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Robert W. Wood

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Floyd Mayweather Sends IRS Form 1099 To Strip Club For \$20K. How To Punish By Tax Form?

<u>Floyd Mayweather</u> Jr. is a wealthy world champion boxer, well known for being business savvy, apparently even at strip clubs. The boxer <u>sent an IRS</u> <u>Form 1099 to a strip club to report that he dropped \$20,000</u>. The Daily Mail reports that Mayweather Promotions LLC sent the form to the Hustler Club <u>for \$20,000 spent on strippers</u>. The money was mostly cash tips for dancers, so the club claims it didn't see the money paid to the 'independent contractors.' Still, the club must report it.

More than a few observers are probably wondering how they too can start issuing IRS Forms 1099 to turn the tax tables on someone. Issuing a Form 1099 is something businesses do to verify that payment was made, and to help support tax deductions. Of course, by issuing a Form 1099, you are generally also sticking the recipient with paying taxes on the item. In that sense, some IRS Forms 1099 may conceivably be issued with a kind of punitive intent.



(Photo by Patrick Smith/Getty Images)

<u>Forms 1099</u> are critical to tax returns, and you are almost guaranteed an audit or tax notice if you fail to report one. Each Form 1099 is matched to your <u>Social Security number</u>, so the IRS can easily spew out a tax bill if you fail to report one. It matters a lot, especially <u>now that the IRS has six years to audit, not three</u>.

Forms 1099 are supposed to be mailed to the taxpayer by January 31st, though some companies issue the forms throughout the year when they issue checks. Although the initial deadline is January 31, issuers of the forms have traditionally not been required to file copies of all Forms 1099 with the IRS until the end of February. That one month delay was helpful, allowing a window of time to address errors. So contact the issuer if you receive one you believe is in error.

However, starting with 2016 Forms 1099-MISC, there is an important change. For those forms reporting non-employee compensation in box 7 of 1099-MISC, January 31, 2017 is the due date for sending to the taxpayer *and* to the IRS. Thus, for that category, the old one month delay goes away.

Forms 1099 are controlled by your Social Security number, so even if an issuer has your *old address*, the information will be reported to the IRS (and your state tax authority) based on your Social Security number. If you don't include the reported item on your tax return, the IRS issues a notice.

In contrast to Forms W-2, you don't file Forms 1099 with your return. Forms 1099 remind you that you earned interest, received a consulting fee, or were paid some other kind of income. There are many varieties, including <u>1099-</u>INT for interest, <u>1099-DIV</u> for dividends, <u>1099-G</u> for tax refunds, <u>1099-R</u> for pensions and <u>1099-MISC</u> for miscellaneous income. These forms are sent by payors to you and the IRS.

The most common is Form 1099-MISC, which can cover just about any kind of income. Consulting income, or non-employee compensation is a big category for 1099-MISC. In fact, apart from wages, whatever you were paid, is likely to be reported on a Form 1099. Companies big and small churn them out. If you're in business–even as a sole proprietor–you also may need to *issue* them.

If you don't receive a Form 1099, you may not want to ask for it. If you *don't* receive a Form 1099 you expect, just report the income. Reporting *extra* income that doesn't match a Form 1099 is not a problem. The IRS does not consider that a mismatch. Only the *reverse* is a problem. If you call or write the payor asking for a Form 1099, the payor may issue it incorrectly. Alternatively, you may end up with two, one issued in the ordinary course (even if you never received it), and one issued because you asked for it. The IRS computer may think you had twice the income you really did.

For example, if you settled a lawsuit, don't ask for a Form 1099. Just report it, if it is income. Generally, everything is income, including money for settling a lawsuit. One of the few exceptions is lawsuit recoveries for physical injuries. Damages for physical injuries are tax-free under <u>Section 104</u> of the tax code. Yet only physical injuries and physical sickness qualify, one of <u>10 things</u> to know about taxes on legal settlements.

For alerts to tax articles, email me at <u>Wood@WoodLLP.com</u>. This article is not legal advice.