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THE TAX LAWYER

Mar. 26 2012 — 6:04 am

On Tax Returns, Don't Forget Form 1099 Traps

In the IRS's quest for better and more automated matching of income and Social Security numbers, it's well known that IRS Forms 1099 are important. See [Watch Your Mail For 1099s](#). You get the pesky little slips of paper in January signaling that you have something to report on your tax return due April 15th. There are *many* varieties of the forms reporting all sorts of income, including interest, dividends, rents and even state tax refunds. See [IRS General Instructions for Certain Information Returns](#).



But the most universal is [Form 1099-MISC](#) reporting miscellaneous income like consulting fees. As with most Forms 1099, payors must mail them out by the end of January each year reporting the payments made in the preceding calendar year. The forms are due at the IRS by the end of February.

Due to their importance and frequent errors, I advise paying attention to these forms *immediately*. Checking them promptly is best because that's when one can be most effective in fixing problems. See [Care With Forms 1099 Helps Audit-Proof Tax Returns](#). Unfortunately, many

taxpayers don't even open the 1099 envelopes until close to April 15th when they get to their tax return in earnest!

What if you discover an error on March 25th? Is it too late to make a correction? No, but it's too late to notify the payor **before** the erroneous form has been dispatched to the IRS. Still, it's possible to ask the payor for a **corrected** Form 1099 which will be sent to the payee and to the IRS. See [Ten Things You Should Know About 1099s](#).

There are several Form 1099 changes this year worth noting. See [Tax Report: Traps for Small Businesses](#). One is that credit-card and debit-card firms, PayPal and similar companies are now reporting their payments to businesses. Report these payments on [Form 1099-K](#). For discussion, see [Credit Card Reporting for Tax Purposes Debuts This Month](#).

Plus, several income tax forms that you might not read until near return filing make explicit reference to Forms 1099. They ask whether you made payments in 2011 that required you to issue Forms 1099, and if you did, whether you issued all the requisite forms. **Be careful how you answer**. Penalties for failing to issue Forms 1099 have gone up. See [Is Failing To Issue IRS Forms 1099 Criminal?](#)

Questions about whether you filed all required Forms 1099 now appear on:

- [Schedule E](#) to Form 1040 (for landlords);
- [Form 1120S](#) (for Subchapter S corporations);
- [Form 1065](#) (for partnerships); and
- [Schedule C](#) to Form 1040 (for sole proprietorships). Regarding Schedule C, see [Proprietors: To Avoid Audit, Avoid Schedule C](#).

Really pay attention to Forms 1099. They count.

For more, see:

[The Truth About IRS Forms 1099](#)

[Got IRS Forms 1099? More Soon](#)

[IRS Form 1099 Wars](#)

[Beware Each Form 1099!](#)

[I'm Sending An IRS 1099: 1099 Are You Outta Your Mind?](#)

[Adjust Recordkeeping Before Form 1099 Onslaught](#)

[Let There Be Forms 1099](#)

[Ten Things You Should Know About 1099s](#)

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