



Griffing & Company, P.C.
Certified Public Accountants & Consultants



December 2012

IRS Cracks Down on 1099 Reporting

In 2011, the IRS included two new questions on business returns and Schedules C, E and F of the individual tax return regarding the filing of Form 1099.

1. Did you make any payments in 2011 that would require you to file Form(s) 1099?
2. If yes, did you or will you file all required Forms 1099?

It would seem that the IRS' purpose in asking these two questions would be to flush out employers who are not preparing Forms 1099, so it is very important for all businesses to file the 1099 forms when applicable.

The most common 1099 filed by businesses is the Form 1099-MISC (Miscellaneous Income). Basically, this form is used to report amounts of \$600 or more paid in a calendar year for services performed or rent paid to an individual, partnership or other unincorporated business. Only payments made in the course of your trade or business are reported on Form 1099-MISC. Personal payments are not reportable.

Some examples of reportable payments are as follows:

- Box 1 - Rents - payments for rent, including payments for office space, machine rentals and pasture rentals.
- Box 3 - Other Income - payments for prizes and awards that are not for services performed. Payments to individuals participating in a medical research study. Punitive damages paid for nonphysical injuries or sickness and any other taxable damages.
- Box 7 - Nonemployee Compensation - payments to individuals who are not employees for services rendered by them to your trade or business. Examples of payments to be reported in Box 7 include:
 - Professional service fees, such as fees to attorneys (including corporations), accountants, architects, contractors, engineers, etc.
 - Referral fees or fee-splitting arrangements.
 - Exchanges of services between individuals in the course of their trades or businesses.
 - Taxable fringe benefits for non-employees.
 - Directors' fees.
 - Commissions paid to non-employees.

Business owners should have any individual or business that they make payments to complete Form W-9, Request for Taxpayer Identification Number and Certification, before the end of the year. This form, along with more detailed instructions for Form 1099-MISC, can be found on the IRS website at www.irs.gov. Forms 1099 are due to the recipient by January 31, 2013 and to the IRS by February 28, 2013. There is also Form 1096, Annual Summary and Transmittal of U.S. Information Returns, that goes along with the Forms 1099 to the IRS.

If you should have any questions concerning the filing of Forms 1099, please contact us.



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