

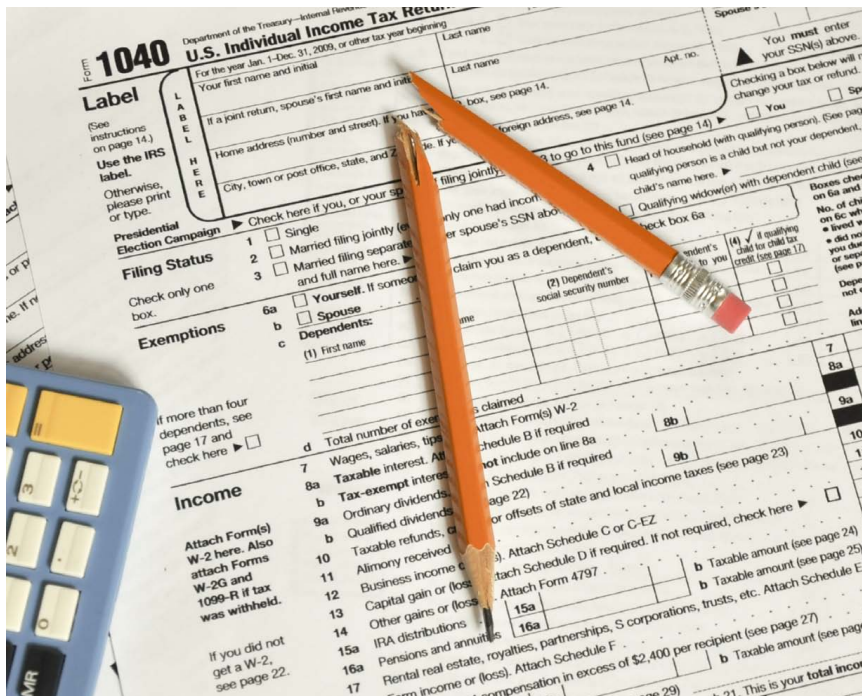


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THE TAX LAWYER

TAXES 1/04/2017

### IRS Forms 1099 Are Coming, Packing A Tax Punch



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Taxpayers may not like receiving IRS Forms 1099. Businesses may not like sending them out. In fact, perhaps [no one likes IRS Forms 1099 except the IRS](#). The tax agency *loves* them because they easily allow the matching of data against tax returns. Here are key facts you need to know about IRS Forms 1099. Generally, businesses must issue the forms to any payee (other than a corporation) who receives \$600 or more during the year. And that's just the basic threshold rule; there are many, many exceptions.

That's why you may get a Form 1099 for every bank account, even if you earned only \$10 of interest income. There's a [1099-INT](#) for interest; [1099-DIV](#) for dividends; [1099-G](#) for state and local tax refunds and unemployment benefits; [1099-R](#) for pensions and payouts from your individual retirement accounts; [1099-B](#) for broker transactions and barter exchanges; [1099-S](#) for

real estate transactions, etc. In fact, there's a dizzying array. There are many categories, but the [Form 1099-MISC](#) (for miscellaneous) seems to prompt the most questions, and covers the biggest territory.

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PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents \$	OMB No. 1545-0115 <b>2016</b> Form 1099-MISC	<b>Miscellaneous Income</b>
		2 Royalties \$		
PAYER'S federal identification number		3 Other income \$	4 Federal income tax withheld \$	<b>Copy A</b> For Internal Revenue Service Center
RECIPIENT'S identification number		5 Fishing boat proceeds \$	6 Medical and health care payments \$	
RECIPIENT'S name		7 Nonemployee compensation \$	8 Substitute payments in lieu of dividends or interest \$	<b>File with Form 1096.</b> For Privacy Act and Paperwork Reduction Act Notice, see the <b>2016 General Instructions for Certain Information Returns.</b>
Street address (including apt. no.)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds \$	
City or town, state or province, country, and ZIP or foreign postal code		11	12	
Account number (see instructions)	FATCA filing requirement <input type="checkbox"/>	2nd TIN not <input type="checkbox"/>	13 Excess golden parachute payments \$	
15a Section 409A deferrals \$	15b Section 409A income \$	16 State tax withheld \$	17 State/Payer's state no.	18 State income \$

Form 1099-MISC Cat. No. 14425J www.irs.gov/form1099misc Department of the Treasury - Internal Revenue Service  
**Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page**

You must send out Forms 1099 by Jan. 31 for the prior calendar year. However, don't assume you're off the hook for reporting income if you don't receive a Form 1099 by February or even March. There are penalties on companies that issue 1099s late, but some come as late as April or May—when you may have already filed your return!

The information will be reported to the IRS based on your Social Security number regardless of whether you receive the form. Update your address directly with payers, as well as putting a forwarding order in with the U.S. Post Office. You'll want to see any forms the IRS sees. Any Form 1099 sent to you goes to the IRS too. The deadline is Jan. 31 for mailing 1099s to taxpayers, but the payer (usually) has until the end of February to send all its 1099s to the IRS. This year (2017, for 2016 payments), the IRS has moved up the filing date for Forms 1099-MISC reporting non-employee compensation in box 7. The reporting date to the IRS will now be the same as the due date for the forms to be issued to recipients, January 31.

This deadline applies *regardless* of whether the forms are filed electronically or on paper. In the past, filers had an extra month or two after issuing the

forms to recipients, but no longer. Note, however, that the filing dates remain unchanged for Forms 1099-MISC that *do not* report in box 7. That means in many cases there is still a (welcome) time delay. The time delay means you may have a chance to correct errors.

So, don't just put arriving Forms 1099 in a pile; open them immediately. If there's an error [tell the payer immediately](#). There may be time for the payer to correct it *before* sending it to the IRS. If the payer has already dispatched the incorrect form to the IRS, ask the payer to send in a corrected form. The key to Forms 1099 is IRS's matching. Every Form 1099 includes the payer's employer identification number and the payee's Social Security number. The IRS matches Forms 1099 with the payee's tax return.

If you [disagree with the information on the form](#) but can't convince the payer you're right, explain it on your tax return. If you receive a Form 1099, you can't just ignore it, because the IRS won't. If you forget to report a 1099, the IRS will send you a computer-generated letter billing you for the taxes. If it's correct, just pay it.

What if you don't receive a Form 1099-MISC you expect? If you are expecting a Form 1099, you know about the income, so just report that amount on your tax return. IRS computers have no problem with that. If you call or write the payer and raise the issue, you may end up with two of them, one issued in the ordinary course (even if it never got to you), and one issued because you called. Forms 1099 are a vital part of IRS matching. Take these forms seriously. The IRS sure does.

*For alerts to future tax articles, email me at [Wood@WoodLLP.com](mailto:Wood@WoodLLP.com). This discussion is not legal advice.*