

Dear Client,

In an effort to help you comply with IRS reporting requirements involving forms 1099-MISC and 1099-INT, we are providing you with an outline of how to report amounts paid during the year as well as how to collect the information needed to file these forms properly. If you are going to pay an individual or entity to do work, please request that they provide you with a completed form W-9, Request for Taxpayer Identification Number and Certification, which can be found on the IRS's website. You will probably have the greatest success by withholding payment until this form is returned to you. **Be aware penalties for not filing 1099's are \$100 to \$250 per 1099.**

When should a 1099 be issued? For the year ended December 31, 2012, a **business is required** to issue form 1099 in the following situations:

File Form 1099-INT, Interest Income, for each person who is paid \$10 or more in interest.

File Form 1099-MISC, Miscellaneous Income, for each person paid:

- 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 you purchase from anyone engaged in the trade or business of catching fish, or
- Any fishing boat proceeds; or
- Gross proceeds of \$600 or more paid to an attorney.

Some payments **are not required** to be reported on Form 1099-MISC, although they may be taxable to the recipient. Payments for which a Form 1099-MISC **is not required** include:

- Generally, payments to a corporation; (See explanation below about when payments to a corporation are required)
- Payments for merchandise, telegrams, telephone, freight, storage, and similar items;
- Wages paid to employees (report on Form W-2, Wage and Tax Statement);
- Business travel allowances paid to employees (may be reportable on Form W-2);
- Cost of current life insurance protection (report on Form W-2 or Form 1099-R),
- Payments to a tax-exempt organization including tax-exempt trusts (IRAs, HSAs, Archer MSAs, and Coverdell ESAs), the United States, a state, the District of Columbia, a U.S. possession, or a foreign government; and
- Certain credit card, debit card, and stored-value card payments. Generally, if a business uses a credit card or debit card to settle a transaction with one of its vendors, that transaction will be reported by the company that issued the credit card or debit card on a Form 1099-K that it will be responsible for sending to the vendor.

Amounts paid to corporations are reportable on form 1099 if they are:

- Medical and health care payments,
- Fish purchases for cash,
- Attorney's fees,
- Gross proceeds paid to an attorney, or
- Payments by a federal executive agency to vendors for services.

If you use QuickBooks, we also have detailed instructions on how to track the needed information to properly issue forms 1099.

We can help. Our firm can help you issue forms 1099 to vendors and electronically file with the IRS. We charge \$15 per 1099 with a \$45 minimum. This price is based on using the **1099 Submission Form** and includes electronic filing. If you need help setting up your QuickBooks to track 1099 information, it will be billed at our normal hourly billing rates.