



IRS STEPS UP SCRUTINY FOR INFORMATIONAL FORMS

Review Your 2011 Form 1099 Filing Requirements Today!

It is time for businesses to review the filing requirements for informational returns. The IRS has increased the penalties and is less forgiving of lapses in filing. **All 2011 business returns, including Schedule C on Form 1040, ask questions regarding the entity's requirement to file 1099s and if the forms have been filed.**

The basic forms that you may be filing are:

1099-INT to report payments of interest of \$10 or more.

1099-DIV used by C corporations to report dividend payments of \$10 or more. If a C corporation closed in 2011 and paid out more than \$600, the liquidating dividend section of the form should be completed and the form given to all former shareholders.

1098-T is the form that institutions use to report tuition payments received from students.

1099-MISC is the form most commonly used to report payments of \$600 or more in rents and services to any individual or entity other than a C corporation. If you pay an attorney \$600 or more, a 1099-MISC must be issued regardless of the type of entity. 1099-MISC is also used to report royalty payments of \$10 and for other various payments.

There are special rules for deceased employees. Accrued wages, commissions or other compensation **paid after** the date of death are reported on Box 3 of Form 1099-MISC regardless of the year paid. Payments paid in the year of death are subject to Social Security and Medicare taxes, which are reported on the final W-2.

Forms 1099 are due to the recipient by 1/31/12 and to the IRS by 2/28/12. If you are required to file electronically, those forms are due by 4/2/12.

There are penalties for failing to file these forms and for failure to provide the form to the payee. These are separate penalties. If the IRS can show the taxpayer intentionally disregarded its filing obligation it can assess a \$250 penalty per form for each type of violation.

In the past, the IRS has been lenient on forgiving penalties. That is no longer the case. This is a serious matter and all businesses need to give thought to filing the required forms.

If you need more information on 1099s in general, you can go the IRS website at www.irs.gov. You may also contact one of our tax advisors for help in preparing the required forms.