

W-2 isn't the only important form

Pay attention to your 1099 forms, because the IRS does. Even if you don't get a form, you still have to report the income.

By [MSN Money Partner](#) Jan 24, 2012 11:55AM

This post is from Robert W. Wood at [Forbes.com](#).

One tax item everyone pays attention to is the [Form W-2](#) employees will receive this month. It reports how much employees were paid in 2011 and how much tax was taken out. You must include a copy with your tax return when you file.



It's surprising how many people don't appreciate that Forms 1099 are *equally* important. Maybe more important. You don't file them with your return, but the Internal Revenue Service gets a copy of every one. And IRS computers are whirring to match each dollar with your Social Security Number.

It's time for them to arrive, and you should keep a keen eye on every one so your tax return is accurate. Every year the IRS sends millions of tax notices based on matching 1099s asking for more money. Every other notice or audit activity is tiny by comparison.

In general, businesses issue 1099s if they pay someone \$600 or more during the year. Although there are many 1099 varieties and many special rules, [Form 1099-MISC](#) (.pdf form) is most common. Businesses send out Forms 1099 to payees by Jan. 31 for the prior year. They then have until the end of February to send copies of all those 1099s to the IRS.

This time delay means you may have a chance to correct any errors *before* the payer sends it to the IRS, so open the forms immediately. Tell the issuer if there's a mistake. If you receive a 1099, don't ignore it, because the IRS won't.

Keeping payers advised of your current address is a good idea so you'll know what the IRS is receiving. (*Post continues below video.*)

However, if you don't receive a Form 1099 you expect, don't ask for it. If you are expecting a Form 1099, you know about the income. Just report it honestly on your tax return. The IRS computers have no problem with that.

Besides, if you call or write and ask, "Where is my 1099?" the payer may issue the form incorrectly. Or you may end up with two of them, one issued in the ordinary course (even if you never received your copy) and a second because you asked. The IRS computer might end up thinking you had twice the income you did.

Forms 1099 are a vital part of IRS computer matching. Nearly all of us receive payments reported in this way. Take these forms seriously. The IRS is watching.