

If you make or receive payments in your business, you may have to report them to the IRS on information returns.

Form 1099 MISC:

Use Form 1099 MISC to report **payments of \$ 600** or more you make in your trade or business.

These include:

- \* subcontractors
- \* accountants
- \* people who clean your business premises
- \* repairmen
- \* rent

1099 MISC is not needed for:

- \* Payments to Corporations
- \* Purchase of merchandise
- \* Wages paid to employees
- \* Travel allowances paid to employees
- \* Payment of rent to real estate agents

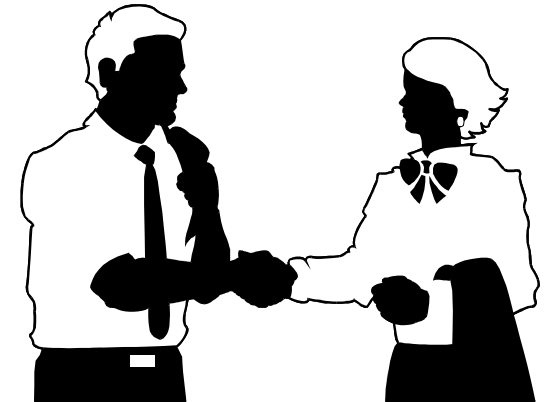
## EMPLOYEE vs. INDEPENDENT CONTRACTOR

Payments to Independent Contractors are not subject to payroll cost. However, the IRS and State Employment Agencies are very aggressive in watching that you follow the rules.

Some Criteria the IRS uses to determine whether a person is an employee:

- \* Who controls when, where, and how the work is performed?
- \* Who sets the work schedules?
- \* What is the method of payment?
- \* Does the person provide their own tools & materials?
- \* How the job is billed.
- \* Are the worker's services available to the general public?
- \* Are they registered with the Washington State Department of Revenue as an independent business?

## INFORMATION RETURNS



### Tax Center Plus

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## Other uses for the 1099 MISC:

- \* Payments of \$10 in Royalties
- \* Payments of \$10 in brokers fees in lieu of dividends or tax exempt interest
- \* Prizes
- \* Awards
- \* Medical & Health care payments
- \* All fishing boat proceeds
- \* Direct Sales of \$5,000 of consumer products for resale

You will need a Form W-9 filled out for every person or company that you pay money to for services, prizes, interest, royalties, etc. If the person refuses to sign a W-9, you are required by law to withhold 29% before you pay them the monies you owe.

After January 1, 1998 you need to file a 1099 MISC for all business payments you make to an attorney.

## KNOW THE RULES

### A penalty applies if:

- \* you do not file information returns by the due date.
- \* if you do not include all required information
- \* if you report incorrect numbers.

## Other 1099 Information Forms

### 1099 INT :

- \* \$10 or more in interest paid in your trade or business

### 1099 R:

- \* Distributions from Pension Plans

### 8300

- \* Report of Cash Payments over \$10,000 received in a trade or business
- \* Received in one, two or more related transactions