

FORM 1099-MISC

Internal Revenue Service Form 1099-MISC is an information return used for furnishing financial information to both the Internal Revenue Service and taxpayer. They must be **given to recipients by January 31st each year and now must be filed with the Internal Revenue Service by January 31st also.**

All payments totaling \$600 or more, made in the course of your trade or business, and paid to an unincorporated business during a calendar year, must be reported on Form 1099-MISC. **Please Note: All LLP's are unincorporated; most LLC's are unincorporated; however, some are corporations, check with the business owner to verify the type of entity.** Non-business payments (i.e. to a contractor, plumber, electrician, etc. by homeowners) are not reportable. The best way to gather the information required for this form is to have the recipient complete a Form W-9 (available @ www.IRS.gov) at the time you make the first payment to them, no payment until a completed W-9 is furnished to you.

The Form 1099-MISC has multiple boxes to report various types of income, however, the ones most frequently used are Box 1 – Rents, and Box 7 – Non-Employee Compensation. Some examples of the types of payments to be reported on Form 1099-MISC are:

- Rents – Box 1
- Services performed by someone who is **not** your employee – Box 7
This includes owners of rental properties that make payments for property repairs, etc.
- Accounting and tax preparation fees – Box 7
- Legal fees – Box 7 or Box 14 (**in the case of legal fees, even corporations must be given a 1099-MISC**)
- Prizes and awards – Box 3 or Box 7

The Internal Revenue Service is actively enforcing the rules regarding the filing of Form 1099-MISC and they now have the ability to cross-match the Form 1099-MISC with a tax return to verify that all income is being reported. Penalties are being assessed for unfiled, incomplete (missing ID Number) and incorrect returns and can be as high as \$100 per form. Incorrect and incomplete forms are considered as unfiled until they are corrected/completed. If the Internal Revenue feels there is intentional disregard of the rules the penalty goes up to \$250 per form.

The most current rules pertaining to Form 1099-MISC can be found at the Internal Revenue Service website www.irs.gov – go to Forms and Publications – 2016 Instructions for Form 1099 – MISC.

If you have questions or need help with Form 1099-MISC, please call our office at 856-829-9100.