

TYPICAL INFORMATION RETURNS FOR BUSINESSES AND THE REPORTING REQUIREMENTS

Form 1099 Reporting Requirements:

Taxpayers engaged in a trade or business may be required to file information returns (Form 1099, used for both Federal and State) if they make certain payments via cash or check in the aggregate amount of \$600 or more during the calendar year. Payments made via credit card are excluded. Taxpayers owning rental property may also be required to file the forms. As a general rule of thumb, we recommend that rental property owners file the information returns in accordance with the trade or business rules.

Generally, the types of payments to be reported are:

Dividends; Interest (aggregate payment of \$10 or more) Rents; Commissions; Fees or any other form of compensation not reported on Form W-2; e.g. a computer programmer, a janitor, medical/health care payments (incorporated or not incorporated however, you do not need to report any payments to tax-exempt or facilities operated by the United States, a state, the District of Columbia, or any of their political subdivisions, agencies, or instrumentalities), an attorney (incorporated or not incorporated), accountant or bookkeeper, a consultant, or an independent contractor.

The information returns are generally required only if the payments were made via cash or check to a non-corporate person/business that has provided a service in connection with your business. Please note that all cash or check payments made for attorney fees, corporate or non-corporate, are required to be reported. If you are unsure of a particular payment, please ask us for clarification. If you made direct sales of \$5,000 or more of consumer products to a buyer for resale this is also reportable.

If you are required to file an information return, a copy of the return must be furnished to the person or business receiving payment for services by January 31.

To prepare Form 1099, the following information is necessary:

1. Name and address of recipient.
2. Identifying number; i.e. Social Security or Federal Identification number.
3. Total amounts of payments during the calendar year.
4. Type of payment(s).

If, in the course of your trade or business, you received (not paid) mortgage interest from an individual amounting to \$600 or more, you are required to file Form 1098 reporting this amount. The reporting deadlines are the same as Form 1099's above.

Failing to file information returns (i.e. Form 1099) may subject you to potentially significant penalties. A "failure" may include failing to file the forms by the due date, failing to furnish a copy of the form to the recipient, failing to provide all required information, and failing to provide correct information. The penalty for general failures may be \$280 per return with an annual cap on penalties of \$3,392,000. The penalty for intentionally disregarding the filing requirements may be \$280 per return with no annual cap. The penalties apply to both the copy filed with the IRS and the copy filed with the payee, so the penalties essentially total \$560 per form with an annual cap of \$6,784,000 for general failures. For intentional failures, combined penalties may be \$1,140 per form with no cap. The State of California may impose similar penalties.

If you meet the above requirements and are required to file Forms 1099, you must obtain the correct identification number of the person or business paid by you. We can assist you with preparing the information returns along with the necessary transmittal forms. If you so request, we request having all necessary data in our office by January 20 in order to meet the January 31 deadline. Please let us know if you have any questions. If you would like to use the attached template you can complete this and fax or send to us via our secure online portal.

TYPICAL INFORMATION RETURNS FOR CALIFORNIA BUSINESSES AND THE REPORTING REQUIREMENTS (If your business is located in a different state please check for similar local requirements)

Form DE 542 - Additional Reporting Requirements for Each Independent Contractor:

You are required to file form DE 542 with the Employment Development Department within 20 days of making payments or entering into contract for \$600 or more within that calendar year. If you have an independent contractor that provides services for more than one year, Form DE 542 must be filed for each year. Please contact us or your payroll company for more information on these filing requirements or for any needed forms. A penalty per form or more may be assessed for failure to comply with this requirement.

Form 571 - Reporting Requirements for Business Personal Property:

You may be required to file Business Personal Property Statement Form 571 to report property used in a trade business (other than real estate and automobiles/equipment registered with the DMV) with the county that the property is held in. The county may assess penalties of 10% or more of the unpaid tax, plus interest if you do not file Form 571 by the due date. The reporting requirements and due date is determined separately by each county, so if you would like us to assist you in preparing this form, please let us know as soon as possible.

Statement of Information SI-200 (Corporation) or LLC-12 (LLC):

If your entity is a corporation or limited liability corporation (LLC), you may be required to file an annual Statement of Information with the California Secretary of State.

Information Returns (Forms 1099 and 1098) Reporting

Calendar Year: _____

Client Name: _____

Client Tax ID #: _____

Client Phone #: _____

Client Address: _____

**Payments / Expenses paid via cash or check only
if the payment was made via a credit card, no 1099 is necessary**

- A. Rent payments of \$600 or more (includes office space, machine and pasture rentals)
- B. Interest payments of \$600 or more
- C. Attorneys' fees of \$600 or more
- D. Payments for services (including parts and materials) of \$600 or more performed by non-employees unless paid to a corporation
- E. Direct sales of \$5,000 or more for resale
- F. Cancellation of debt
- G. Corporate Dividends or Distributions paid of \$10 or more ("C" Corporations)

Income

1. Mortgage interest received of \$600 or more

If you have a question about any of the above or are uncertain if a transaction is reportable, please email or call.

Item #	Name	Address	City	State	Zip	SS# or Fed TIN#	\$ Amount	Type of Payment (A,B,C,D,E,F,G,1)
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								