

Getting Ready for 1099-MISC Reporting

Why Send Form 1099-MISC?

IRS form 1099-MISC is an informational return that must be filed to report various types of payments a businesses make to third parties. The IRS and state tax agencies use this information to ensure that the people receiving the payments properly report the income on their tax returns.

Why are the new due dates important?

In the past the due dates were January 31 for recipient copies and February 28 or March 31 depending on the form for the government copies. Starting for the 2016 1099-MISC, the due date is January 31 for recipient and government copies. The penalty applies if you fail to file timely, you fail to include all information required to shown on the return, or you include the incorrect information on a return. In addition to the due date change the penalty amounts & maximums have changed. Penalties are per 1099-MISC form. If you mail out a 1099-MISC to 10 people 20 days late, the penalty will be \$500.

PENALTIES - The amount of penalty is based on when you file the correct information return as follows:

- * \$50 per information return if you correctly file with 30 days, maximum penalty \$532,000 per year or \$186,000 for small business
- * \$100 per information return if you correctly file more than 30 days after the due date but by August 1, maximum penalty \$1,596,500 per year or \$532,000 for small business
- * \$260 per information return if you correctly file with 30 days, maximum penalty \$532,000 per year or \$186,000 for small business
- * \$530 per information return if failure to file a correct information return due to intentional disregard of filing or correct information requirements, with no maximum penalty.

When should 1099-MISC be mailed?

Recipient copies to vendors

Federal filing copies w/transmittal form

State filing copies w/transmittal form

Postmarked by January 31 starting in 2017

When should you began gathering the information?

For 2016

NOW - If you do not have the information listed below on all applicable vendors, we strongly suggest you start gathering it now. Request a completed form W-9 from all new vendors before payment in November & December. *(The best way to determine applicable vendors is require Form W-9.)*

Early January 2017 - Finalize the total amount paid per vendor and check vendor information is complete.

For 2017 & Beyond

Continuously - Set in place new policy to require vendors to complete a W-9 before you pay them.

HOW TO DETERMINE WHO SHOULD RECEIVE 1099-MISC

What was the payment for?

| | | |
|-------------|-----|---|
| PRODUCT | NO | 1099 should NOT be sent for purchase of products(a few exceptions apply) |
| SERVICES | YES | Subject to other questions |
| COMBINATION | YES | Subject to other questions |
| RENT | YES | Subject to other questions |

How much was paid to the vendor during the calendar year?

| | | |
|--------------|-----|--------------|
| UNDER \$600 | NO | Not required |
| \$600 & OVER | YES | |

Which type of entity received payment?

Best practice - have completed IRS Form W-9 to determine entity type

| | |
|---------------------------------|-----|
| S-CORPORATION | NO |
| C-CORPORATION | NO |
| INDIVIDUAL | YES |
| SOLE PROPRIETOR | YES |
| PARTNERSHIPS | YES |
| LLC (Limited Liability Company) | YES |
| ATTORNEY/LAW FIRM | YES |
| NON-PROFIT | NO |

What information is need to complete 1099-MISC?

| | |
|--------------------|--|
| Federal tax number | Social Security number for individuals or Sole Proprietor or Federal Entity Id number (FEIN) for businesses |
| Name | Reporting name must match the name associated with tax number, the name as it is on the Social Security card or FEIN |
| Address | Street address is preferable - make sure it's current and don't forget the zip code |
| Amount | Total amount paid to Vendor during the calendar year per type of 1099 |
| Type of payment | Most 1099-MISC are reporting Non-Employee Compensation. Also frequently reported on this form are Rents & Royalties. "Other Income" is used for very specific types of payments and the IRS instructions should be consulted. Many types of form 1099 are available for certain types of reporting. If you feel you have information to report other than that reported on 1099-MISC, please contact our office. |