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THE TAX LAWYER

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### Forget The Fiscal Cliff: Focus On Forms 1099

With all the talk about the fiscal cliff, there's little you can do about it. Sure, you can sell assets now and grab the 15% capital gain rate before it jumps to 23.8%. See [Like A Jedi, Sell A Business, Real Estate Or Stock This Year](#). But you can't get Congress or the President to act. What you can do is focus on your own taxes and on the most important form that will soon land in your mailbox, Form 1099.



IRS 1040 Tax Form Being Filled Out (Photo credit: kenteegardin)

It's that little slip of paper that can mean so much. In the age of information matching, Form 1099 counts for a lot. The IRS relies heavily on information matching and you should too. Whether you'll be giving or getting the ubiquitous little forms, Form 1099 season is on top of us, so get ready.

You may receive many Forms 1099. Each one is 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?](#) In general, businesses issue 1099s if they pay \$600 or more during the year.

Although there are many Form 1099 varieties and many special rules, [Form 1099-MISC](#) is most common. Businesses send out Forms 1099 to

payees by January 31 for the prior year. They then have until the end of February to send copies of all those 1099s to the IRS.

This time delay means you may have a chance to correct errors before the payer sends it to the IRS, so open the forms immediately. Tell the issuer if there's a mistake. Don't ignore any Form 1099 because the IRS won't.

Keeping payers advised of your current address is a good idea so you'll know what the IRS is receiving. However, if you **don't** receive a Form 1099 you expect, don't ask for it. If you are expecting a Form 1099, you know about the income. Just report it honestly on your tax return. The IRS computers don't regard reporting **additional** income as a mismatch. It's only the reverse that's a problem.

[Form W-2](#) is important, reporting how much employees were paid and how much tax was taken out. You must include a copy with your tax return when you file. But it's surprising how many people don't appreciate that Forms 1099 are **equally** important. Maybe more. See [1099 Or W-2?](#)

You don't file them with your return, but the IRS gets a copy of every one. And IRS computers are whirring to match each dollar with your Social Security Number. You should keep a keen eye on every one so your tax return is accurate. Every year the IRS sends millions of tax notices based on matching 1099s asking for more money. Every other notice or audit activity is tiny by comparison.

*Robert W. Wood practices law with [Wood LLP](#), in San Francisco. The author of more than 30 books, including *Taxation of Damage Awards & Settlement Payments* (4th Ed. 2009 with 2012 Supplement, [Tax Institute](#)), he can be reached at [Wood@WoodLLP.com](mailto:Wood@WoodLLP.com). This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*