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IRS Forms 1099 Are Critical, And Due Early In 2017

IRS [Form 1099](#) season is almost here. No form is more critical to your tax return. Each Form 1099 is matched to your [Social Security number](#), so the IRS can easily spew out a tax bill if you fail to report one. You are almost guaranteed an audit or tax notice if you fail to report a Form 1099. Mistakes matter, especially [now that the IRS has six years to audit, not three](#). And now, the IRS has [changed the filing date for some Forms 1099](#).

Beginning in 2017 for 2016 payments, the IRS has moved up the filing date for Forms 1099-MISC reporting non-employee compensation in box 7. The reporting date to the IRS will now be the same as the due date for the forms to be issued to recipients, January 31. This deadline applies regardless of whether the forms are filed electronically or on paper. In the past, filers had an extra month or two after issuing the forms to recipients, but no longer. Note, however, that the filing dates remain unchanged for Forms 1099-MISC that *do not* report in box 7.

9595		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0115		Miscellaneous Income
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents	\$	2016		
		2 Royalties	\$	Form 1099-MISC		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2016 General Instructions for Certain Information Returns.
PAYER'S federal identification number		3 Other income	\$	4 Federal income tax withheld	\$	
RECIPIENT'S identification number		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	\$	
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		

Forms 1099-MISC that do not report in box 7 must be mailed by January 31st. Most Forms 1099 arrive in January or early February, but some companies issue the forms throughout the year when they issue checks. Although the initial deadline is January 31, issuers of the forms are not required to file copies of all Forms 1099 with the IRS until the end of February. Most companies do not immediately file their IRS copies.

The usual one month delay can be a lifesaver, allowing time to address errors on a Form 1099 you think is wrong. So contact the issuer if you receive one you believe is in error. There may be time to catch it before the error goes to the IRS.

Your name and address are important, but Forms 1099 are really controlled by your Social Security number. Even if an issuer has your *old address*, the information will be reported to the IRS (and your state tax authority) based on your Social Security number. If you don't include the reported item on your tax return, the IRS issues a notice.

You need a Form W-2 to file with your return. Not so with Forms 1099. In contrast to Forms W-2, you don't file Forms 1099 with your return. Forms 1099 remind you that you earned interest, received a consulting fee, or were paid some other kind of income. There are many varieties, including [1099-INT](#) for interest, [1099-DIV](#) for dividends, [1099-G](#) for tax refunds, [1099-R](#) for pensions and [1099-MISC](#) for miscellaneous income. These forms are sent by payors to you and the IRS.

The most common is Form 1099-MISC, which can cover just about any kind of income. Consulting income, or non-employee compensation is a big category for Form 1099-MISC. In fact, apart from wages, whatever you were paid in 2015, is likely to be reported on a Form 1099. Companies big and small churn them out. If you're in business—even as a sole proprietor—you also may need to *issue* them.

Make sure payers have your correct address so you get a copy. Update your address directly with payers, and put in a forwarding order at the U.S. Post Office. You'll want to see any forms the IRS sees. It's also a good idea to file an IRS change of address [Form 8822](#).

If you don't receive a Form 1099 you expect, just report the income. The IRS

does not consider it a mismatch if you report *extra* income. Only the *reverse* is a problem. If you call or write the payor asking for a Form 1099, the payor may issue it incorrectly. Alternatively, you may end up with two forms, one issued in the ordinary course (even if you never received it), and one issued because you asked for it. The IRS computer may think you had twice the income you really did.

For example, if you settled a suit and received money in 2016, don't ask for a Form 1099. Just report it if it is income. Generally, everything is income, including money for settling a lawsuit. One of the few exceptions is lawsuit recoveries for physical injuries. Damages for physical injuries are tax-free under [Section 104](#) of the tax code. Yet only physical injuries and physical sickness qualify. Damages for emotional distress are taxed, unless the emotional distress emanated from physical injuries or physical sickness, in which case it's tax-free. That's just one of [10 things to know about taxes on legal settlements](#).

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