

1099 REQUIREMENTS

The Internal Revenue Service is continuing to improve its reporting procedures. They impose stiff requirements on you regarding payments you make to others. There are two areas you must comply with.

First, you MUST issue IRS Form 1099 to all individuals other than your employees and to unincorporated businesses to whom you pay \$600 or more on a calendar year basis. This would include:

- Rents
- Interest
- Dividends
- Sub-contract work such as:
 - maintenance
 - janitor
 - part-time help
 - construction or repair work
 - entertainers
 - lawyers
 - accountants
 - commissions
 - other fees

Failure to issue 1099's will subject you to a \$50.00 fine for each violation. Failure to include the payees correct Federal I.D. Number will also subject you to a \$50.00 fine for each violation.

Second, you MUST withhold 30% of the payment to the above listed payees if they fail to provide you with their correct Federal I.D. number. Your Failure not to have this information on file and not withholding the 30%, if applicable, will subject you to pay the amount that should have been withheld. We have enclosed a sample form for your use to send or give to payees. Or your protection we suggest the following steps:

1. Keep a list of all payees you give the form to.
2. Check off the list when the form is returned, completed.
3. Follow-up by a second request to those who have not responded within 30 days.
4. Keep a file for those forms returned.
5. Demand a completed form for any new payees prior to giving them their first payment.

6. Begin withholding 30% from their payments if they do not cooperate (this usually gets their attention).

We appreciate the added burden this paperwork imposes on you. However, the cost in penalties could be significant if you fail to comply. We will be happy to assist you in any way. If you have any questions, please contact our office.