



## New Questions on Federal Business Income Tax Returns for 2011

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All 2011 federal business tax return forms have two new questions for 2011. These questions are:

Did the corporation (partnership, etc.) make any payments in 2011 that would require it to file Form(s) 1099?

If yes, did or will the corporation (partnership, etc.) file all required Forms 1099?

We will need to answer these questions properly on all business tax returns we prepare, so we would like you to be aware of the requirements for filing Forms 1099. There are many different forms in the 1099 series, but those most often encountered are the Forms 1099-MISC and 1099-INT.

The 1099-MISC is required for the following payments, among others:

- \$600 or more paid during the year to an individual, partnership or estate for goods or services, excluding payments to corporations, or
- \$600 paid during the year to an attorney, whether incorporated or not

Since our firm is a partnership, your payment of our fees will generally result in you having to file a Form 1099 under the above rules.

Form 1099-INT is required for any interest payments of \$10 or more to anyone other than corporations, tax-exempt organizations or certain other entities.

A business may have other Form 1099 filing requirements in addition to the above.

Forms 1099 for calendar year 2011 must be filed with the IRS no later than February 29, 2012. The payee copy must be sent to the payee by the end of January. The penalty for failure to file a Form 1099 is generally \$100 per omission with smaller penalties for forms filed after the due date. For example, if you fail to file five forms, the penalty would be \$500.

In order to prepare Form 1099, the amounts paid need to be calculated and the payee's name, address and tax identification number are also needed. IRS has Form W-9 available to assist in requesting tax identification numbers from payees.

You should expect that we will ask you whether your businesses filed the forms as required unless you have previously engaged us to prepare them for you. We are available to prepare your Forms 1099 for you.

We don't know what the IRS will do if a taxpayer answers the first question yes and the second one no. Depending on the business, it may result in an audit or it may simply result in a letter from the IRS. There also may be no follow-up by the IRS at all.

The IRS is getting more pressure from Congress to narrow the "tax gap," and it appears that adding this question to business tax returns is part of their response to this pressure.

For more information contact Bob Turner at 847-649-8829 or [bturner@muellercpa.com](mailto:bturner@muellercpa.com).

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