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# When IRS Form 1099 And Tax Returns Don't Match

**W**ith the IRS getting nearly \$80 billion in new funding — about \$45 billion of which is specifically designated for "enforcement" — you can expect more audits.

No one looks forward to an audit, and while some of them you can't prevent, you can take some steps to help protect yourself.

After all, every IRS Form 1099 and every IRS Form K-1 is keyed to your Social Security Number, and each one counts. This may sound like an item that you think about only once a year for your April 15 tax filing deadline.

But how you handle IRS information returns like Forms 1099 year-round influences how hard a time you will have when you file your tax return and later interact with the IRS.

You need a system to record and track these information returns since that's exactly what the IRS does.

A lot of what goes on at the IRS is computer matching—the endless correlation of taxpayer identification numbers and payments. Even a small mismatch between what's on these forms and what you report on your tax return will be caught and could result in months of hassles with the IRS. Much of what the IRS does when it comes to monitoring taxpayers is information return matching. There are different forms for miscellaneous income (Form 1099-MISC), nonemployee pay (Form 1099-NEC), interest (Form 1099-INT), etc.

Another common information form is a Form W-2, reporting wages. If you have a home mortgage and make mortgage payments, you should receive a Form 1098 from your lender reporting how much interest you paid during the year. When you deduct interest on your tax return, the IRS will match your return to this form to make sure you haven't overstated your deduction.

Pay attention to these forms as they arrive. You may get a statement from your bank that looks like your regular statement, but says it is also a Form 1099.

When you get your 1099s, don't just stick them in a drawer, look at them. Payors are required to mail all 1099s to payees no later than Jan. 31. If you receive an incorrect 1099, contact the payor who issued it as soon as you receive it.

Explain the error and ask whether they have already sent a copy of the 1099 to the IRS. If not, the payor can destroy the old form and issue a corrected one.

It's a good idea to keep a record of such communications, since you may end up ensnarled in a reporting mess later. If the payor has already sent a copy of the erroneous form to the IRS, ask for a correction. In that event, the payor should issue a "corrected" Form 1099. There's a special box for it.

If you are a partner in a partnership, a member of an LLC or a shareholder of an S corporation, you should receive a Form K-1, reporting how much gain, loss or income is attributed to you.

Normally, it must be mailed to partners/shareholders no later than March 15, giving them one month to meet their own April 15 deadline. But some entities are notorious for being late in mailing out Forms K-1.

You may find yourself unable to file your personal tax return until you receive just one more Form K-1. If it doesn't come, file a request for an extension to file your return by Oct. 15.

Just remember, that payments will still be due by April 15.

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