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Is Failing To Issue IRS Forms 1099 Criminal?



Everyone knows something about IRS [Form 1099](#), and if you don't, you should. It's that little slip of paper—barely a third of a sheet—but bearing oh-so-critical numbers: your Social Security number and how much you got paid. In that sense, a 1099 is a precursor to

a [tax bill](#).

You can look forward to getting a pile of these pesky little forms each January reporting how much each person paid you the previous year. More importantly, the IRS gets a copy of each and every one. For that reason, these Forms are all about computer matching. If you fail to report the income, the IRS will send you a bill. See [Care With Forms 1099 Helps Audit-Proof Tax Returns](#).

If you're in business, you probably dread these forms since issuing them is a royal pain. There are many different flavors of 1099 and many different dollar thresholds, some as low as \$10 (interest). See [Forms 1099 For Cost Basis: What, Me Worry?](#) The most common, though, is \$600.

If you pay someone for services in the course of your business and the payments total \$600 or more during the year, you must issue the form. See [Beware Each Form 1099!](#) Since the \$600 is cumulative, keep track of little payments too. There are penalties if you don't. Rarely though, does the little old Form 1099 get mentioned in a criminal case. But where there's a will, there's a way.

An athletic complex in New York called [Chelsea Piers](#) is the site of adult basketball leagues where referees are paid about \$40 per game. That's not much but adds up, and you can guess where this story is headed. What if it adds up to over \$600 per year? The payor must issue a Form 1099, of course.

But according to an [indictment](#) filed by the U.S. Attorney, some enterprising guys in striped outfits—referees not prison stripes—used stolen IDs to ensure they got less than \$600 per year in their own names. Clever, no? Soon they may be exchanging one striped suit for another.

According to the indictment, the idea was to avoid the Forms 1099 so they could under-report their income and save at tax time. Based on stolen identification information, Chelsea Piers issued checks in many names which the defendants would (fraudulently) endorse, claim prosecutors.

Named in the indictment were: Peter Iulo, a former referee and basketball program supervisor at Chelsea Piers, and James Murray, a Chelsea Piers employee who oversaw the basketball program. Named in a separate criminal Information were two referees, Gerard Fahy, and Robert Spence.

All four were charged with conspiracy to defraud the U.S., to evade taxes, to file false tax returns, and conspiracy to commit identity theft. Several defendants were also charged with tax evasion.

No one wants to be indicted for a [tax crime](#). Most of our tax system is voluntary and based on self-assessment. But sometimes the IRS gets tough and makes an example. My advice? Always color between the lines.

For more, see:

[Refs at Chelsea Piers Played 'Dodge'-ball: Feds](#)

[Referees Accused Of Identity Theft Conspiracy To Evade Taxes](#)

[Referees Charged With Stealing Identities to Evade Taxes](#)

[Feds Charge Adult Basketball League Referees With Income Tax Fouls](#)

[Beware Each Form 1099!](#)

[Care With Forms 1099 Helps Audit-Proof Tax Returns](#)

[I'm Sending An IRS 1099: 1099 Are You Outta Your Mind ?](#)

[Let There Be Forms 1099](#)

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