

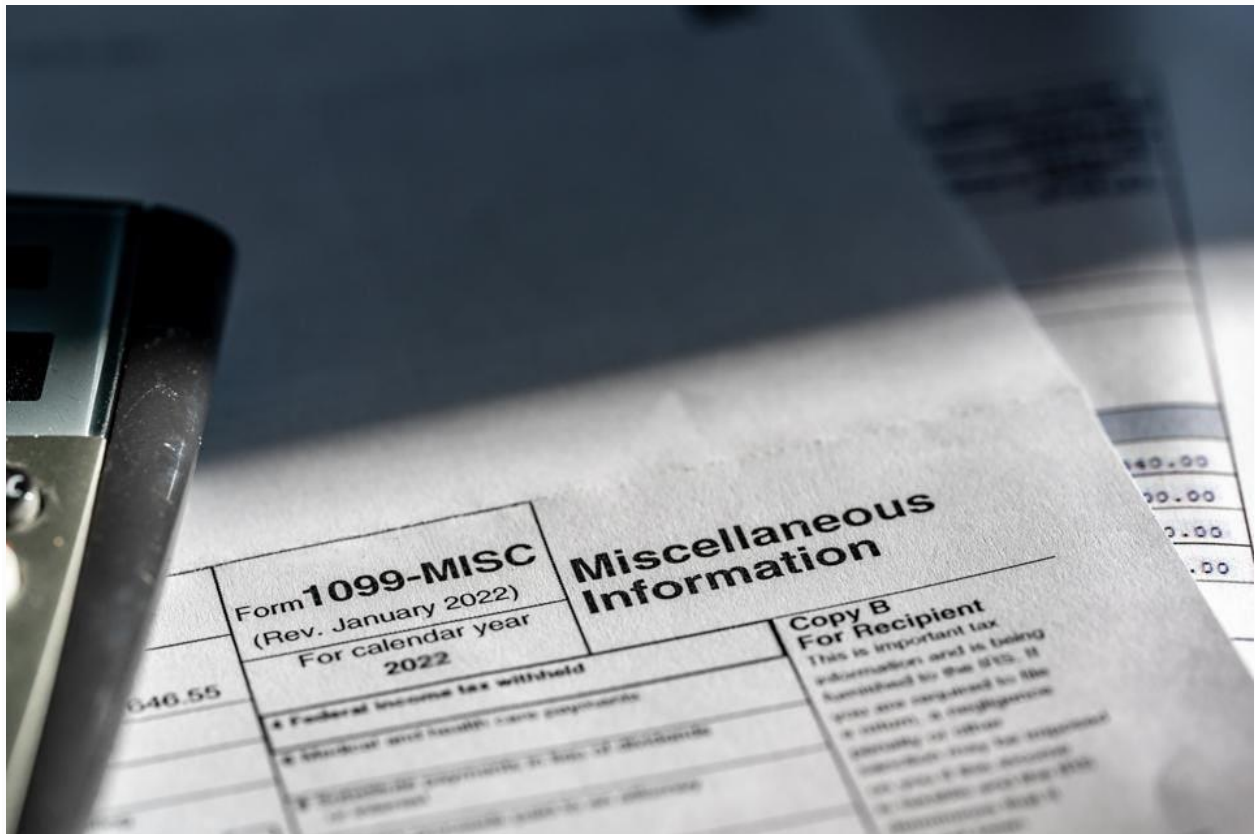


## Robert W. Wood

THE TAX LAWYER

TAXES 02/26/24

# If Your IRS Form 1099 Is Wrong, Here's How To Correct It With The Agency



Forms 1099 generally saddle you with income you have to report. Of course, if you have income, you must report it, whether or not you receive a Form 1099. But think of the Form 1099 as a strong nudge in case you forgot about a payment, or receive many small payments from one source that get aggregated on a Form 1099. Seeing the dollars reported to your Social Security number can be chilling, especially if you think it's wrong and way more money than you *actually* received.

Information reporting has become the centerpiece of IRS enforcement efforts for decades, arguably even more so now. But suppose you receive a [Form 1099](#) that you know to be wrong? Say you were paid a consulting fee of \$30,000 in 2023, but the 1099 you receive in January 2024 is for ten times that, \$300,000? What should you do? First, act promptly. You may be able to approach the issuer, show you *really* only were paid \$30,000, and get the issuer to reissue it correctly. Ideally, do this *before* the issuer sends the Form 1099 to the IRS.

Thus, if you call and write the issuer of the incorrect Form 1099 as soon as you receive it, you might be in time (usually not, as we'll see below). The issuer may be able to destroy the incorrect one and issue a new form. If you follow this path, keep a written record. Ask for 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 transmitted the incorrect Form 1099 to the IRS after all. This way, you'll be able to explain it.

Most of the time when you say "my 1099 is wrong" the IRS already has it. So if the issuer of the Form 1099 has *already* sent it to the IRS, ask for a "corrected" Form 1099. The issuer will prepare a Form 1099 in the *correct* amount and check a "corrected" box on the form. The corrected form is

supposed to cancel out the first one in the IRS system, once you give it time to settle. But what happens if the issuer won't cooperate at all, or you can't convince them that your numbers are right and theirs are wrong? There's no good answer. You'll need 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 could do so in a statement or footnote by showing \$30,000 on line 21, but adding "see statement." The statement might say:

- Erroneous Form 1099-NEC \$300,000
- Less error amount \$270,000
- Net to line 21 \$30,000

Does this make your audit risk higher? 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. After all, you practically *guarantee* an audit if you merely report the \$30,000 figure and don't explain. In that event, the IRS will likely send you a notice asking for tax on the missing \$270,000. If you are really miffed you could try to sue the payor for issuing the erroneous Form 1099. However, most such lawsuits go nowhere and are expensive. And forget trying to bring the IRS into your dispute, they won't join disputes with private parties. Besides, you won't have the suit concluded before the deadline for filing your tax return.

The difficulties faced by taxpayers who receive incorrect Forms 1099 are one reason to be as specific as possible in written agreements, so the amount, type and number of Forms 1099 is explicit. For example, in settling litigation, a settlement agreement should be specific about each Form 1099 that will be sent. For more tax tips about settling litigation and all the big tax risks, just be aware that the [IRS taxes most lawsuit settlements and exact wording matters](#).

Check out my [website](#).