



Robert W. Wood

THE TAX LAWYER

TAXES 3/31/2015

Ten Things You Should Know About IRS Form 1099 Before You File Your Taxes

Taxpayers may not like receiving 1099s. Businesses may not like sending them out. Perhaps [no one likes 1099s except the IRS](#). The agency loves them because they easily allow the matching of data against tax returns. Here are 10 things you need to know about 1099s.

1. It's better to give than receive. Generally, businesses must issue the forms to any payee (other than a corporation) who receives \$600 or more during the year. And that's just the basic threshold rule; there are many, 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.

2. There are many varieties. There's a [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. In fact, there's a dizzying array. There are many categories, but the [Form 1099-MISC](#) (for miscellaneous) seems to prompt the most questions and covers the biggest territory.

9595 VOID CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents	OMB No. 1545-0115		2015	Miscellaneous Income
		\$	Form 1099-MISC			
		2 Royalties			Copy A For Internal Revenue Service Center	File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2015 General Instructions for Certain Information Returns.
		\$				
PAYER'S federal identification number	RECIPIENT'S identification number	3 Other income	4 Federal income tax withheld			
		\$	\$			
RECIPIENT'S name		5 Fishing boat proceeds	6 Medical and health care payments			
		\$	\$			
Street address (including apt. no.)		7 Nonemployee compensation	8 Substitute payments in lieu of dividends or interest			
		\$	\$			
City or town, state or province, country, and ZIP or foreign postal code		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			
		\$	\$			
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 Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

3. Timing is everything. Businesses must send out Forms 1099 by Jan. 31 for the prior calendar year. However, 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 1099s late, but some come as late as April or May when you may have already filed your return.

4. Beware changed addresses. The information will be reported to the IRS based on your Social Security number regardless of whether you receive the form. Update your address directly with payers, as well as putting a forwarding order in with the U.S. Post Office. You'll want to see any forms the IRS sees.

5. The IRS gets them, too. Any Form 1099 sent to you goes to the IRS too. The deadline is Jan. 31 for mailing 1099s to taxpayers, but the payer has until the end of February to send all its 1099s to the IRS.

6. Report errors immediately. The time delay means you may have a chance to correct errors. So don't just put arriving 1099s in a pile; open them immediately. If there's an error [tell the payer immediately](#). There may be time for the payer to correct it *before* sending it to the IRS. If the payer has already dispatched the incorrect form to the IRS, ask the payer to send in a corrected form.

7. Report every 1099. The key to Forms 1099 is IRS's matching. Every Form 1099 includes the payer's employer identification number and the payee's Social Security number. The IRS matches Forms 1099 with the payee's tax return. If you [disagree with the information on the form](#) but can't convince the payer you're right, explain it on your tax return. If you receive a Form 1099, you can't just ignore it, because the IRS won't.

8. IRS Notices. If you forget to report a 1099, the IRS will send you a computer-generated letter billing you for the taxes. If it's correct, just pay it.

9. Consider state taxes, too. Most states have an income tax, and they will receive the same information as the IRS. If you missed a 1099 on your federal return, your state will probably bill you too.

10. Don't ask. Keeping payers advised of your current address is a good idea, as is reporting errors to payers. However, if you don't receive a Form 1099 you expect, don't ask for it. If you are expecting a Form 1099, you know about the income, so just report that amount on your tax return. IRS computers have no problem with that. If you call or write the payer and raise the issue, you may end up with two of them, one issued in the ordinary course (even if it never got to you), and one issued because you called.

Forms 1099 are a vital part of IRS matching. Take these forms seriously. The IRS sure does.

For alerts to future tax articles, follow me on Forbes. You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.