

## Summary of Form 1099 Reporting Requirements

Generally speaking you are required to prepare Form 1099's for payments made in the ordinary course of your trade or business to any unincorporated business or individual that you have paid more than \$600.00 for services (e.g. cleaning, repairs and maintenance, accounting, and consulting services, etc.) or for services combined with material use, such as is the case when paying a contractor or subcontractor.

Also, any amounts your business pays during the year (if over \$600.00) to a lawyer, law firm, or to a medical or health care service provider, are reportable on a Form 1099, regardless of whether or not the service provider is incorporated.

Finally, rental charges for all types of rent of more than \$600.00 paid to an unincorporated business or individual during the year are also reportable on a Form 1099, however you don't need to prepare a Form 1099 for rent paid to a real estate agent.

In order to comply with these filing requirements, it's always best to obtain a completed Form W-9 from a potential vendor, prior to paying them; however, in lieu of obtaining a Form W-9, or if the vendor is not cooperating for whatever reason, you can contact the vendor and request their federal taxpayer ID number and legal business name instead. If the vendor still refuses to comply, you have two options; withhold payment until they provide their completed Form W-9, or you can withhold 28% of the invoiced amount as backup withholding, and remit it to the IRS. The vendor would then have to report their income to the IRS, in order to recover the money withheld.

The IRS is becoming much more serious about whether or not income is reported on Form 1099's. In fact as the business owner (payor) you can be held liable for not reporting income paid to a qualifying vendor, and you may be penalized up to \$250 for each required Form 1099 intentionally not filed. Please contact our office if you want further information on backup withholding requirements, as well as how to report and pay the withheld money to the IRS.

### Form 1099 Reporting Examples

If any of the following circumstances relate to you or your company, you are likely subject to the Form 1099 reporting requirements:

- Your business pays you for the rental of your personally owned office or shop space.
- Your business has paid another unincorporated business over \$600.00 for the rental or lease of property or equipment.
- Your business has paid over \$600.00 to an individual, sole proprietor, or partnership for services (including parts and materials), such as for cleaning, repairing, remodeling, or constructing property, owned by your business.
- Your business has paid over \$600.00 to an unincorporated individual or business for services such as consulting, general management, clerical, bookkeeping, and/or accounting. (Please Note: our firm is incorporated so you don't have worry about preparing a Form 1099 for services we have provided to you or your company.)
- Your business has paid over \$600.00 to an individual, sole proprietorship, or partnership for subcontracted services, including parts and materials.
- Your business has paid over \$600.00 to an attorney or law firm for legal services. (Even if the firm/attorney is incorporated.)
- Your business has paid over \$600.00 to any individual or business, even if incorporated, for medical or healthcare services.
- There are two filing deadlines relative to Form 1096/1099 reporting –**Please note that the Form 1096, along with the IRS copy of the Form 1099, is required to be filed with the IRS by the end of January of the subsequent year, which has changed from a previous deadline of February.** The Form 1099, vendor copy, is required to be delivered to the vendor by the end of January of the subsequent year. Please call our office if you have any questions regarding your specific circumstances. We can also provide you with a copy of the IRS publication pertaining to Form 1099 reporting requirements, upon your request.