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THE TAX LAWYER

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Dear IRS, That Form 1099 Is Wrong! (Yes, That Can Work)

Why do your friends down at the IRS [like Forms 1099](#)? Because they easily allow matching data against tax returns, that's why. Generally, businesses must issue the forms when they pay out \$600 or more during the year. That's just the basic threshold rule, and there are numerous exceptions. That's why you probably get a Form 1099 for every bank account you have, even if you earned only \$10 of interest income.

Taxpayers may not like receiving IRS Forms 1099. They can be painful reminders that you have to pay taxes. And they can be wrong. In some cases, taxpayers might be happy to be [missing an IRS Form 1099](#). There are many varieties, including [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.

9595		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED			
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	Miscellaneous Income	
		2 Royalties \$	2015 Form 1099-MISC		
PAYER'S federal identification number	RECIPIENT'S identification number	3 Other income \$	4 Federal income tax withheld \$	Copy A For Internal Revenue Service Center	
		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 \$	File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2015 General Instructions for Certain Information Returns.	
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 \$	14 Gross proceeds paid to an attorney \$	
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					

There are many categories, but the [Form 1099-MISC](#) (for miscellaneous) seems to prompt the most questions and covers the biggest territory. Businesses 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 has until the end of February to send all its 1099s to the IRS.

The time delay means you may have a chance to correct errors. So don't just put arriving 1099s 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. Most states have an income tax, and they will receive the same information as the IRS. If you missed a 1099 on your federal return, your state will probably bill you too.

Keeping payers advised of your current address is a good idea, as is reporting errors to payers. However, if you don't receive a Form 1099 you expect, consider not asking for it. In some cases, if you are [missing an IRS Form 1099, you may want to keep quiet](#). 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.

For alerts to future tax articles, email at Wood@WoodLLP.com. This discussion is not legal advice.