

Tax Year 2017 – Form 1099 Requirements and Filing Deadline

Filing season is fast approaching for those who need to prep and file 1099 forms. Whether or not Lotts provides this service to you, we strongly encourage a careful review of your filing obligations. Penalties associated with non-timely or failure to file these informational returns are substantial and continue to increase.

What are the Deadlines?

The deadline to provide 1099s to recipients is **Wednesday, January 31, 2018.**

The deadline to file the return with the IRS is **Wednesday, January 31, 2018.**

Help us meet the deadline by providing necessary information to Lotts by **Tuesday, January 16, 2018.**

Why is this important?

The IRS has become more aggressive in its enforcement of the 1099 filing requirements. All business tax returns contain a question about whether or not you have filed any informational returns. This is true whether your business is an entity like an S-Corporation or a sole proprietor that files a Schedule C with your personal tax return.

PENALTIES:

Failure to issue the form or to do so in a timely manner subjects the Payer to possible penalties per 1099 form of:

\$50 penalty for filing a 1099 not more than 30 days late

\$100 penalty for filing a 1099 more than 30 days late and before August 1

\$260 penalty for filing a 1099 on or after August 1

Filing them accurately and on time is also considerate of the people to whom they're issued. It helps them to do their tax reporting in a timely manner.

Who Needs a 1099?

All businesses and self-employed people are required to issue forms 1099 to any non-incorporated person or business that was paid during the calendar year for the following:

Personal Services (Non-Employee Compensation) of \$600 or more (1099-MISC)

Rents of \$600 or more (1099-MISC)

Legal Services of \$600 or more regardless of the type of entity the lawyer/firm operates (1099-MISC)

Interest, Dividends and/or Royalties of \$10 or more
(1099-INT, 1099-DIV and 1099-MISC)

You are required to issue 1099s to sole proprietors, partnerships, and LLCs. You are not required to provide 1099s to Corporations (including S Corporations, C Corporations, & non-profits) unless it was for legal services.

How do I know if the vendor is a corporation and is exempt from the 1099 requirement? How can I get the vendor's tax ID number?

- **The best practice is to obtain a signed W9 form, which will clarify what kind of business they are and what ID number they use.** W9 form online: <http://tax.lottsa.com/worksheets-tax-preparation>. If the vendor is a sole proprietor, the tax ID number might be their social security number. A completed W9 form is easier to obtain prior to making payments to the vendor.
- **You should NOT rely on the vendor to verbally tell you that they are exempt, nor should you assume they are a corporation if they have "Inc." in the name of their business.** The requirement to file 1099s is yours, and you have the responsibility of having the documentation on file that supports your decision not to provide a 1099.
- **Vendors are required to provide this information to you.** If they refuse, you will be required to withhold federal taxes from any future payments. Maintain a record of communication attempts to obtain this information from them. Lottsa can explain your options if this is a problem you are facing.

Once you have determined that you have an obligation to file, a 1099 must include...

- **Your business name, tax ID number, address, and contact information.**
- **The name, tax ID number, and address for each recipient.** (This information should match the name/business to which you made payments in 2017.) For your convenience, we have included a list of past 1099 recipients. Review relevant information for accuracy.
- **The amount paid to each recipient during 2017, and what kind of income it was to them** (e.g. services, rent, interest, royalties, etc.).

Once you have gathered all the information...

Send it all to Lottsa by January 16, 2018. We will create the 1099s and mail a packet to you with instructions for completing the filing.

Lottsa's fee structure for 1099 preparation is:

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- \$35/form type
 - \$1/recipient form
 - \$70/hour process time
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If you know that you do NOT need to file any 1099 forms, please let Lottsa know by email or phone. By doing so, we can avoid follow up calls in January. Thank you for letting us help you satisfy your tax reporting obligations.

Common mistakes:

- Providing a vendor with a recipient copy is not enough. You must file the 1099s with the IRS.
- The name/Tax ID number on the 1099 must match the name to which you made payments. (If you hired someone with a business named "Acme Painting" but you made checks out to "Jane Smith", then the 1099 must be made to Jane Smith, with her matching Tax ID number.)
- Rent is often overlooked as a payment requiring a 1099-MISC.

Please do not hesitate to contact us if you have any questions.

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