

President Obama signed into law the Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011, H.R. 4. The law repeals recently enacted 1099 reporting requirements.

What the new law does:

- Repeals the information reporting requirements to payments made to corporations and to payments for property and other gross proceeds.
- Repeals the information reporting requirements for rental property expense payments.

The expanded 1099 information reporting requirements, originally scheduled to take effect in 2012, would have required businesses to report all payments aggregating \$600 or more in a calendar year to a single payee, including corporation and to include payments made for property. The landlord reporting requirement scheduled to take effect for reporting year 2011, would have required individuals with rental properties to report all payments aggregating \$600 or more in a calendar year to a single payee for services provided.

Even though these laws are repealed, businesses still need to be aware of and be in compliance of current IRS filing requirements concerning information reporting for several reasons:

- The IRS and most states have recently increased their employment tax audits (to include worker classification and information reporting compliance).
- The 2012 federal budget provides funding to implement enacted legislation; handle new information reporting requirements; increase compliance by addressing offshore tax evasion; expand enforcement efforts on noncompliance among corporate and high-wealth taxpayers; and enforce return preparer compliance. The IRS estimates new enforcement personnel will generate more than \$1.3 billion in additional annual enforcement revenue once the new hires reach full potential in fiscal year 2014.

What are the 1099MISC information reporting requirements?

1099MISC forms are required to be submitted annually to each non-incorporated and for profit businesses that you have paid during the year for business related services, attorney fees, rents, prizes and awards, other income payments and medical and health care payments in excess of \$600. The 1099MISC form is also required to be sent to the IRS.

An IRS form W-9 should be submitted to and returned back to you by these same businesses/vendors before any payments are released. The payee is required to withhold 28% from the vendor payments if a signed and correctly completed W-9 is not received. The amount withheld must then be remitted to the IRS on form 945. The W-9 will determine if you need to file a 1099MISC to these vendors.

Non-compliance costs could include the following:

- Federal penalties and interest for late and non filing of 1099s
- 28% tax assessment on amounts paid to non-incorporated vendors for not obtaining a signed and completed W-9 from that vendor and not filing a 1099
- Penalty for not electronically filing 1099s to the IRS if required
- State and/or local penalties for non filing
- Federal penalties for not promptly responding to an IRS B notice

Elko & Associates is ready to help you address these issues from educating, assisting, setting up policies and procedures and/or completing all of your 1099 compliance requirements. We are knowledgeable on current 1099 filing requirements and are ready to make sure your business is in compliance

What we can do to help you become and stay compliant:

- Review financial records to determine if and what type of information reporting requirements are present.
- Prepare, mail and process all necessary government forms.
- Monitor and follow up to ensure all necessary government forms are received from vendors and completed correctly.
- Completion and electronic filing of all required information reporting requirements.
- Create and customize internal policies and procedures to ensure current and long term compliance.
- Monitoring of reporting requirements and/or policies.
- Reviewing all vendor/subcontractors for possible worker misclassification.