



### **1099 Requirements**

There are a number of different 1099s that you may be required to file as part of your business activity. Knowing which ones are required is not only important, but also properly filing them on time can save you from having to pay penalties.

The most common form is Form 1099-MISC. Generally, this form is required anytime you pay someone \$600 or more for services (including parts and materials), rents, prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, or cash payments for fish you purchase from anyone engaged in the trade or business of catching fish. This form is also required for gross proceeds paid to an attorney. Royalty payments of \$10 or more are also required to be reported on Form 1099-MISC. Only report payments made in the course of your trade or business. Personal payments are not reportable.

In most cases, a Form 1099-MISC is not used for payments that are made to employees. Generally, all payments made to an employee are reported on their W-2 as additional compensation. This may include business expense reimbursements or other fringe benefits. Prizes and awards paid to employees are also reported on their W-2. If you pay your employee rent for the use of equipment that the employee uses to perform services for you, this income should be reported on Form 1099-MISC as rent payments.

A penalty of \$50 per statement is assessed for failure to file a correct 1099-MISC on which you cannot show reasonable cause. The penalty also applies if you fail to provide the statement to the payee by January 31. It is important to have the payee's correct taxpayer identification number, name, and address. A Form W-9 can be used for this purpose. Failure to obtain a correct taxpayer identification number could result in back-up withholding.

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*Not every item in our library will be applicable to your situation. If you need further advice, please feel free to give us a call any time at (608) 756-5354. Summit Accounting Group Inc. of Janesville, Wisconsin.*

