

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 due dates important for 1099-Misc?

As changed in 2016, the 2017 1099-MISC 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?

(This deadline is specifically for 1099-Misc reporting Non-Employee Compensation)

Recipient copies to vendors
Federal filing copies w/transmittal form
State filing copies w/transmittal form

---2017 forms must be postmarked by January 31,2018---

When should you began gathering the information?

For 2017 & Beyond **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 2018 - Finalize the total amount paid per vendor and check vendor information is complete.

For 2018 & 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

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

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

How was the vendor paid for services?

Cash YES
 Check YES
 Credit Card NO Vendors accepting credit card payments will receive form 1099-K from the credit card processor.

Which type of entity received payment?

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

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

Entering information correctly on form W-9 as needed to process 1099-MISC

TYPE OF ENTITY	NAME	TAXPAYER ID NUMBER
Individual, Sole Proprietor or Single Member LLC	Individual's name as shown on their 1040 on line 1, DBA(Doing business as) maybe added also	Social Security number(SSN), Sole Proprietor may enter SSN or Employer Id Number(EIN)
C-Corp, S-Corp, Partnership, LLC that is not a single member	Entity's name as shown on tax return on line 1, DBA(Doing business as) maybe added also	Employer Id Number(EIN) associated with the entity name
Other Entities	Name as shown on US Federal tax documents matching charter or document creating entity	Employer Id Number(EIN) associated with the entity name
Disregarded entity	Name of the owner, disregard entity name should only be entered as DBA	Employer Id Number(EIN) associated with the OWNER entity name
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.	