



DOTY · PRUETT · WILSON PC

CERTIFIED PUBLIC ACCOUNTANTS

December 20, 2019

2019 1099 Forms

In our efforts to prepare for this upcoming tax season we would like to send out a friendly reminder on 1099 filing requirements and information gathering. You are receiving this letter because, according to our records, we have provided this service for you in the past or in reviewing your file it appears you may have filing requirements. Please review the following information and use the enclosed documents to ascertain all necessary information.

1099 Requirements

- 1099s are due to the recipient January 31, 2020.
- All Forms 1099-MISC that are reporting Non-Employee Compensation (Box 7) are required to be filed by January 31, 2020. All other 1099s are to be filed by February 28, 2020 (paper filing) or March 31, 2020 (electronic filing).
- All 1099s require the name, address, and EIN/SSN (also referred to as TIN - Taxpayer Identification Number) of the recipient. Use the enclosed *Form W-9* to get this information from your vendors if needed.
- Detailed filing requirements can be found on the IRS website but the most common types of payments requiring 1099s are listed below. 1099s are required if during the course of business in 2019 you paid any individual or non-corporate entity (which could include LLCs or Partnerships):
 - \$600 or more of
 - rents (including equipment rental)
 - services (Especially repairs, maintenance, cleaning, or contracted labor)
 - attorney's fees (even if to a corporation)
 - payments of other income not reported on a W-2 (non-employee compensation)
 - Interest, dividends or royalties of \$10 or more
- One vendor may receive multiple types of payments. A 1099-MISC with Non-Employee Compensation (Box 7) must be issued/filed separate from a 1099-MISC with any other box filled in.

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1099 Penalties - IRS

If you fail to file a correct information return by the due date and you cannot show reasonable cause, you may be subject to a penalty. The penalty applies:

- If you fail to file timely,
- If you fail to include all information required to be shown on a return, or
- If you include incorrect information on a return.

The penalty also applies:

- If you file on paper when you were required to file electronically,
- If you report an incorrect TIN
- If you fail to report a TIN, or
- If you fail to file paper forms that are machine readable.

The amount of the penalty is based on when you file the correct information return. The penalty is as follows:

- \$50 per information return if you correctly file within 30 days (by March 30 if the due date is February 28); maximum penalty \$556,500 per year (\$194,500 for small businesses, defined below).
- \$110 per information return if you correctly file more than 30 days after the due date but by August 1; maximum penalty \$1,669,500 per year (\$556,500 for small businesses).
- \$270 per information return if you file after August 1 or you do not file required information returns; maximum penalty \$3,339,000 per year (\$1,113,000 for small businesses).

Processing 1099s

The most efficient way for us to process your information is for you to provide us a list of vendors with name, address, EIN/SSN, amount, and type of payments made. Please use the attached *1099s to be Issued* form to do so. Although we can gather and/or extract the information for you, this service requires additional time and is billed at \$125/hour.

If we have prepared your 1099s in previous years and you would like us to continue preparing your 1099s, it is still important that you confirm that all vendor information is current and correct.

Please note the following:

- If an EIN/SSN is not present we will not be able to prepare a 1099 for that business/individual.
- If an individual's SSN is used, the individual's legal name (not business name) must be indicated.

Please be aware that special copies of paper 1099 forms required by the IRS must be ordered. There is no cost for ordering these forms, but it can take up to several weeks to receive them.

We are also available for consultation or review of your 1099 process as needed.

Cost

Our fees are split between “gathering and/or extracting data” and “processing” 1099 forms.

- Gathering data - if the QuickBooks file is not set-up to utilize the 1099 Vendor Report a thorough review of all payments is required; we will bill \$125/hour for the time spent gathering vendor information from QuickBooks
- Extracting data - if the QuickBooks file is set-up properly a brief review of payments and generating of 1099 Vendor Report is needed; we will bill \$125/hour for the time spent extracting 1099 data from QuickBooks
- Processing - fees will be charge on a flat fee basis for each type of 1096 filed and number of 1099s required
 - \$150 per each 1096 and first 1099
 - Separate 1096s are required for each type of 1099 being filed (i.e. - 1099-MISC, 1099-INT, etc.)
 - \$20 per each additional 1099 processed
- Consultation/Review of personally prepared 1099s and/or process - we will bill \$125/hour for the time spent reviewing, but the amount is not to exceed 1.5 hours of time

All the necessary information should be supplied to us no later than **January 15, 2020** to allow for adequate time to prepare the required forms. If information is received after January 24, 2020 additional processing fees will be charged. Fees will increase to the following:

- \$200 for each 1096 and first 1099
- \$30 per each additional 1099 processed

We cannot guarantee timely filing if information is received after January 28, 2020.

Please contact our office or Melissa Jahn (melissaj@dpwcpas.com) if you have any questions, or if we have prepared them in the past and you will be doing your own this year.

Thank you,

Doty Pruett Wilson, PC
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