



## FORM 1099 FILING REQUIREMENTS

Starting in 2011, IRS added two new questions on its individual and business tax forms to increase awareness of the 1099 filing requirements and add another opportunity to identify taxpayers that should be filing 1099s but are not. The individual tax forms reporting business income, rental income and farm income (Schedules C, E and F, respectively) have two additional questions:

1. "Did you make any payments that would require you to file Form(s) 1099?"
2. "If 'Yes,' did you or will you file all required Forms 1099?"

Similar questions also have been added to corporate, partnership and fiduciary tax returns.

Given the increased IRS focus on taxpayers' information reporting obligations, it is important to know when a Form 1099 filing is required.

### Who must file Form 1099-MISC?

- All entities engaged in a trade or business (sole proprietorships, partnerships and corporations)
- Landlords engaging in the business of renting property
- Nonprofit organizations, federal, state or local governmental agencies
- Trusts of qualified pension or profit-sharing plans of employers

### When is Form 1099-MISC Required?

- Report on Form 1099-MISC payments of **\$600 or more** per year **for services** (not goods) to any one person, vendor, or independent contractor.
- Report payments of **\$600 or more in rents** for office space, equipment or land.
- Other payments of \$600 or more required to be reported on Form 1099-MISC – prizes and awards; medical and health care payments; cash payments to fishermen; proceeds paid to attorneys; crop insurance proceeds; other taxable income.
- Report only payments made in the course of your trade or business, including farming activities. Personal payments do not need to be reported on Form 1099-MISC.
- Rental activities (landlords) are required to prepare Forms 1099-MISC only if those activities are considered to be an active trade or business. Please discuss this kind of situation with your tax preparer at *Rickards & Company*.
- Report only payments to **unincorporated** vendors – individuals, estates, partnerships, and LLCs taxed as partnerships or sole proprietorships. Payments made to corporations may be reported using Form 1099-MISC, but is not required.
- **Payments to an attorney for legal services.** Report legal fees or gross proceeds of \$600 or more paid to an attorney or law firm whether or not the business is incorporated.

Some business-related payments do not have to be reported on Form 1099-MISC, although they may be taxable to the recipient. These include:

- Payments to corporations, **except** for incorporated lawyers, medical and health care services or fishing activities.
- Payments for merchandise, telephone, freight, storage, and similar items
- Payments of rent to real estate agents do not have to be reported. But the real estate agent must use Form 1099-MISC to report the rent paid over to the property owner.
- Payments made to tax-exempt organizations.

## How and When to File Form 1099-MISC

- Copy B and Copy 2 should be provided to the recipient by **January 31**.
- Copy A must be filed with IRS no later than **February 28**, or **March 31** if you file electronically.
- Copy 1 is for the state taxing authority. The deadline for **Colorado** is February 28 for paper filing and March 31 for online filing through *Revenue Online*. Form DR 1106 – Annual Transmittal of State 1099 Forms should be submitted to CO Department of Revenue if you file a paper return. **Colorado requires 1099 filing only if CO tax is withheld.**
- Copy C is for you to retain in your files.

Businesses can request a 30-day extension to file 1099s with the IRS using Form 8809. An extension does not permit additional time for providing the 1099 to the recipient.

## Steps to Take to Prepare for 1099-MISC Forms

You should request that your vendors, contractors and other payment recipients submit to you a [Form W-9](#). The W-9 will provide you with the legal name, address and taxpayer identification number (TIN) for the vendor, which is the information you will need when preparing any 1099-MISC forms.

You should enter the W-9 information in your QuickBooks or other accounting software and keep track of the 1099 vendor payments in your bookkeeping system. If you use QuickBooks, you can set up your vendors as “Eligible for Form 1099” and you can “map” the accounts you use to pay the vendors to the appropriate boxes on the Form 1099-MISC. Please, give us a call if you need assistance with vendor setup in QB.

## Backup Withholding Requirement Policy

Backup withholding is required on payments if TIN is not furnished by the payee. If you are required to withhold but fail to do so, you may be liable for the amount you should have withheld, unless the payee included the payments on a tax return.

## Penalties for Filing Form 1099-MISC Late

The following penalties (per form) remain effective as of January 1, 2011:

- \$30 penalty for filing a 1099 not more than 30 days late; maximum penalty \$75,000.
- \$60 penalty for filing a 1099 more than 30 days late and before August 1; max \$200,000.
- \$100 penalty for filing a 1099 on or after August 1; maximum penalty \$500,000.
- \$250 penalty for intentional failure to file with no maximum penalty.

## Form 1099 Preparation Assistance

If you have any questions regarding Form 1099 filing requirements or if you would like *Rickards & Company* to prepare your Forms 1099 for your business or rental property, please contact our office ASAP. We need the following information:

- Completed “*1099 Information Worksheet*” (see attached).
- Copies of completed **W-9s** from your vendors.

If you prefer, you may provide a QuickBooks backup and we’ll compile the information needed for 1099 preparation. In this case additional fees will apply.

Please, contact our office for 1099 preparation pricing.