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# SMITH DENLINGER & CO., INC

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Certified Public Accountants

## Increased 1099 Reporting Requirements

Almost everybody has heard by now that the 2010 Health Care Act included a number of provisions that were not related to health care. The most notable non-health care provision is the change to the information reporting requirements starting for payments made after January 1, 2012.

### ***Current Law***

In general, information returns (1099 forms) must be filed with the IRS by payers' engaged in a trade or business who make payments aggregating \$600 or more in any tax year to another person (payee) for services, rents, prizes, awards, etc. A copy of the information return must also be sent to each payee. Payments made to corporations, exempt organizations, government entities, international organizations and retirement plans are generally exempted from the reporting requirements.

A person who receives rental income from real estate was generally not considered to be in a trade or business and therefore was not required to report payments made for services.

Taxpayers are required to have the information in their records necessary to support their reason for not issuing a 1099. This information is to be obtained from vendors on Form W-9 or equivalent.

### ***New Law***

Recipients of rental income from real estate are subject to the same information reporting requirements as taxpayers engaged in a trade or business for all payments made to service providers **January 1, 2011** and after.

As of **January 1, 2012** and after, payments made to corporations (other than tax exempt organizations) are no longer exempt from the reporting requirements.

Also, as of **January 1, 2012** and after, payments made for purchases of property (material, equipment, products for sale, etc) are subject to the reporting requirements.

In earlier legislation, companies who accept merchant cards (debit or credit VISA, MasterCard, Discover, AMEX, etc) will have the amount of money collected through the merchant cards reported to the IRS for 2011 and thereafter. The IRS has announced that they will exempt from the 1099 reporting rules effective January 1, 2012 any payment made to a service or property vendor that is paid by merchant card. Since they will already be receiving the merchant card information it would amount to double reporting. This is a source of objection by small business advocates because many small businesses currently do not accept merchant cards and this may put them at a competitive disadvantage to a larger competitor who does.

### ***Conclusion and Recommendation***

You are currently required to have for all vendors that you pay for services the name, address, taxpayer identification number and entity type. We have included a blank W-9 for your use in obtaining this information from your current vendors. You may also solicit this information from vendors in a letter format.

We have included our completed Form W-9 from Smith Denlinger & Co Inc.

We anticipate that the reporting requirements that take effect on January 1, 2012 will be delayed, changed or overturned completely. So we recommend that you comply with all of the current reporting requirements and wait to see if they do in fact change the new requirements prior to January 1, 2012. We will continue to monitor the law for you and will keep you updated of significant changes.

This letter and other articles are posted on our website, [www.sdcpa-cps.com](http://www.sdcpa-cps.com) under the New Laws section. Additional W-9 forms can be found on our website under the Payroll Forms section.

If you have questions or need further clarification please contact us.

SMITH DENLINGER & CO INC

**TABLE OF TAXPAYER'S REQUIRED IDENTIFICATION NUMBER**

<b><u>Entity Type</u></b>	<b><u>Taxpayer Identification Number</u></b>
Individual	Individual's Social Security Number
Sole Proprietor	Individual's Social Security Number
Corporation	Corporation's Federal Identification Number
Partnership	Partnership's Federal Identification Number
Limited Liability Company (LLC)	
Single Member LLC	The IRS disregards the entity and looks to the member, if the Member is an individual, the individual's Social Security Number, if the Member is a Partnership, the Partnership's Federal Identification Number, if the Member is a Corporation (C or S), the Corporation's Federal Identification Number
Multiple Member LLC	If the LLC taxed as a partnership, the Partnership's Federal Identification Number, if taxed as a Corporation (C or S) the Corporation's Federal Identification Number