

September 27, 2010

Dear clients and friends,

Beginning in **2013** for payments made in **2012**, all companies will have to issue 1099-MISC forms not only to contract workers, but also to any individuals or entities, including corporations, for profit and nonprofits alike, from which the companies buy goods and services more than \$600 in a tax year. Vendors and service providers means all, including telephone companies, gas stations and Wal-Mart. The new changes to the 1099-MISC are part of the health care reform package.

The bill makes three key changes in how 1099s are used:

- Expands scope to include tangible goods as well as the currently reported services
- Requires 1099s to be sent to individuals, partnerships and corporations
- Extends reporting requirements to **Rental Property Owners for 2011 to be reported in 2012**

The penalty per incorrect and missing 1099 has been increased from \$50 to \$100 but is limited to benefits received.

To comply with this new regulation and avoid penalties businesses should do the following: 1) Obtain a blank W-9 form on the IRS site, www.irs.gov. Have all vendors and service providers complete and sign the form now and before paying a vendor, including a corporation. Keep the completed W-9 forms in your records. 2) Enter the vendor name, address, and taxpayer ID number on the signed W-9 in the accounting system. 3) Make sure the accounting system is properly keeping track of payments made. 4) Provide 1099-MISC forms to all vendors and service providers for payments made in each calendar year by the following **January 31**. 5) File 1099s with IRS Form 1096 to the IRS by **February 28**, of each year for payments made the prior calendar year.

If you have any questions, please contact Cinda Brown, cinda.brown@mangoldcpa.com in our office.

Sincerely yours,

Marlene Van Sickle, MSM, Client Services Director
The Mangold Group, CPAs, PC