

Reporting Requirements [IRS Forms 1099]

- There are numerous 1099 forms used to report a variety of transactions. However, the most common 1099 for a small business is form 1099-MISC, which is used to report miscellaneous income payments to nonemployees (contractors). This 1099 form is due to the contractor before January 31 and to the IRS before February 28 of the following year. Copies should also be sent to states where required. The business must also file a form 1096, which summarizes the 1099 MISC form information. The form 1096 and the 1099s are filed with the IRS together as a package.

There should be a 1099-MISC filed for each person paid, as follows:

- Payments of \$600 dollars or more to contract employees, independent contractors and/or consultants, physicians, physicians' corporations or other providers of health or medical services, purchases of fish for resale and crop insurance proceeds.
- Payments of \$10 or more for royalties, substitute dividends and tax-exempt interest.
- Payments of any amount to attorneys and crew members of fishing boats.
- Payments of any amount to persons subject to the backup withholding rules.
- Sale of \$5,000 or more of consumer products for resale anywhere other than a permanent retail establishment.

Effective for tax years ending December 31, 2012, ADAMS and HOOK CPAs LLP will prepare Form 1099's for clients who provide a list of all payees that qualify for reporting under the guidelines above. Data to include: name, address and ID number of recipient along with type of monies paid with corresponding dollar amounts.

We will no longer 'dig through client records in search of qualified recipients' as though we were hunting a 'needle in a haystack'. These returns are bearing higher penalties, thus making the responsibility larger than we are willing to assume for unintentional mistakes.