

Form 1099 News

January 20, 2016

As 2016 kicks off, an essential part of preparing for tax season is identifying who should receive a 1099 form. Most commonly, the IRS requires a 1099 form to be issued by businesses who has paid rents, royalties, non-employee compensation, and attorney fees. Any individual filing a Schedule C or Schedule E with their 1040 return is required to comply. Important facts to consider are the \$10 rule, the \$600 rule, the incorporation rule, and due dates for filing the form.

1099 Requirements

Per the IRS website, the form is required for each person or entity to whom you have paid or withheld the following during 2015:

- At least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest
- At least \$600 in rents, services (including parts and materials), prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish, or, generally, the cash paid from a notional principal contract to an individual, partnership, or estate;
- Any fishing boat proceeds,
- Gross proceeds of \$600, or more paid to an attorney during the year, or
- Withheld any federal income tax under the backup withholding rules regardless of the amount of the payment.
- The form is also used to report direct sales made of at least \$5,000 of consumer products to a buyer for resale anywhere other than a permanent retail establishment.

Generally, a 1099 form is not required if the transaction was one that occurred between the taxpayer and an incorporated service provider, with the exception being attorneys. Please note that payments are cumulative throughout the year, thus 10 payments of \$60 to the same taxpayer would require a business to issue a 1099 form.

Due Dates

Recipients of the form 1099, are required to receive the form by February 1, 2016. If amounts are listed in box 8 or box 14 of form 1099-MISC, the statement is to be issued by February 16, 2016. February 29, 2016 is the due date to file paper copies of the 1099 with the IRS. Electronic filings of the form have until March 31, 2015 to be filed with the IRS.

Penalties

The amount of the penalty assessed by the IRS is based on when you file the correct informational return. The penalty is \$30 per information return if you correctly file within 30 days after the due date. The maximum penalty is \$250,000 per year or \$75,000 for small businesses as defined by the IRS. A penalty of \$60 per information return if you correctly file more than 30 days after the due date but by August 1. The maximum penalty is \$500,000 per year or \$200,000 for small businesses. A penalty of \$100 per information return is assessed if you file after August 1 or you do not file required information returns. The maximum penalty is \$1,500,000 per year or \$500,000 for small businesses.