

# ROBERT A NEIMAN

## CERTIFIED PUBLIC ACCOUNTANT

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### **1099 Reporting Requirements**

The purpose of this memo is to alert you to requirements in the tax law that require the filing of 1099 Information Reporting Returns for Calendar 2003. 1099's are used to make IRS aware of certain payments by a business of interest, rents and non-employee compensation made to individuals and partnerships. The following paragraphs present the various requirements, penalties and methods of complying with 1099 reporting:

#### **1. 1099 Requirements:**

Any entity (proprietor, partnership or corporation) engaged in a trade or business is required to file 1099's. 1099's are to be filed for any individual or partnership payee (corporate payees are excluded) who receives certain payments from you during calendar 2003. You must report on a calendar year regardless of your business fiscal year, as all individuals file income taxes on a calendar year basis. The kinds of payments and minimum dollar limits for reporting are set forth below:

<b><u>Payment For</u></b>	<b><u>Form To Use</u></b>	<b><u>Payments Greater Than</u></b>
Interest Paid	1099-INT	\$10.00
Rents & Royalties	1099-MISC	\$600.00
Non-employee Compensation	1099-MISC	\$600.00

Non-employee compensation includes all payments to individuals, partnerships and all unincorporated businesses for services that you received. Such items include but are not limited to: independent contractors, contract labor, accounting fees, legal fees, assistants, consultants, commissions, etc. Payments to employees that are included on a W-2 and payments for purchase of merchandise and supplies are not included. If you have any question as to whether a type of service-payee is included, please feel free to call. Each 1099 must show the name, address, amount of total 2003 payments, and taxpayer I.D. number (social security or employer I.D. #) of the recipient-payee as well as your name, address and I.D.#. You must furnish each recipient-payee with a copy of

their 1099 by January 31, 2004. You must also furnish the IRS with a copy of all 1099's together with a Form 1096, Annual Summary and Transmittal of U.S. Information Returns "Cover Form" by February 28, 2004. You must also retain a copy of any 1099's you file to be able to show your compliance with the law.

## **2. Penalties**

There are penalties for each failure to file a 1099 on time. Penalties range from \$15 to \$50 per return depending on how late the return is filed. The maximum amounts assessed against small businesses ranges from \$25,000 to \$100,000. If the failure is due to your intentional disregard of the filing requirements, the penalty is not less than 10% of the amount required to be reported. In addition, there are penalties for each failure to include a recipient-payee's taxpayer I.D.# (social security or employer I.D.#) or a correct taxpayer I.D. # on a 1099, unless you can prove your failure was due to reasonable cause. To satisfy the reasonable cause requirement, you must obtain each recipient-payee's I.D.# under penalty of perjury. To accomplish this, you should send them a Form W-9 "Payer's Request For Taxpayer Identification number". Keep a copy of each W-9 you send out to establish reasonable cause for failure to include the I.D.# on the 1099.

To obtain copies of any forms (1096, 1099-INT, 1099-DIV, 1099-MISC or W-9) you might need, call the IRS as soon as possible. Forms generally take two to three weeks to arrive in the mail. If you need assistance in preparing these forms or if you have any questions, I will be available to help you. I can prepare 1099's for you based on information you supply. However, please be sure to call me by January 5th so that I can help you meet the deadline of January 31, 2004.

**Email Addresses: Please send me your email address so that I can update my records.**

Yours truly,  
*Bob Neiman*