

Tax Tip



June 1, 2010

Prepare Now for Future Increased Form 1099 Reporting

Currently, every person/entity engaged in a trade or business must file an information return with the Internal Revenue Service for payments made to certain payees in excess of \$600 per year.

This reporting will be expanded under the 2010 Health Care Act.

First, reportable payments include gross proceeds (not currently defined) paid in consideration for property and services. For example, a corporation that purchases a car from an individual would be required to report the payment previously excluded from the requirement.

This rule is effective for payments after December 31, 2011.

Second, subject to future regulations for information reporting purposes a "person" now includes corporations "not otherwise classified as tax exempt." This rule requires payers to report to corporate payees amounts of \$600 or more in a tax year.

This information reporting provision will increase the tax compliance burden of all. More importantly, capturing the additional payee information and adjusting tax reporting systems will require an early review and changes to your current reporting system.

Please contact a member of the National Tax Services Group for more information.

If you have any questions please contact our Tax Services Group:

609.520.1188
Taxbriefs@withum.com

Tax Tips are published by WithumSmith+Brown, PC, Certified Public Accountants and Consultants, for clients and friends of the firm. The information contained in this publication is for informational purposes and should not be acted upon without professional advice. Please contact any one of our offices with your inquiries.