



HOT TOPICS ARTICLE 2016-05: Form 1099 Responsibilities, 2016 Update

The U.S. federal government requires Form 1099 to be filed by the payer of many types of income. The general reporting thresholds for common 1099s are annual totals per payee, as follows:

- 1099-MISC \$600 for rents, nonemployee compensation, and many other types of income
- 1099-INT \$10 for interest
- 1099-DIV \$10 for dividends paid by a corporation

The government also requires two questions to be specifically answered (under penalties of perjury, of course) in all tax returns that include any business, farm or rental activity reporting, as follows:

1. Did you make any payments that would require you to file Forms 1099?
2. If yes, did you or will you file all required Forms 1099?

The IRS has issued guidance for preparers of Forms 1099, available at www.irs.gov, including:

- Publication 1179
- General Instructions for Certain Information Returns (Forms 1097, 1098, 1099, etc.)

Payers should use “Form W-9” to confirm with the payee their federal tax ID and their “entity type”.

Common errors

1. An LLC is not a corporation. Do not assume it is.
2. A law firm must be issued a 1099, regardless of whether a corporation.
3. We are not a corporation. If you tell us you filed all required Forms but did not issue one to us, we would have a problem checking the box Yes, as to filing all required Forms.
4. Your landlord is probably not a corporation. Do not assume it is.

Actions

1. Plan ahead. Obtain Forms W-9 from payees. Assign someone to take charge of this area. Be sure you clearly identify all payees for whom you must issue Forms 1099.
2. Be prepared to know the rules and complete the filings by the January 31 due date. That is the due date for submission to IRS, as well as the payees.

Real Estate Professionals

Real estate professionals enjoy some tax benefits of that special tax status. The IRS uses lack of 1099 compliance as one way to challenge the status. Therefore, RE Pros should take special care.

Consult before taking action

This article is a general information guide. HW expects any action to be taken only with appropriate professional consultation specific to your situation.