



525 W. Apple Street
Hastings, MI 49058
Phone (269) 945-9452
Fax (269) 945-4890

Christopher J. Fluke, CPA
Katherine K. Sheldon, CPA
David G. DeHaan, CPA

1971 S. Street Road
Ionia, MI 48846
Phone (616) 522-0792
Fax (616) 522-0873

CLIENT ADVISORY

December, 2011

To: Clients of Walker, Fluke & Sheldon, PLC

RE: **1099 reporting: changes in disclosure requirement and increase in penalties**

You have been identified by our office as a taxpayer that may be subject to the additional 1099 reporting requirements because of the changes enacted by the Small Business Jobs Act of 2010.

The IRS has increased its efforts to ensure that businesses are complying with 1099 reporting requirements. Because of these new efforts, you will be asked to answer the following questions on your business tax return:

- Did you make **any** payments in 2011 that would require you to file Form(s) 1099?
- If “Yes,” did you or will you file **all** required Forms 1099?

In addition to this required disclosure, the IRS has **drastically** increased penalties for not filing, for filing incorrectly or for filing late. The per return penalty has **doubled from \$50 to \$100** and the maximum limit on penalties has **increased from \$100,000 to \$500,000**. These changes are part of the “**revenue raisers**” of the Small Business Jobs Act of 2010. Congress has made it clear that their intent, in regards to these increased penalties is to do one thing, raise revenue.

If you are unsure about whether you should be issuing 1099s to the individuals and businesses you pay, it is important that you contact us **immediately**. Following are just a few examples of when a business is required to file 1099s:

- If you make payments of \$600 or more for services performed for your business by **individuals** that are not your employees, such as subcontractors, attorneys, accountants, or directors, you are required to issue them a 1099.
- If you make payments of \$600 or more for services performed for your business by **businesses** that are not incorporated, such as partnerships and LLCs, you are required to issue them a 1099. These services could include: repairs and maintenance, lawn care, snowplowing, painting, etc.
- If you make rent payments of \$600 or more to individuals or unincorporated businesses you are required to issue a 1099.

If Walker, Fluke & Sheldon, PLC currently compiles your financial statements, we are already tracking and preparing the 1099s for you and will continue to do so.

This is just a brief overview of the changes to 1099 reporting. Please contact our office **immediately** if you have any questions regarding your specific circumstance and/or would like us to prepare your 1099s.

Sincerely,

Walker, Fluke & Sheldon, PLC