

## Required 1099 Reporting

There are numerous 1099 forms used to report a variety of transactions. However, the most common 1099 for a small business is form 1099-MISC, which is used to report miscellaneous income payments to nonemployees (contractors). This 1099 form is due to the contractor before January 31 and to the IRS before February 28 of the following year. Copies should also be sent to states where required. The business must also file a form 1096, which summarizes the 1099 MISC form information. The form 1096 and the 1099s are filed with the IRS together as a package.

### **There should be a 1099-MISC filed for each person paid, as follows:**

- Payments of \$600 dollars or more to contract employees, independent contractors and/or consultants, physicians, physicians' corporations or other providers of health or medical services, purchases of fish for resale and crop insurance proceeds.
- Payments of \$10 or more for royalties, substitute dividends and tax-exempt interest.
- Payments of any amount to attorneys and crew members of fishing boats.
- Payments of any amount to persons subject to the backup withholding rules.
- Sale of \$5,000 or more of consumer products for resale anywhere other than a permanent retail establishment.-
- Directors' fees. You must report directors' fees and other remuneration, including payments made after retirement, on Form 1099-MISC in the year paid. Report them in box 7.

### **Penalties for Late Filing**

#### **Forms 1099 MISC filed after the return due dates are subject to the following penalties:**

- For corrections made within 30 days after the filing date, the penalty is \$15 per 1099, with an annual maximum of \$25,000 for small businesses.
- For corrections made between April 1 and August 1 of the calendar year in which the 1099 was due, the penalty is \$30 per 1099, with an annual maximum amount of \$50,000 for small businesses.
- For corrections after August 1 of the year the 1099 is due, the penalty is \$50 per 1099, with an annual maximum amount of \$100,000 for small businesses.

[http://www.ehow.com/about\\_4743118\\_1099-reporting-requirements-small-business.html](http://www.ehow.com/about_4743118_1099-reporting-requirements-small-business.html)

The Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011 (signed April 4, 2011)<sup>1</sup> specifically **repealed**:

- The requirement for businesses, charities, and governmental entities to report payments to companies for merchandise purchased in the aggregate of \$600 or more (originally effective for 2012),
- The requirement for rental property owners to report expense payments in the aggregate of \$600 or more (originally effective for 2011), and
- The requirement for businesses, charities, governmental entities, and rental property owners to report payments for services and merchandise to corporations (other than attorneys and certain health care providers) in the aggregate of \$600 or more (originally effective for 2012).