

New 1099 Filing Requirements Coming in 2012



Who is affected?

In general, form 1099-Misc is used to report certain types of payments made in the course of a trade or business. Persons engaged in a trade or business that make payments totaling at least \$600 to vendors, subcontractors, independent contractors and others in a single year are required to file the information return. **Starting with payments made on 1/1/2012 this provision will now include payments made to corporations!**

Exception – Payments made via credit or debit card will not have to be included on informational returns.

New recordkeeping recommended

- Obtain taxpayer identification numbers
- Keep track of payments issued to specific vendors, contractors, and other businesses
- Be able to distinguish payments made by credit or debit card
- Request that your vendors, contractors, and other businesses submit a Form W-9 which will provide you with the legal name, address and taxpayer identification number for the vendor

The deadline for filing the information return is March 31 of the following year if filing electronically, February 28 if filing by mail.

Penalties that may be involved

- If the payee fails to provide correct TIN, they will be fined \$50.
- If the payer fails to file a correct and timely informational return to the IRS, they will be fined \$50.
- If the payer fails to provide a correct and timely informational return to the payee, they will be fined \$50.
- If payee fails to provide TIN to payer, back up withholding is required on all subsequent payments due to the payee.

Things to keep in mind

- Corporations are no longer exempt.
- Companies should supply TIN to their vendors.
- It is the payer's obligation to request TIN from payee.
- It is the payee's obligation to provide the name, address, and TIN when it is requested.
- Payments made to corporations that are tax exempt organizations will be exempt from the new filing requirement.

We recommend that our clients start getting in the habit of collecting TIN's from their vendors and create some way to distinguish how much is being spent on each vendor to get ready for the new reporting requirements during 2012.