

2018 Year-end Information Return (1099) Reminders**December 21, 2018**

You may be required to furnish information returns (1099s) for 2018. The Internal Revenue Service has been asking whether businesses are filing 1099s, on Form 1120, 1120S, 1065, and Schedules C, E and F of Form 1040. Failure to file 1099s when required to do so may subject you to penalties as shown below.

Penalties: you may be subject to various penalties and interest. The "failure to file" penalties are based on when you file the returns:

- \$50 per document - within 30 days of the due date.
- \$100 per document - later than 30 days but before August 1, 2019. Maximum penalty - \$1,641,000 (\$547,000 for small businesses).
- \$270 per document - for filing after August 1, 2019, or you do not file required information returns. Maximum penalty - \$3,282,500 (\$1,094,000 for small businesses).

Intentional Disregard of filing penalties: \$540 per payee statement with no maximum penalty.

Alert - It is our understanding that the IRS' position is that Copy A (IRS copy of 1099) is one document and that Copy B (recipient's copy) is another document.

Caution – There are also penalties for filing incorrect returns. These penalties are separate penalties for failure to file correct payee statements (other than inconsequential errors or omissions) and are based on when you furnish the correct payee statement. So, it is important to get the correct information to the best of your ability.

Due date to provide Form 1099 to most recipients is January 31, 2019. The Form 1096 Transmittal form is also due by January 31, 2019 when you are filing Form 1099-MISC for nonemployee compensation in box 7. The Form 1096 for other forms 1099 (such as 1099-INT) are due by February 28, 2019.

There are numerous types of forms 1099. The following is a list of the more common ones. Please consult us if you have any questions or concerns.

1. **Form 1099-MISC** may need to be issued if you have any of the following (this list is not all inclusive):
 - a. Payments of \$600 or more for rents, services (including parts and materials) and other income payments.
 - b. Payments to attorneys (**including attorneys that are incorporated**).
 - c. Payments of royalties (gross) of \$10 or more.
 - d. Prizes and awards (not for services performed).
2. **Form 1099-DIV** is required if you have -
 - a. Paid dividends and other distributions on stock of \$10 or more.
 - b. Paid \$600 or more as part of a liquidation.
 - c. Withheld and paid any foreign tax on dividends and other distributions on stock.

- d. Withhold any federal income tax on dividends under the backup withholding rules.
3. **Form 1099-INT** should be issued for payments of at least \$10 (or for \$600 or more of interest you paid in the course of your trade or business), or if you withheld (and did not refund) any federal income tax under the backup withholding rules regardless of the amount of the payment (according to the instructions for the 2018 Form 1099-INT).
4. **Form 1099-R** may need to be issued for distributions of \$10 or more from retirement or profit-sharing plans, any individual retirement arrangements (IRAs), annuities, pensions, insurance contracts, etc. Generally, do not report amounts subject to withholding of Social Security and Medicare taxes on Form 1099-R. Use Form W-2 (according to the instructions for 2018 Form 1099-R).
5. **For all 1099s**, be sure that you have correct names, addresses, and social security or federal identification numbers.
 - a. Use **Form W-9** (attached) to obtain this information. Preferably, you should request this information before paying.
 - b. Keep the Forms W-9 on file for your records.
6. Also use **Form W-9** to document the following:
 - a. If anyone informs you that a 1099 is not required because the entity you paid is a Corporation, then obtain a completed W-9, which will document that this is indeed the case. However, there are cases when you must file 1099s for payments to Corporations (for example, when payments are made for attorneys' fees, when federal income tax has been withheld and other cases).
 - b. **Partnerships and LLCs are not exempt from being issued 1099s.** Form 1099 is required even when the entity you paid is a Partnership or LLC. Obtain a completed W-9 to get the legal name, federal identification number, and mailing address. Prepare the Form 1099. Keep the Forms W-9 on file for your records.
7. Please call our office at (804) 288-0496 with any questions that you may have.

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