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NEW 1099 REPORTING REQUIREMENTS
WHAT BUSINESSES NEED TO KNOW

For Payments Made in 2010

Generally, all businesses and charities will file an information return for all payments aggregating $600 or more in the calendar year to a single unincorporated provider of goods or services. The forms are due to the recipient by January 31, 2011. The forms are due to be filed with the Internal Revenue Service by February 28 2011 if on paper and March 31, 2011 electronically.

Failure to file the returns timely, without reasonable cause, may result in the following penalties:

- $15 per information return filed within 30 days of the due date, maximum penalty $75,000 per year ($25,000 for small businesses.)

- $30 per information return filed within 30 days after the due date but before August 1, maximum penalty $150,000 per year ($50,000 for small businesses).

- $50 per information return in filed after August 1, or not filed, maximum penalty $250,000 per year ($100,000 for small businesses).

For Payments Made in 2011

Owners of rental property will need to issue Form 1099-MISC to report payments totalling $600 or more during the course of the year for any expenses relating to their rental properties. The IRS will issue guidance on any exemptions for hardship or minimal rental income, but that guidance has not been issued at this time.

Failure to file the returns timely, without reasonable cause, may result in the following penalties:

- $30 per information return filed within 30 days of the due date, maximum penalty $75,000 per year ($25,000 for small businesses)
- $60 per information return filed more than 30 days after the due date but before August 1, maximum penalty $150,000 per year ($50,000 for small businesses)
- $100 per information return if filed after August 1, or not filed, maximum penalty $250,000 per year ($100,000 for small businesses)
- $250 for intentional failure to file

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For Payments Made In 2012

The reporting for payments starting with 2012 will be expanded. The reporting will include payments to corporations and payments to businesses for property (goods, materials, merchandise, supplies, etc). These payments could be for:

- Out of town travel of more than $600
- Payments to fuel companies for gasoline purchases for your automobile
- Payments of shipping charges to carrier (i.e. fedex, ups)
- Payments to vendors who may deliver water or soft drinks
- Utilities
- Payments for basic office supplies

Failure to file the returns timely, without reasonable cause, may result in penalties similar to those stated above:

- $50 per information return, not to exceed $250,000 per single payer. Correction of defects in a timely manner may decrease penalty assessment. Businesses with gross receipts of less than $5,000,000 may have reduced ceilings on the aggregate penalties.

In addition to late filing penalties discussed above there are additional penalties for failing to provide the payee with a timely statement.   This penalty is generally $50 per return, not to exceed $100,000.

Obviously the above requirements will create a burden to most businesses and some, if not all, of these requirements for 2012 may be repealed. We will continue to monitor this issue and inform you as changes occur.

Next Steps

It is not too early to start requesting information that all vendors complete IRS form W-9 for your records. This will give you the legal name, address and tax identification number for the vendor. If the vendor declines to give that information, you are required to withhold 28% backup withholding. If you have 250 or more forms to file, the IRS requires you to file them electronically.

HB&K can assist you by:

- Contacting your vendors and accumulating the 1099 information
- Reviewing your accounting system and vendor records to ensure the payments are tracked
- Installing an accounting system
- Preparing and filing your 1099s electronically

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