

December 7, 2011

New Questions for Schedule C Filers



Schedule C filers have always been required to file Form 1099. On the 2011 Form Schedule C, there are two new questions that must be answered when preparing your Schedule C:

1. Did you make any payments in 2011 that would require you to file Form(s) 1099? If "Yes",
2. Did you or will you file all required Form(s) 1099?

The IRS has also increased penalties for failure to file Form 1099; it is now a total of \$200 per Form 1099 for not meeting this requirement. These new questions and the increased penalties are evidence that the IRS is trying to find businesses that are not filing Form 1099. It is more important than ever that this filing requirement is not overlooked.

This is a summary of the basic Form 1099 rules:

- If a business (which includes sole proprietors) pays \$600 or more a year for services performed or rent paid to an individual, partnership, or LLC, that business is required to issue Form 1099-MISC reporting the total dollar amount paid to the service provider during the year. Form 1099-MISC also applies to payments made to corporations if made for legal services or medical services. To do this properly, you should have each service provider give you a signed Form W-9, stating his or her name, address, and employer identification number or social security number BEFORE you make the first payment to the vendor. This will ensure you have the information needed to file the Form(s) 1099 at year-end.
- If interest is paid in the course of your trade or business to an unincorporated lender, a Form 1099-INT must be issued.

Many of you are already asking service providers for W-9's and issuing Forms 1099. We want to reiterate a summary of the rules and remind everyone that Schedule C filers are subject to the Form 1099 filing requirements.

Please let us know if you need a blank Form W-9, or you can download it at <http://www.irs.gov/pub/irs-pdf/fw9.pdf>.

###

We hope this information is helpful. If you would like more details, please contact a Kerkering Barberio professional tax advisor at 941-365-4617.