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THE TAX LAWYER

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### How To Fix Mistakes On Form 1099

It's 1099 time so your mailbox may be full of the little tax reports. All that data is going into an IRS computer to be matched against your tax return when you file it. In [Didn't Receive A Form 1099? Don't Ask](#), I suggested not asking about a Form 1099 you expect that doesn't show up. Just report the income.



But what if you receive a Form 1099 you know to be wrong? Say you're paid a consulting fee of \$30,000, but the 1099 you receive is for \$300,000. What should you do?

Promptly contact the issuer, show you **really** were paid \$30,000, and ask the issuer to reissue it correctly. Ideally, do this **before** the issuer sends the 1099 to the IRS. Forms 1099 should be sent to taxpayers by January 31 and to the IRS by February 28. So if you call and write the issuer of the 1099 as soon as you receive it, the issuer may be able to simply destroy the incorrect one and issue a new one. See [Ten Things You Should Know About 1099s](#).

Ideally, get a letter from the company saying that they erroneously issued a Form 1099 for \$300,000, destroyed it, and then properly issued one for \$30,000. Why keep this? Because you may find that the company **did**

transmit the incorrect Form 1099 to the IRS after all. This way you'll be able to explain it.

If the issuer of the 1099 has **already** sent it to the IRS when you first contact them, ask for a "corrected" Form 1099. The "corrected" box on the form tips off the IRS not to simply add up the figures on the two Forms 1099. What happens if the issuer won't cooperate? There's no good answer.

You'll want to address this on your return. For example, you could show the \$300,000 payment on your return (on line 21, or on a [Schedule C](#)), and then explain the \$270,000 overstatement. You might do this in a statement or footnote, as by showing \$30,000 on line 21, but adding "see statement" to explain it.

Does this make your audit risk higher? See [Ten Ways To Audit Proof Your Tax Return](#). It may, and that's an argument for doing all you can to make sure the Form 1099 is correct in the first place. But you probably don't have much choice about this. After all, you practically **guarantee** yourself an audit if you merely report the \$30,000 figure and don't explain it. In that event, the IRS will likely send you a notice asking for tax on the \$270,000.

Whatever you do, pay attention to Forms 1099. The IRS sure does.

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