

Form 1099-MISC and Form W-9 Requirements and Filing



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Internal Revenue Service 1

Form 1099

Miscellaneous Income

- Include on Form 1099-MISC
 - At least \$10 in royalties or broker payments
 - At least \$600 in rents, services (including parts and materials), prizes and awards, other income payments, and medical and health care payments
 - Any fishing boat proceeds
 - Gross proceeds paid to an attorney

2

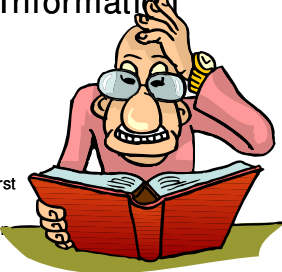
Form 1099

Not Reported on Form 1099-MISC:

- Payments to a corporation
 - Exceptions- attorney fees & medical payments
- Payments for merchandise
- Payments of rent to RE agents
- Wages to employees
- Business travel allowances to employees
- Business expense reimbursements
- Scholarships
- Payments to the U.S., states, D.C., a possession of the U.S. and political subdivisions of the foregoing
- Certain payment card transactions (See Rev Proc 2004-42)

Recipient Information

- Recipient Name
 - Show full name and address
- Sole proprietors
 - Individuals name on first line
 - DBA may be entered on second name line
 - For TIN either SSN or EIN



4

Form 1099-MISC Box 3 - Other Income

- Other income not reportable in one of the other boxes of the form
- Prizes and awards not for services performed
- Various damage payments
- Deceased employee's wages
- See MISC pages of General Instructions for Forms 1099, 1098, 5498, and W-2G for additional items to be reported

5

Form 1099-MISC Box 4 – Income Tax Withheld



Possible backup withholding
Current rate is
28%

6

Form 1099-MISC – Box 6 Medical and Health Care Payments

- Report payments of \$600 or more to individuals, partnerships, and corporations
- Medical payments include doctor fees, drug testing, lab fees, physical therapy, etc.

* *Do not report payments to pharmacies or tax exempt hospitals*



Form 1099-MISC - Box 7 Nonemployee Compensation

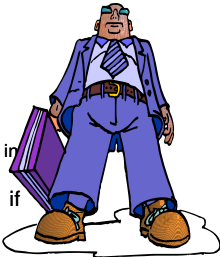
- Payment for services of a person who is not your employee (may include parts or materials in some instances)
- Fee splits between professionals
- Professional service fees – i.e., attorneys (including corporations), architects and accountants
- Prizes and awards for services performed as a nonemployee

8

Form 1099

Payments to Attorneys

- Exemption for payments to a corporation do not apply
- Code § 6045(f)
- Gross proceeds in connection with legal services
- Professional services reported in box 7
- Gross proceeds in box 14, if not shown in box 7



9

Form 1099 Void Returns



- If you make an error while preparing a form,
 - Enter an "X" in the "VOID" box at top of form
 - Go to next form and enter the correct information
(Do not mark the "CORRECTED" box)
- Submit entire page even if only one form is completed correctly

10

Form 1099 Corrected Returns

- See pages General Instructions for Forms 1099, 1098, 5498, and W-2G returns
- Step-by-step chart for filing corrected returns on paper forms (up to 249)

11

Form 1099

Form 1099-MISC Requirements

- Due dates
 - To recipient- January 31st
 - To IRS- February 28th
 - (electronic- March 31st)
- Submit the entire page even if only one of the forms is completed correctly
- Include telephone number of contact person

* **Note:** magnetic media is not electronic filing



12

Who must file on magnetic media?

- If you are required to file 250 or more information returns, you must file on magnetic media *
- Filing requirement applies separately
 - To each type of form
 - To originals and corrections

* If you are required to file on magnetic media, you may choose to file electronically instead. You may choose magnetic media or electronic filing even if you are not required to file on magnetic media

13

Misc. Items & HOT TOPICS



14

Miscellaneous Items

Health Club Memberships

- Employer provided on-premises facility is not a taxable fringe
 - Must be located on employer premises
 - Must be operated by the employer
 - Substantially all use is by employees of the employer, employee spouses, and dependent children
 - Employer must submit a copy of W-4 only if directed to do so by written notice
- If employer pays for a fitness program at off-site hotel, athletic club, etc., the value is included in compensation

15

DE MINIMIS BENEFITS

- Generally not included in income or subject to employment taxes
 - EXCEPTION - Gift certificate or other item that can easily be exchanged for cash is included in wages at FMV and is subject to income tax withholding, FICA, and FUTA and is included on employee's Form W-2
- Must be of nominal value and infrequent

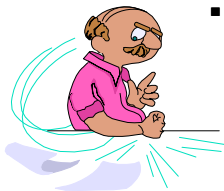
16

NONCASH COMPENSATION

- Included in income
- Valued at FMV
 - Subject to income tax withholding
 - Subject to FICA
 - Subject to FUTA
 - Reported on employee's Form W-2

17

Payments that should not be reported on Form 1099-MISC



- Payments to employees; such as fringe benefits or travel reimbursements

(Note: if not paid as part of an accountable plan, travel reimbursements and auto expenses should be included in wages and reported on W-2)

- Generally, payments to corporations

18

Common Errors that prevent issuance of "correct" or "required" information returns

- Failure to obtain identifying information before making payment (use Form W-9)
- Failure to aggregate payments from all expense categories (use vendor files)
- Assuming payee is a corporation:
 - because name is "Company or Associates"
 - because an EIN is furnished

19

Never assume an entity is incorporated!

- LC – Limited Company
- LLC – Limited Liability Company
- LP – Limited Partnership
- LLP – Limited Liability Partnership

Common Errors (continued)

- Remember - some corporate payments require Forms 1099 (medical & attorney)
- Where materials and services are provided, ensure proper allocation or inclusion of materials - see Treasury Regulation 1.6041-1(a)(2)

21

Failure to Secure a Vendor's Social Security Number or Taxpayer Identification Number May Subject Your Agency to BACKUP WITHHOLDING." (IRC 3406) 28%



22

TIN Matching Systems

- For payers who report on Forms 1099-INT, DIV, OID, PATR, B, and MISC
- Payer must also have filed these forms during the prior 2 years
- System allows user to input TIN/Name combination; system matches against master files
- Accessible through IRS website: www.irs.gov/taxpros

23

To Obtain Newsletter and Educational Material
Go to www.irs.gov
Just under the IRS heading are boxes listing the various divisions, click "**Government Entities**"
In the middle of the page is the heading "**Tax Information for Government Entities**", under this heading click "**Tax Information for Federal, State, & Local Governments**"
On the left side of the page is the heading "**Federal, State & Local Gov'ts Topics**", click "**FSLG Newsletter**" or "**Educational Products**"
If you click "**FSLG Newsletter**", in the center of the page you can click on the link for the current newsletter, click the link for prior issues, and subscribe to the newsletter
If you clicked "**Educational Products**", the next screen will list several products/services you can access
Calendar of Events
Publication 963 Federal-State Reference Guide
Public-Employer Tax Guide
Taxable Fringe Benefits Guide

24
