Type	Filing Requirement
Earned Income Only	➢ $16,100
Unearned Income Only	➢ $1,350-$1,400 (amount to be issued)
Both Earned & Unearned Income	Gross income > larger of unearned threshold OR earned income + $450 (capped at $16,100)
Self – Employment Income	>= $400 net earnings