

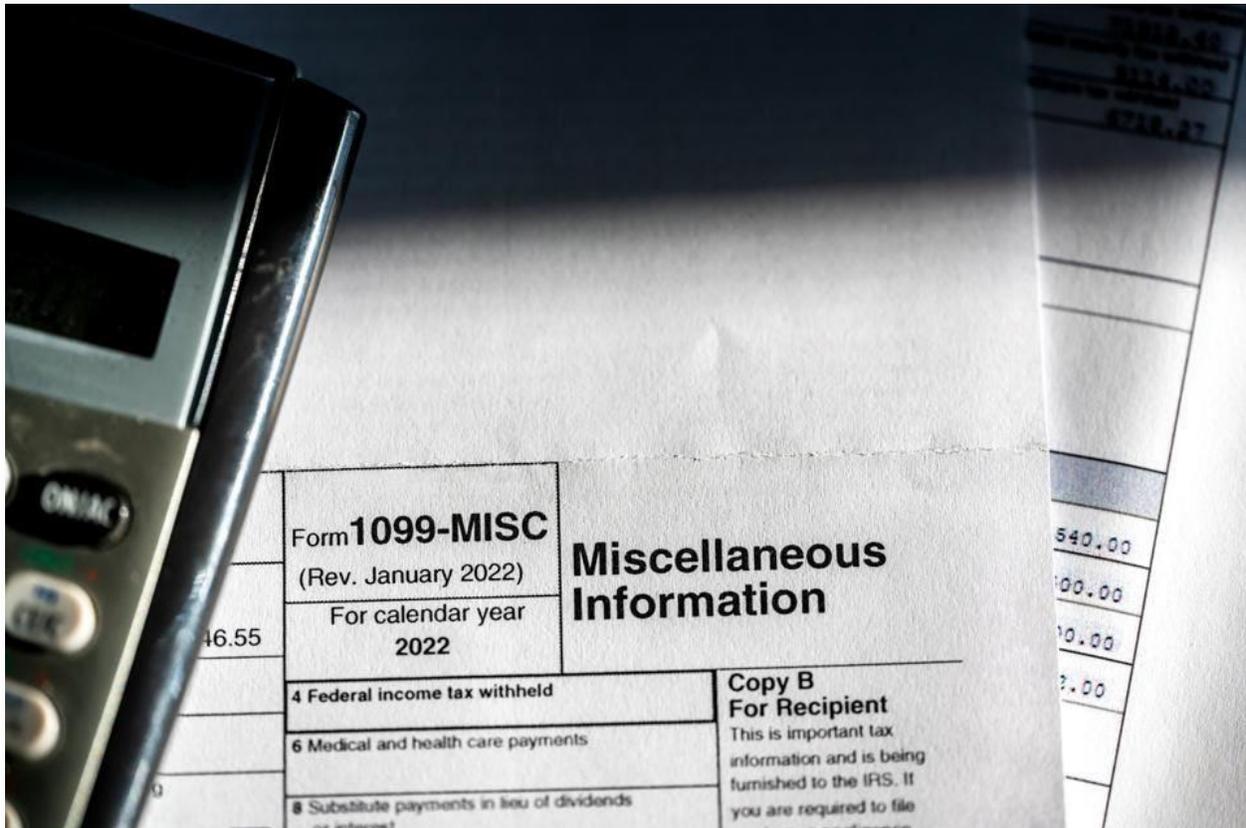


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THE TAX LAWYER

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### IRS Forms 1099 Arrive With Key Data Impacting Your Taxes—And Audits



If you haven't received all of your IRS Forms 1099 already, you should soon. These critical tax forms usually arrive in late January or early February, reporting how much you were paid in the prior calendar year. Forms 1099 can

be wrong, so check them carefully. Each Form 1099 is matched to your [Social Security number](#), so the IRS can easily issue a tax bill if you fail to report one.

If you don't include the reported item, you're almost guaranteed an audit or at least a tax notice about the Form 1099. 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. 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. It's also a good idea to file an IRS change of address [Form 8822](#). The IRS explains [how to notify IRS](#). You'll want to see any forms the IRS sees. Getting a transcript is a useful way to double check your information.

Businesses must issue the forms to any payee (other than a corporation) who receives \$600 or more during the year. That's just the basic threshold, but there are many 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. The key is IRS matching. If you receive a Form 1099, you can't just ignore it, because the IRS won't.

There's [Form 1099-NEC](#) for independent contractors, [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. There are many categories, but the [Form 1099-MISC](#) (for miscellaneous) seems to prompt the most questions.

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 Forms 1099 late, but some come as late as April or May when you may have already filed your return. Even if you never receive a Form 1099, if you receive income, you must report the income.

If there is an error on a Form 1099 [tell the payer immediately](#). If you [disagree with the information on the form](#) but can't convince the payer you're right, explain it on your tax return. Unfortunately, there are many judgment calls companies have to make when issuing these forms. For example, most lawsuit settlements are reported, and in many cases the tax rules are not clear. For example, if you settled a suit and received taxable damages, report the payment as income.

But if you have arguments that the lawsuit recovery should not be taxable, the last thing you want is a Form 1099. Some damages are tax-free under [Section 104](#) of the tax code, but only physical injuries and physical sickness qualify. Receiving a Form 1099 can be especially worrisome for a legal settlement, since with some [lawsuit settlements, legal fees can't be deducted](#).

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