

### **It's Almost Time to File 1099's**

Per the IRS guidelines, payments made in the ordinary course of a trade or business are required to be reported on Form 1099-MISC to report certain payments to reportable vendors.

Examples of the types of payments reportable on Form 1099-MISC include:

1. at least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest
2. at least \$600 in:
  - rents;
  - services performed by someone who is not your employee;
  - prizes and awards;
  - other income payments;
  - medical and health care payments;
  - crop insurance proceeds;
  - cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish;
  - generally, the cash paid from a notional principal contract to an individual, partnership, or estate;
  - payments to an attorney; or
  - any fishing boat proceeds

However, there are some exceptions to reporting payments on Form 1099-MISC. In general, payments made to corporations are not required to be reported on Form 1099-MISC unless the payment falls under one of the IRS specified exemptions. For example, payments made for medical/health care services or attorney fees in the ordinary course of a trade or business are reportable on form 1099-MISC, even if the recipient is a corporation.

Form 1099-INT & 1099-DIV are examples of other information returns and generally are required to be filed when payments to a recipient exceed \$10.

Form 1099-MISC for the 2017 tax year must be **provided to the vendor by January 31, 2018** and **must be filed with the IRS by this date** as well when reporting amounts in box 7 (nonemployee compensation). Taxpayers who qualify as hurricane victims (i.e. Hurricane Harvey, Irma and Maria) were not granted an additional extension of time to file 1099 series forms. However, any taxpayer can obtain a 30-day extension to file copies with the government by filing [IRS form 8809](#).

The IRS can impose penalties if you fail to file correct information returns, do not file timely, furnish an incorrect payee statement, or file forms with an incorrect or missing taxpayer identification number. Penalties can vary depending on the time filed and situation. For example, if you were to file a 1099 for tax year 2017 after August 1, 2018, you could be charged a penalty of up to \$260 per information return. This can add up quickly. In fact, the IRS can charge up to a whopping \$3,218,500 per year for a business

that fails to file 1099's. If the IRS determines that you did not file because of intentional disregard of filing requirements, they may charge at least \$530 per information return with NO maximum penalty!

In short, don't risk it! If you're thinking that this is too much of an administrative burden, think again. There are numerous ways to simplify your 1099 reporting processes. For example, some accounting software programs (such as QuickBooks) allow you to automatically generate 1099 reports for the year if the vendors are set up as 1099-eligible payees.

**What else can I do to ensure that I am in compliance with 1099 reporting requirements?**

1. Make sure eligible vendors complete [form W-9](#) and provide it to you before you begin making payments to them.
2. Keep good records. Set up your vendors for easy payment tracking so that when the end of year comes, you aren't stuck in a frenzy.

For additional information on 1099 reporting requirements, please [contact our office](#) for assistance.

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