



# 1099 QUICK GUIDE

If you're an employer, you're well aware of how much paperwork is involved in managing a staff. On-boarding of new employees can be particularly onerous, but you also have ongoing responsibilities for reporting to government agencies and other entities.

One of the documents required by the Internal Revenue Service is the Form 1099. You may have received one as an individual taxpayer, since they're used to report various types of income, like interest, dividends, and real estate proceeds. As a business owner, you're required to prepare and send Forms 1099 to a wide variety of individuals and businesses.

## FORM 1099 DUE DATES

Forms 1099 (sometimes called "information returns") are official IRS documents; you can order them directly from the agency or from third-party vendors (even office supply stores). You'll need multiple copies of each form to disburse to:

>> **The IRS.** Copy A is due by January 31 (paper or electronic) for Forms 1099-MISC and February 28 (March 31 if filed electronically) for other Forms 1099. The Form 1096 (a summary of the total amounts reported on the 1099s) should accompany Copy A when sent to the IRS. <<

>> **Recipients.** Copy B should be in the recipients hands by January 31. <<

>> **States** that require them. Each state has its own filing requirements for Copy 2. <<

*Businesses that file 250 or more 1099s must do so electronically, unless they're granted a waiver.*

## REPORTING REQUIREMENTS

Form 1099-MISC is the most common form filed for businesses.

## THE \$600 RULE

If you've paid independent contractors \$600 or more during the year, you must provide the payee with a Form 1099-MISC. Since these workers are not technically employees, you're not mandated to withhold and pay federal and state income taxes. Independent contractors are responsible for paying and filing their own taxes. You must, though, receive from them a signed Form W-9, preferably before you start paying them. The name and Taxpayer Identification Number (TINs) on Form W-9 must match the same data that eventually appears on the Form 1099.

**Attorney's fees, rent, and crop insurance proceeds are also subject to the \$600-or-more rule, as well as payments made to or for:** Services (including parts and materials if not invoiced separately) | Prizes and awards and are not given to employees | Medical and Health care payments | Directors' fees | Golden Parachutes | Cash fish purchases for resale from a person engaged in the trade or business of catching fish.

## ROYALTIES AND BROKER PAYMENTS

If your business makes payments of \$10 or more in royalties or broker payments, you must file Form 1099-MISC.

## MANY EXCEPTIONS

There are, of course, numerous exceptions to these IRS rules.

<p><b>Payments to Corporations</b></p> <p>What about payments you may have submitted to corporations?</p> <p>Usually, these do not need to be reported if the entity you are paying is a C corporation or an S Corporation. There are, though, circumstances under which a Form 1099-MISC is required even for a corporation:</p> <ul style="list-style-type: none"> <li>• MEDICAL AND HEALTH CARE PAYMENTS •</li> <li>• ATTORNEYS' FEES TO A LAW FIRM OR OTHER PROVIDER OF LEGAL SERVICES •</li> <li>• GROSS PROCEEDS PAID TO ATTORNEYS •</li> <li>• SUBSTITUTE PAYMENTS IN LIEU OF DIVIDENDS OR TAX-EXEMPT INTEREST •</li> <li>• PAYMENTS BY A FEDERAL EXECUTIVE AGENCY FOR SERVICES PROVIDED TO VENDORS •</li> </ul>	<p><b>Payments to tax-exempt organizations, U.S. agencies, and state agencies</b></p> <p>Payments of rent to real estate agents (though the agent must report the rent paid to the property owner on a 1099-MISC)</p> <p>Wages and Business travel allowances paid to employees (Form W-2)</p> <p>Cost of current life insurance for an employee (Form W-2)</p> <p>Payment made with credit card or payment card transactions (Form 1099-K)</p> <p>Scholarship or fellowship grants (Form W-2 if applicable)</p>
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## PENALTIES FOR NONCOMPLIANCE, ERRORS

If you don't file your Forms 1099 by the due date and can't show "reasonable cause," you might have to pay a **penalty from \$50-\$260** per payee, depending on when you actually file correct forms.

You can be similarly penalized if you fail to provide correct payee statements (Copy B of the form) without reasonable cause. If this is due to, "...intentional disregard of the requirements," the **penalties start at \$530** per payee statement and have no maximum amount.

**When in doubt about whether or not to send a 1099, don't guess. Consult with an accounting professional to avoid causing problems with business relationships and incurring stiff penalties. Learn more at [www.lutz.us/CAS](http://www.lutz.us/CAS).**

