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Beware Each Form 1099!

It's January, and that means Form 1099 season. Companies big and small are about to start churning them out and you can't afford to ignore them. If you're in business—even as a sole proprietor—you need to pay attention to issuing them or face penalties. See [The Truth About IRS Forms 1099](#).

In fact, the burden on businesses to issue the ubiquitous little forms seems to be growing each year, and more will be required soon. See [Adjust Recordkeeping Before Form 1099 Onslaught](#). Even cost basis is now required on some Forms 1099. See [Forms 1099 For Cost Basis: What, Me Worry?](#)

Watch Your Mail. If you're an individual taxpayer you need to watch for each Form W-2 and 1099. People always seem careful with Forms W-2 since they are traditionally attached to tax returns showing total wages as well as how much in taxes was withheld. But I'm often surprised by how careless people are about Forms 1099.

Perhaps I'm being overly dramatic to suggest you "beware" of every form. After all, they are not rattlesnakes. Still, these forms matter and can trigger an audit if you're not careful. Here are some tips.

Beware Changes of Address. Whether or not the payer has your correct address, the information will be reported to the IRS (and your state tax authority) based on your [Social Security](#) number. That means you have an interest in making sure payers have your correct address. 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.

Quite apart from notifying the Post Office, it's a good idea to file a change of address form with the IRS too. The IRS explains how and why. See [Topic 157 – Change of Address—How to Notify IRS](#). Use IRS [Form 8822](#).

Beware Timing. Any Form 1099 sent to you goes to the IRS too—often a little later. The normal deadline is January 31 for mailing 1099s to taxpayers, but the payer has until the end of February to send copies to the IRS. Some payers send them simultaneously to taxpayers and the IRS. However, most payers mail taxpayer copies by January 31, and then wait a few weeks to collect all of the IRS copies, summarize them and transmit them to the IRS, usually electronically.

Beware Errors. The usual gap in time between your receipt of a Form 1099 and the receipt by the IRS means you may have a chance to correct errors. Don't just put arriving Forms 1099 in a pile; open them immediately. Suppose you get a 1099-MISC on January 31 reporting \$8,000 of consulting pay, when you know you received only \$800 from the company that issued the form?

Inform the payer immediately in writing (and by phone too if you can). There may be time for the payer to correct it *before* sending it to the IRS. That's clearly better for you. If the payer has already dispatched the incorrect form to the IRS, ask the payer to send in a corrected form. There's a special box on the form to show it is correcting a prior 1099—so the IRS doesn't just add the amounts together!

Missing One? Don't Ask! Although keeping payers advised of your current address is a good idea, if you don't receive a Form 1099 that you expect, I wouldn't request it. After all, if you are expecting a Form 1099, you know about the income and the amount. Just report that amount honestly on your [tax return](#).

Reporting *more* income doesn't trigger a mismatch, so the IRS computers will have no problem with it. In contrast, if you *fail* to report something on your return that is reported on a Form 1099, that *is* a mismatch. But why not affirmatively *request* a Form 1099 you expect?

In my experience, if you call or write the payer and ask for a Form 1099, you may be buying trouble. The payer may issue the Form 1099 incorrectly. Alternatively, you may end up with two of the forms, one issued in the ordinary course (even if it never got to you) and one issued because you inquired. The IRS computer might end up thinking you had twice the income you really did.

For more about Forms 1099, see:

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

[IRS Form 1099 Wars](#)

[Let There Be Forms 1099](#)

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