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Please Note: Our firm's internal deadline for receiving information needed to prepare your Forms 1099 is **January 11th** so that we will have adequate time to file by January 31. Any 1099 information received after 1/11 will result in an additional \$35 fee. Our firm will electronically batch file the IRS copies of the Forms 1099 on January 25th. If we must paper file your Forms 1099 because we receive your information after we electronically batch file on 1/25 you will be charged an additional fee of \$50.

Dear Clients,

For several years now the following two questions have been on all business, rental, and farming tax return forms:

- (1) Did you make any payments that would require you to file Form(s) 1099?
- (2) If yes, did you or will you file required Form(s) 1099?

In order for our firm to answer these questions accurately on your behalf, we will ask you if you were subject to the Form 1099 filing requirements.

1099 Filing Requirements

A Form 1099-MISC is used to report payments for services provided to your business, farm, or rental activity by unincorporated vendors when those payments total \$600 or more for the year. The IRS has established four conditions for payments that must be reported using Form 1099-MISC. All of the following four conditions must be met:

- (1) The payment must be made to a nonemployee.
- (2) The payment must be made for services provided to the business, farm, or rental activity.
- (3) The payment was to a non-corporation (e.g., individual, partnership, LLC).
- (4) The payment or payments totaled \$600 or more for the year.

Payments made using a credit or debit card are exempt from the Form 1099-MISC requirements.

Please note that an individual who pays for a personal service (lawn care for home, house cleaning, sitters) is not required to file a 1099-MISC since the individual did not pay for the service in the course of a business, farm, or rental activity. However, special rules (W2s, payroll taxes, etc) apply if you qualify as a household employer.

The fact that payments may not be reportable on Form 1099 does not mean the payments are exempt from income tax by the payee. You are no longer required to issue our firm a Form 1099 because we have elected to be taxed as a Corporation.

Required Information

In order to properly prepare Form 1099-MISC you will need the following required information: Payee's name, address, SS# or EIN, total amount paid to the payee during the calendar year, and type of expenditure (generally Rents or Nonemployee compensation).

The best way to obtain the necessary information from the payee is to have the payee fill out the attached Form W-9 before you pay them for services or rent, even if you are unsure if you will meet the \$600 threshold amount by the end of the year. Form W-9 can also be obtained online at irs.gov or by contacting our office. If a vendor payee refuses to complete Form W-9 you should make notes on the Form W-9 concerning the vendor and when you asked for this information. Forms W-9 should be kept on file for all payees subject to Form 1099 reporting.

If a vendor payee refuses to fill out Form W-9 or fills it out incompletely he/she immediately becomes subject to a 28% backup tax withholding requirement on future payments. This means that the next time you pay a vendor that has refused to provide a W-9 you must withhold 28% Federal tax from the payment. For example, a \$1000 bill for repair services could only be paid \$720 and the difference must be submitted to the IRS using Form 945. If the backup withheld tax amount exceeds \$2499 for the year, tax deposits must be made monthly using EFTPS. Form 945 is due on January 31 each year.

Penalties for Failing to File

Forms 1099 must be filed with the payee, the IRS, & Alabama by January 31. Failure to file on time will trigger the following IRS penalties per Form 1099 not filed:

- *Filed less than 30 days late: \$50 each
- *Filed more than 30 days late: \$100 each
- *Filed after August 1 or not yet filed: \$260 each
- *Intentional Disregard: \$530 each

A business that fails to file a Form 1099 with the IRS, will likely also fail to supply the recipient with a copy of the form (a payee statement). As a result, the business will be subject to penalties double the amounts shown above.

What You Need to Do

Our Firm is available to help you comply with the Form 1099 requirements. Our firm's internal deadline for receiving your Required Information (see above) is **January 11th** to ensure your Forms 1099 are processed by the January 31 due date. We will prepare the payee copies and file all required information to the IRS and Alabama. Our firm's fees for preparing Forms 1099 are \$70 for the first 1099 and \$7 for each additional. Fees for preparation of Forms 1099 must be paid before recipient copies are released and before noon on January 25th unless you are a monthly accounting or live payroll client of the firm. Any 1099 information received after 1/11 will result in an additional \$35 fee. Our firm will electronically batch file the IRS copies of the Forms 1099 on January 25th. If we must paper file your Forms 1099 because we received your information after we electronically batch file, you will be charged an additional fee of \$50.

Alternatively, you may prepare the Forms 1099 on your own by obtaining forms from the IRS, an office supply store, or by using an online service such as www.track1099.com but remember **you must also submit a copy to the IRS and Alabama to avoid penalties**. Our firm does not maintain a supply of blank forms for distribution to the public. We will ask for a copy of the Form(s) 1099 that you prepared when we prepare your income tax return so that we can accurately answer the questions above.

Please contact our office if you have any questions or need additional information.

Thank you for your business,



Jeb Williamson, CPA
Jeb Williamson CPA LLC

Request for Taxpayer Identification Number and Certification

**Give Form to the
 requester. Do not
 send to the IRS.**

▶ Go to www.irs.gov/FormW9 for instructions and the latest information.

Print or type. See Specific Instructions on page 3.	1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.	
	2 Business name/disregarded entity name, if different from above	
	3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only one of the following seven boxes.	4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):
	<input type="checkbox"/> Individual/sole proprietor or single-member LLC <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate	Exempt payee code (if any) _____
	<input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ▶ _____ Note: Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is not disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.	Exemption from FATCA reporting code (if any) _____
	<input type="checkbox"/> Other (see instructions) ▶ _____ (Applies to accounts maintained outside the U.S.)	
	5 Address (number, street, and apt. or suite no.) See instructions.	Requester's name and address (optional)
6 City, state, and ZIP code		
7 List account number(s) here (optional)		

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

Note: If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number									
-				-					
or									
Employer identification number									
-									

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

Sign Here	Signature of U.S. person ▶	Date ▶
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General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/FormW9.

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following.

- Form 1099-INT (interest earned or paid)

- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding, later.