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**Federal Form 1099-MISC**

**Businesses are required to file Form 1099-MISC for every person or business to whom they paid –**

* **$600 or more in rents, services (including parts and materials), prizes and awards, other income payments**, medical and health care payments (whether or not a corporation), crop insurance proceeds, cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish, or, generally, the cash paid from a notional principal contract to an individual, partnership, or estate;
* **$600 or more paid to an attorney or law firm** (whether or not incorporated);
* At least $10 in royalties or broker payments in lieu of dividends or tax-exempt interest; or
* Any fishing boat proceeds

**The following are exceptions to the Form 1099 reporting requirements:**

* Generally, payments to a corporation (except payments to lawyers and for medical and healthcare)
* Payments for merchandise, telegrams, telephone, freight, storage and similar items
* Wages paid to employees (reported on W-2)
* Business travel allowances
* Cost of Life Insurance protection (taxable benefits must be included on W-2)
* Payments to tax-exempt organizations

**Examples of non-employee compensation (reported in box 7) are as follows:**

* Professional service fees, ex. accountants, architects, contractors, engineers, attorneys (including corporations)
* Fee-splitting or referral fees paid from professional to another
* Payment for services that include parts or materials incidental to the service, ex. auto repair shop
* Commissions paid to non-employees
* Fee paid to a nonemployee
* Travel reimbursement paid to a nonemployee made without an accounting of the actual expenses
* Barter transactions
* Taxable fringe benefits paid for nonemployees
* Directors fees

**January 31, 2020 DUE DATE**: the 1096 Annual Summary and Transmittal of U.S. Information Returns and the 1099 -MISC Forms with amounts in Box 7 for Non-employee compensation must be postmarked to the IRS by January 31, 2020.

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The IRS has become increasingly focused on identifying non-compliant businesses and has increased penalties as a result.  Additionally, each business is required to answer questions on its annual business income tax return as to whether it was required to file Forms 1099, and if so, whether they complied. The penalties for late filing range from $50 to $260 per Form 1099 recipient and can be doubled for not providing the 1099 to the recipient by the due date, January 31, 2020.

**RECOMMENDATIONS –**

**For the payer to complete the Forms 1099-MISC and mail them to the recipients by the due date, January 31, 2020 we recommend the following measures:**

1. Obtain a completed Form W-9 prior to issuing a check to an individual or business. It is much easier to collect the information when the payee is required to wait for payment until the W-9 is returned to the payer.
2. Make certain that the payee answers all of the questions on the W-9 –
   1. Name – must be the name as shown on their tax return or you will get a matching notice from the IRS
   2. Business name (if different)
   3. Federal tax classification of the individual or entity (C Corporations, S Corporations, and LLCs who are taxed as a C Corporation or S Corporation typically are exempt from receiving a Form 1099-Misc)
   4. Address
   5. Taxpayer Identification Number (“TIN”)
   6. Signature
3. If an individual or business refuses to furnish taxpayer identification number, the payer is required to withhold income tax on the payment. If you have already mailed the check to the recipient and then have difficulty obtaining the TIN, you can be held liable for the withholding tax (28%).
4. Use your accounting program to indicate whether the payee is to receive a 1099. In QuickBooks you can do this in “Tax Settings” for each “vendor.”
5. Check your accounting program throughout the year to determine if you have W-9s for each vendor/payee. Request W-9s well before the end of the year to ensure that you will receive the information needed to complete the 1099s in January.

If you have questions regarding 1099 filing requirements or need assistance, please contact our office at 937-291-4110.