



SHOULD I FILE FORM 1099?

Generally, any trade or **business** that makes payments in the course of that trade or business of **interest, rents, compensations, remuneration for services, annuities, etc. aggregating \$600 or more for the year to a single payee is required to report the payments to the IRS and to the recipient of the payments by filing Form 1099.** This reporting requirement generally does not apply to payments to corporations. However, the 1099 reporting requirements do apply to payments made to corporations for attorneys' fees, and to amounts paid to corporations providing medical or health care services.

A Form 1099 is generally required to be filed with the recipient of the payment by January 31 of the year following the year the payment is made. A copy of Form 1099 is generally required to be filed with the IRS by the end of February of the year following the year the payment is made.

The penalties for failing to file 1099s, or filing 1099s late, are significant. For example, if a Form 1099 is filed after August 1 and the failure to file is not intentional, there is a \$100 penalty for failing to file Form 1099 with the recipient of the payment and *an additional* \$100 penalty for failing to file a copy of Form 1099 with the IRS (for a total penalty of \$200). **Note!** IRS may waive these penalties if you can show reasonable cause for failing to file the form. **Caution!** If you intentionally fail to file Form 1099, then the penalty increases to at least **\$500 per 1099** (a \$250 penalty for failing to file Form 1099 with the recipient of the payment and a \$250 penalty for failing to file a copy with the IRS).

The IRS has included two new questions concerning Form 1099 on all business returns, including Form 1040, Schedule C, Schedule F, and Schedule E as well as Forms 1065, 1120, and 1120-S. The questions are **1)** "Did you make any payments in 2011 that would require you to file Form(s) 1099", **and 2)** "If 'Yes,' did you or will you file all required Forms 1099?" We must answer these two questions when we prepare your 2011 Form 1040 if the 1040 includes a Schedule C, Schedule F, or Schedule E. In addition, we must answer these questions when preparing a Form 1065, 1120, or 1120-S. Therefore, if you have a trade or business, please review the above requirements for filing Forms 1099 and provide us with the answers to the following questions:

- | | Yes | No |
|---|-----|-----|
| 1. Did you make any payments in 2011 that would require you to file Form(s) 1099? | ___ | ___ |
| 2. If "Yes," did you or will you file all required Forms 1099?" | ___ | ___ |

Please call us if you have any questions concerning the Form 1099 filing requirements. In addition, if you have not filed all required 1099s, we will gladly help you meet your filing responsibilities.

SME, CPAs
701 Greene Street, Suite 200
Augusta, GA 30901
706-722-5337
info@smecpa.com