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IRS Forms 1099 Impact Your Taxes, But Don't Ask For Missing 1099s

Are you collecting your IRS Forms 1099? You may not [like IRS Forms 1099](#), but [the IRS](#) sure does. In fact, the agency *loves* them, because they allow for easy computer matching against tax returns. Businesses may not even like sending the forms out, but they are required to. What's more, there are penalties for failing to issue them, so many businesses err on the side of issuing more and more of the forms. No one wants trouble from the IRS. Generally, businesses must issue the forms to any payee (other than a corporation) who receives \$600 or more during the year. That is just the basic threshold rule, but there are many exceptions. That's why you probably get a Form 1099 for every bank account you have, even if you earned only \$10 of interest.



The key to Forms 1099 is IRS matching. Every Form 1099 includes the payee's Social Security Number and the payer's employer identification number. The IRS matches all Forms 1099 under a particular Social Security Number with the payee's tax return. That means you have to report it or there's a mismatch. If you [disagree with the](#)

[information on the form](#) but can't convince the payer you're right, explain it on your tax return. If you receive a Form 1099, you can't just ignore it, because the

IRS won't. There are many varieties. There's a [1099-INT](#) for interest; [1099-DIV](#) for dividends; [1099-G](#) for state and local tax refunds and unemployment benefits; [1099-R](#) for pensions and payouts from your individual retirement accounts; [1099-B](#) for broker transactions and barter exchanges; [1099-S](#) for real estate transactions, etc. There are many categories, but the [Form 1099-MISC](#) (for miscellaneous) seems to prompt the most questions and covers the biggest territory.

Keeping payers advised of your current address is a good idea, as is reporting errors to payers. However, if you don't receive a Form 1099 you expect, consider not asking for it. In some cases, even if you are missing a Form 1099, you still may not want to ask the payer for it. After all, if you are expecting a Form 1099, you already know about the income. You can just report that amount on your tax return, and you don't need the form. IRS computers have no problem with you reporting additional income that does not match a Form 1099 (only the reverse is a problem). If you call or write the payer and ask for a Form 1099, you may end up with two of them, one issued in the ordinary course (even if it never got to you), and one issued because you called. It happens more than you might think.

Businesses must send out Forms 1099 by Jan. 31 for the prior calendar year. However, don't assume that you are off the hook for reporting income if you don't receive a Form 1099 by February or even March. There are penalties on companies that issue Forms 1099 late, but some come as late as April or May when you may have already filed your return. Even if you never receive a Form 1099, if you receive income, you must report it. You don't need a 1099 to report income.

The information will be reported to the IRS based on your Social Security number regardless of whether you receive the form. Update your address directly with payers, as well as putting a forwarding order in with the U.S. Post Office. You'll want to see any forms the IRS sees. Any Form 1099 sent to you *also* goes to the IRS. If there is an error on a Form 1099 [tell the payer immediately](#).

If you forget to report a Form 1099, the IRS will send you a computer-generated letter billing you for the taxes. If it's correct, just pay it. Most states have an income tax, and they will receive the same information as the IRS. If you missed a 1099 on your federal return, your state will probably bill you too.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.