

# Form 1099 Guidelines – What you need to know

## New for 2016

### New Deadlines

The due date for distributing all Form 1099 information returns to recipients is January 31, 2017. The due date for filing Form 1099-Misc with box 7 information returns with government agencies is also January 31, 2017. Other 1099's are still due for filing with government agencies on February 28, 2017.

### New Increased Penalties

1. The initial penalty amount will be \$50 per return for any Form 1099 filed after the due date, but within 30 days of the due date.
2. Any Form 1099 filed after the 30<sup>th</sup> days from the due date, but before August 1<sup>st</sup> will be subject to a \$100 per form penalty.
3. Any Form 1099 filed after August 1<sup>st</sup> will be subject to a \$260 per form penalty.
4. An intentional disregard of the rules is subject to a \$530 penalty per occurrence.
5. Form 1099's will also be held to a correctness standard as well. If the Form 1099 is not correct, penalties will apply. The payer has until August 1<sup>st</sup> to file a corrected Form 1099 without penalty as long as the original form was filed timely.

### Form 1099-Misc

Every person engaged in a trade or business must file an information return for payments made to another person for services performed in the course of the payer's trade or business if the aggregate remuneration paid to the person is \$600 or more in any tax year. [IRC Sec. 6041A(a)].

The most common 1099-Misc is box 7, which reports non-employee compensation of \$600 or more. These amounts may include fees, commissions, prizes, awards, and compensation for services performed for payer's trade or business. If the following 4 conditions are met, the payer generally must report a payment in box 7 of Form 1099-Misc.

1. The payment was made to someone who is not an employee of the payer.
2. The payment was made for services in the course of the payer's trade or business.
3. The payment was made to an individual, sole proprietor, partnership, estate, or (in some cases) a limited liability company. Generally, payments to a corporation do not require a 1099 to be issued.
4. The payer made payments to the payee of at least \$600 during the year.

### Other 1099 information returns

**1099-Int** – used to report interest payments of \$10 or more by a financial institution; \$600 or more by certain trades or businesses.

**1099-S** – used to report a sale or exchange of future ownership interest in real estate.

**1099-Misc – box 1** – rents paid

**1099-Misc – box 2** – royalties paid

**1099-Misc – box 14** – gross proceeds paid to attorneys for work in a settlement or sale.

### Form W-9

The correctness standard includes the EIN of the payee. For this reason, it is especially important that the payer collect W-9's from their vendors. We have attached Form W-9 to this letter and are contacting business owners now so you have time to gather this information. Especially important is the matter of the LLC entity because there has been a great deal of confusion regarding what EIN they should be using.

If a vendor completed the W-9 and marks that they are a single member LLC being taxed as a sole proprietor – they should include their full name and their social security number on the W-9.

If a vendor completes the W-9 and marks that they are a LLC being taxed as partnership, S-corporation, or C-corporation – they should include their full business name and their federal tax id number of their business on the W-9.

If you receive W-9 forms that appear to be incorrect, you need to contact the vendor and request the needed information before the preparation of the Form 1099's.

We recommend as "a best practice" to send W-9's to any new vendor before you pay them on their first invoice. No payment should be sent before that correctly completed W-9 is received. This method ensures that you have the information you need to complete the Form 1099's long before the end of the year.

**Weber & Deegan's role**

If you want Weber & Deegan's assistance in preparing your Form 1099's, please see the attached information to complete and return to us. Weber & Deegan will not be responsible for late filing penalties if we receive your information after January 17, 2017.

Weber & Deegan would also like to remind you that your business tax return asks two questions:

- Did the business make any payments that would require it to file Form (s) 1099?
- If yes, did the business file or will it file required Forms 1099?

We can't knowingly prepare your tax return and answer these questions incorrectly or we will be subject to a preparer penalty.

Please feel free to contact us if you need any additional information or have any questions.

Weber & Deegan

**FORM 1099 GUIDELINES**

NOVEMBER 2016

Requirements for filing say that any business which makes certain payments of \$600 or more to another person or business, other than a corporation, must file information returns.

The **due date** for distributing Form 1099 information to recipients is **January 31, 2017**. The due date for filing the related information Form 1099-Misc with box 7 information returns with government offices is also January 31, 2017. Other 1099 Forms are still due on February 28, 2017. Filers are subject to an increased penalty for each Form 1099 that includes incorrect information, failure to include required information or failure to file timely.

**Payments which require Form 1099**

- Rents
- Contract or casual labor
- Commissions
- Other payments paid to nonemployees for services rendered go to box 7. This includes fees paid to an attorney for legal services. If you need help in determining who is an employee, please contact us.
- Interest or dividends of more than \$10 paid
- Transactions involving real estate, broker or bartering exchanges
- Gross proceeds paid to attorneys for work in a settlement or sale. This goes to box 14.

**Payments which DO NOT require Form 1099**

- Payments for products
- Utilities
- Any other general or administrative expenses
- Payments to corporations

**FORM 1099 PREPARATIONS**

Since gathering the data necessary to file a required Form 1099 can be a time-consuming task, **please list on the enclosed sheet the Form 1099s you know require issuance. Name, address and ID numbers are required.** We will attempt to match your Form 1099 information with information that we have from past year filings and current year information. **If we do not receive a list by January 17, 2017, we will assume that you are filing your own Form 1099's.**

Weber & Deegan, Ltd.

**WEBER & DEEGAN, LTD.  
1099 INFORMATION FORM**

CLIENT NAME \_\_\_\_\_ CLIENT PHONE # \_\_\_\_\_

ADDRESS \_\_\_\_\_  
\_\_\_\_\_

FEDERAL I.D. NO. \_\_\_\_\_ STATE I.D. NO. \_\_\_\_\_

<b>Recipient's Name and Address (As recorded on W-9)</b>	<b>Recipient's Federal I.D. #</b>	<b>Amount</b>	<b>Code ***</b>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

- \*\*\*Payment Codes:**
- R** = Rent
  - I** = Interest
  - M** = Mortgage Interest
  - D** = Dividends
  - RO** = Royalties
  - MISC** = Commissions, Casual Labor, Director Fees, Contracted Services

Interest you receive when you hold a contract or mortgage - Form 1098:

<b>Payer's Name, Address</b>	<b>Payer's I.D. No.</b>	<b>Amount</b>	<b>Comments</b>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

NOTE: ALL of the above information is required to correctly complete the 1099 and 1098 without penalty.