



## Robert W. Wood

THE TAX LAWYER

Dec. 20 2010 — 9:04 am

### Expect Flurry Of IRS Forms 1099 Soon

No, this isn't a weather report and it won't be confined to the Northeast or the Gulf Coast. You may be recovering from the fisticuffs of the [year-end tax cut debate](#), but you'd better turn to IRS Forms 1099 soon. And despite the season of giving, when it comes to 1099s, 'tis better to give than receive! Still, whether you're giving or getting the ubiquitous little forms, 1099 season is on top of us, so get ready.

No one likes receiving a Form 1099, since it's keyed to your Social Security Number and tells the IRS how much you were paid. See [I'm Sending An IRS 1099: 1099 Are You Outta Your Mind?](#) It turns out virtually no one likes issuing them either. That appears to be the lesson from the recent fallout about additional Form 1099 obligations slated to start next year. The [Patient Protection and Affordable Care Act](#) added [new Form 1099 obligations](#), and they've been controversial.

Lawmakers moved to repeal the newest of these controversial Form 1099 reporting requirements, but that effort failed when the Senate voted against repeal. The amendments were considered as part of the [FDA Food Safety Modernization Act \(S. 510\)](#). Offered by Max Baucus (D-Mont.), Senate Amendment 4713 to fully repeal the rules failed. A competing repeal amendment offered by Sen. Mike Johanns (R-Neb.) failed too.

Forms 1099 must be issued by every person engaged in a trade or business who pays \$600 or more for services in the course of that trade or business during the year. For 2010 payments, businesses must issue and mail forms by January 31, 2011. Copies of the forms must be sent to the IRS by the end of February. If you're in business and fail to issue the forms, penalties apply.

**That Was Then.** For generations, apart from dividends, interest, royalties, and a few other special types of payments, it was primarily payments for **services** that were required subjects of Forms 1099. Now, not only payments for **services** will get tagged with a Form 1099, but payments for **property** too. That will dramatically expand the scope and number of Forms 1099. If you buy copy paper, Xerox supplies, paper cups, mailing lists, etc., you'll need to send 1099s to all vendors who got \$600 or more over the course of the year.

What's more, payments of "**gross proceeds**" will also be subject to required Forms 1099. With no definition of what constitute gross proceeds, the assumption seems to be that any payment for anything whatsoever is fair game. That means payments to utility companies, vendors, suppliers, customers—you name it. And even if you're initially paying less than \$600, you'll have to keep track of every nickel, since the \$600 threshold applies in the aggregate.

In fairness, both of these property and gross proceeds Form 1099 rules don't kick in until 2012. However, are you set up to account for this? Many accounting systems aren't, and that will require attention.

For more about Forms 1099, see:

[Ten Things to Know About 1099s.](#)

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

[Adjust Recordkeeping Before Form 1099 Onslaught](#)

[Let There Be Forms 1099](#)

[Forms 1099 For Cost Basis: What, Me Worry?](#)

[IRS Form 1099 Wars](#)

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

### [The Truth About IRS Forms 1099](#)

*Robert W. Wood practices law with [Wood & Porter](#), in San Francisco. The author of more than 30 books, including *Taxation of Damage Awards & Settlement Payments* (4th Ed. 2009, [Tax Institute](#)), he can be reached at [wood@woodporter.com](mailto:wood@woodporter.com). This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*