

1099 GUIDE



Types of 1099:

1099 - MISC	Non-employee comp, professional services, medical and healthcare
1099 - DIV	Dividend payments, distributions on stock, liquidation payments
1099 - INT	Interest income

Primary expenses to be reported:

Box 1	Rent
Box 3	Other Payments (Deceased employee wages, punitive damages, legal settlements)
Box 6	Medical and Healthcare payments
Box 7	Non-Employee Compensation
Box 7	Legal and Professional Service Fees

What if the business does not file or files late?

IRS Penalty for Failure to Furnish Correct Payee Statements – up to \$250 per information return (maximum penalty \$500,000 for small businesses). This includes failure to file timely as well as forms that contain an error (i.e. missing or incorrect TIN, surnames, amounts, addresses, incorrect forms or furnishing a form in the wrong way). Penalty applies separately for the copy filed with the IRS & the copy given to the payee – up to \$500 per 1099.

Due dates:

January 31	Due to recipients
January 31	Due to IRS

Key notes:

- Service, not things
- For services rendered/performed – usually by independent contractors (1099 MISC)
- For interest payments – individuals, businesses. NOT Banks (1099 INT)
- For dividend payments (1099 DIV)
- For rents paid directly to property owner (not via real estate agent)
- Cash/check payments of \$600, sometimes \$10
 - \$10 for royalty, interest and dividend payments
 - \$600 for all else
- Recipients are usually individuals and partnerships. LLC's and LLP's should receive a 1099.
- Do corporations get 1099's? Generally exempt (i.e. NO 1099), except:
 - Medical and healthcare payments (1099 MISC)
 - Payments of attorneys' fees and gross proceeds paid to attorneys (1099 MISC)
- Determining the amount
 - Use the totals from check register and GL Review. Remember, it is actual cash, not accrual.
 - Based on calendar year, not period end dates.
 - Based on check dates, not GL posting dates.
 - If you only see 10 rental payments for the year, investigate to ensure the totals are accurate.

Accounts to review:

- Contract labor
- All rent accounts
- Repairs and maintenance
- Cleaning and janitorial services
- Outside services
- Professional
- Miscellaneous
- Royalty expenses
- Medical expenses / employee benefits
- Interest
- Dividend

Information needed from recipient:

- Legal Name
- Taxpayer ID#
- Address
- Get a completed Form W-9 if you do not have this information, preferably prior to payment.

Are name & ID# combination correct?

- Social Security Number = Individual
- Employer ID Number = Business (usually)