

# WHAT YOU NEED TO KNOW ABOUT 1099s

As a small business owner, you might have heard about your responsibilities regarding 1099s. Because, from my experience, small business owners make mistakes filing 1099s or never file 1099s, I wanted to give you an outline of who should receive a 1099 from your business and what penalties your business may be subject to if 1099s are not filed.

Form 1099-MISC must be filed for each person (individual, LLC, LLP, partnership, LP, and certain corporations) to whom you have paid during the year:

- ▶ At least \$10 in ROYALTIES
- ▶ At least \$600 for LEGAL SERVICES or IN GROSS PROCEEDS TO ATTORNEY
- ▶ At least \$600 in RENTS
- ▶ At least \$600 in MEDICAL and HEALTH CARE
- ▶ At least \$600 in SERVICES
- ▶ At least \$600 in PRIZES, AWARDS, and other INCOME PAYMENTS

## RENTS:

All types of rents are required to be reported (i.e. real estate rentals paid for office space and equipment rentals). However, payments made to a corporation and real estate agent are not 1099ed

## SERVICES:

Include fees, commissions, and other forms of compensation for services performed for your trade or business by an individual, partnership, LLC, LLP, LP. Corporations do not need to be 1099ed

## LEGAL SERVICES:

Payments made to attorneys including law firms that are incorporated for services performed or for gross proceeds

## MEDICAL AND HEALTHCARE:

Payments made in the course of your trade or business to each physician or other supplier or provider or medical or health care services. Payments made to corporations should be reported too. However, you are not required to report payments made to a tax-exempt hospital or extended care facility or to a hospital or extended care facility operated by the United States, a state, or any of their political subdivisions, agencies, or instrumentalities

*Forms 1099-MISC are only filed when payments are made in the course of your trade or business. Personal payments are not reportable.*



## DEADLINES

There are **two** deadlines when it comes to filing 1099s.

- #1 1099 must be received by the vendor by **January 31st**
- #2 1099 must be e-filed with the IRS by **April 1st**



## PENALTIES

It is extremely important to adhere to 1099 filing requirements because there are significant penalties that your business may be subject to if 1099s are not furnished to the recipients and the IRS by the respective due dates. Below are some of the penalties that may apply to you if you fail to file 1099s or file 1099s with incorrect information:

- + **\$30 PER 1099**  
if you correctly file it within 30 days of the deadline. The maximum penalty for small businesses is \$75,000
- + **\$60 PER 1099**  
if you correctly file it more than 30 days but before August 1. The maximum penalty for small business is \$200,000
- + **\$100 PER 1099**  
if you file after August 1 or do not file required 1099s. The maximum penalty for small business is \$500,000



**IRYNA STEPANCHUK**  
CERTIFIED PUBLIC ACCOUNTANT

## Questions? CONTACT US!

- 📍 155 Water Street, Brooklyn, NY 11201
- 📞 347-731-5555
- ✉ iryna@stepanchukcpa.com
- 🌐 <http://stepanchukcpa.com>