

## **New IRS Questions about your Business Tax Return**

Schedule C filers have always been required to file Form 1099. On the 2011 Form Schedule C, there are two new questions that must be answered when preparing your Schedule C:

1. Did you make any payments in 2011 that would require you to file Form(s) 1099? If "Yes",
2. Did you or will you file all required Form(s) 1099?

The IRS has also increased penalties for failure to file Form 1099; it is now a total of \$200 per Form 1099 for not meeting this requirement. These new questions and the increased penalties are evidence that the IRS is trying to find businesses that are not filing Form 1099. It is more important than ever that this filing requirement is not overlooked.

### **This is a summary of the basic Form 1099 rules:**

If a business (which includes sole proprietors) pays \$600 or more a year for services performed or rent paid to an individual, partnership, or LLC, that business is required to issue Form 1099-MISC reporting the total dollar amount paid to the service provider during the year. Form 1099-MISC also applies to payments made to corporations if made for legal services or medical services. To do this properly, you should have each service provider give you a signed Form W-9, stating his or her name, address, and employer identification number or social security number BEFORE you make the first payment to the vendor. This will ensure you have the information needed to file the Form(s) 1099 at year-end.

If interest is paid in the course of your trade or business to an unincorporated lender, a Form 1099-INT must be issued.

Many of you are already asking service providers for W-9's and issuing Forms 1099. We want to reiterate a summary of the rules and remind everyone that Schedule C filers are subject to the Form 1099 filing requirements.

Please let us know if you need a blank Form W-9, or you can download it at <http://www.irs.gov/pub/irs-pdf/fw9.pdf>.

### **Information on filing Forms 1099:**

Forms 1099 can be downloaded but not used for filing purposes. The official printed version of this IRS form is scannable, but the online version is not. To order official IRS forms, call 1-800-TAX-FORM (1-800-829-3676) or order information returns and employer Returns online at: <http://www.irs.gov/businesses/page/0,,id=23108,00.html>. The IRS will mail you the scannable forms at no cost. Remember that the IRS expects 1099's to be typed.

If you wish to electronically file these forms, you can file these online for less than \$5 per filing. These services can take care of mailing to recipients and the submittal to the IRS. One such service is [www.filetaxes.com](http://www.filetaxes.com).

**See the following page for more information on 1099 filing requirements:**

<b>What to Report</b>	<b>Amount to Report</b>
Payments for services performed for a trade or business by people not treated as its employees. Ex: Subcontractors	\$600 or more
Direct sales of consumer goods for resale	\$5,000 or more
Rent or royalty payments; prizes and awards that are not for services, such as winnings on TV or radio shows	\$600 or more, except \$10+ for royalties
Payments to crew members by owners or operators of fishing boats, including payments of proceeds from sale of catch.	All amounts
Fish purchases paid in cash for resale	\$600 or more
Substitute dividends and tax-exempt interest payments reportable by brokers	\$10 or more
Crop insurance proceeds	\$600 or more
Gross proceeds paid to attorneys	\$600 or more
Payments to a physician, physicians' corporation or other supplier of health and medical services. Issued mainly by insurance plans or medical assistance programs	\$600 or more
Section 409A deferrals and income from non-qualified deferred compensation plans	All amounts (\$600+ if deferrals)