

Summary of Form 1099 Reporting Requirements

Generally speaking you are required to prepare Form 1099s for any unincorporated business or individual that you have paid more than \$600.00 for services (e.g. cleaning, repairing of your equipment or property, or accounting and consulting services) 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 they are incorporated.

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

It is always best to get a 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 name instead. If the vendor still refuses to comply, you have two options; withholding payment until they provide their completed Form W-9, or you can withhold 28% of their invoice amount as backup withholding and submit 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 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. 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

Do any of the following circumstances relate to you or your company?

- Your business pays you for the rental of your office or shop space.
- Your business has paid another unincorporated business over \$600.00 for any rental or lease charges.
- 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 the 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. (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 paid over \$600.00 to any individual or business, even if incorporated, for medical or healthcare services.

There are two filing deadlines pertinent to Form 1096/1099 reporting – the Form 1096, along with the IRS copy of the Form 1099, is to be postmarked to the IRS by 2/29/12, and the Form 1099, vendor copy, is to be postmarked to the vendor by 1/31/12. 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 regarding Form 1099 reporting, upon your request.