



THE ABCS OF THE FORM 1099

Presented By: Daniel B. Dycus, CPP

AGENDA

- What is Form 1099 Reporting
- What is the purpose of the Form 1099
- Types of Form 1099
- Health Care Insurance Reform Bill Enacted
- Form 1099-MISC
- When to file Form 1099-MISC
- Payments excluded from Form 1099-MISC reporting
- Reportable payments to corporations
- 2010 changes to Form 1099-MISC reporting
- General Instructions

AGENDA - CONTINUED

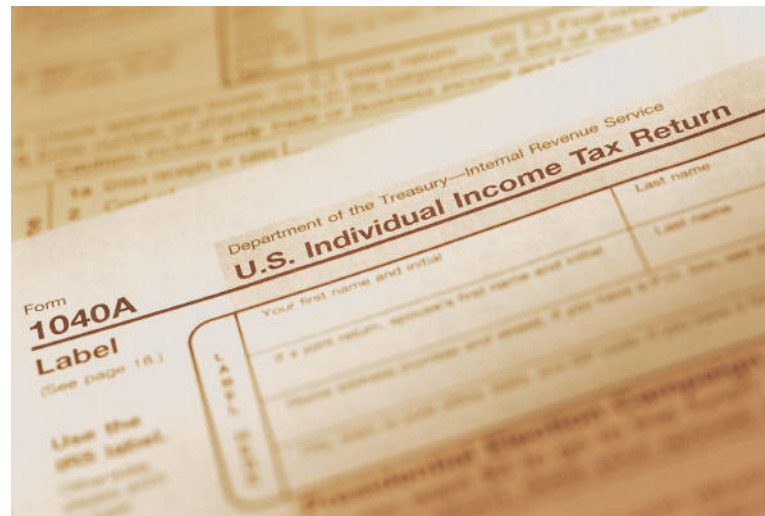
- Form 1099-MISC box by box instructions
- Year end and the Form 1099-MISC
- Form 1099-MISC distribution and important dates
- B-Notices
- P-Cards and the Form 1099
- Form 1099-K
- Qualified deferred compensation
- Nonqualified deferred compensation

AGENDA - CONTINUED

- State reporting
- State Example – California
- State Example – Michigan
- Combined federal/state filing program
- Questions

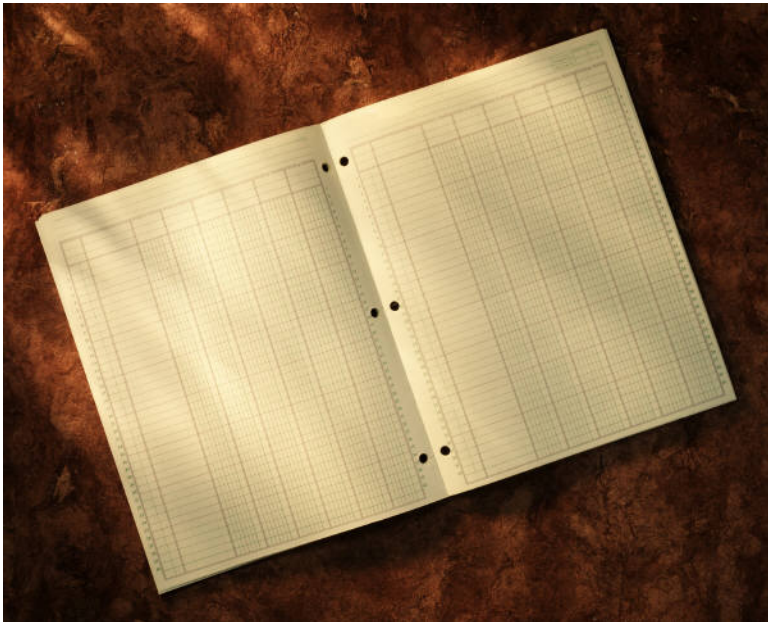
WHAT IS FORM 1099 REPORTING

- Informational return
- Filed with the IRS and states
- Reports non-employee income and withholding



WHAT IS THE PURPOSE OF THE FORM 1099

- The agency can track compliance with tax laws for individuals and organizations.



TYPES OF FORM 1099

- 1099-A
- 1099-B
- 1099-C
- 1099-CAP
- 1099-DIV
- 1099-G
- 1099-H
- 1099-INT
- 1099-LTC
- **1099-MISC**
- 1099-OID
- 1099-PATR
- 1099-Q
- 1099-R
- 1099-S
- 1099-SA
- SSA-1099
- RRB-1099R

HEALTH INSURANCE REFORM BILL ENACTED



- **2010 (first)** – President Obama signed the Patient Protection and Affordable Care Act (PPACA) into law.
- **2010 (second)** – President Obama signed the Health Care and Education Reconciliation Act of 2010 (HCERA).

HEALTH INSURANCE REFORM BILL ENACTED



- Includes expanded Form 1099-MISC reporting
- General information reporting requirements
 - Services provided to a trade or business are modified
- Exception for payments to corporations is eliminated

HEALTH INSURANCE REFORM BILL ENACTED - CONTINUED



- Class of payments for which reporting is required is expanded to include
 - Gross proceeds for BOTH property and services
 - Current exception for payments to tax exempt organizations is not effected
- **Changes will take place for payments made after December 31, 2011**



FORM 1099-MISC

- Most common type for AP Professionals
- Used to report various non-employee income for individuals and certain organizations that provide goods and/or services to a business entity.

9595 VOID CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents	OMB No. 1545-0115	2010	Miscellaneous Income
		\$	Form 1099-MISC		
		2 Royalties			
		\$	4 Federal income tax withheld	Copy A For Internal Revenue Service Center	
		3 Other income	\$		
PAYER'S federal identification number		RECIPIENT'S identification number		File with Form 1096.	
RECIPIENT'S name		\$	7 Nonemployee compensation	For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.	
		\$	8 Substitute payments in lieu of dividends or interest		
Street address (including apt. no.)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>		2010 General Instructions for Certain Information Returns.	
City, state, and ZIP code		11		2010 General Instructions for Certain Information Returns.	
Account number (see instructions)		2nd TIN not <input type="checkbox"/>		2010 General Instructions for Certain Information Returns.	
15a Section 409A deferrals		15b Section 409A income		2010 General Instructions for Certain Information Returns.	
\$		\$		2010 General Instructions for Certain Information Returns.	

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WHEN TO FILE FORM 1099-MISC

- At least \$10 in royalties or broker payments in lieu of dividends or tax exempt interest (box8)
- Any fishing boat proceeds
- Gross proceeds to an attorney

WHEN TO FILE FORM 1099-MISC

- At least \$600 in rents, services (including parts and materials), prizes and awards, other income payment, medical and health care payments, crop insurance proceeds, cash payments for fish (other aquatic life) you purchase from anyone engaged in the trade or business of catching fish, or, generally, the cash paid from a notional principal contract to an individual, partnership or estate.

WHEN TO FILE FORM 1099-MISC - CONTINUED

- Direct sales of at least \$5000 of consumer products to a buyer for resale
- Report any federal income tax withheld under the backup withholding rules – regardless of the amount
- Remember – the manner of making the payment does not affect the reporting requirement
 - Check, Wire Transfer, Credit Card, etc.

PAYMENTS EXCLUDED FROM FORM 1099-MISC REPORTING

- Generally – payments to corporations
- Payments for merchandise, telegrams, telephone, freight, and storage, and similar items
- Payments of rent to real estate agents
- Wages paid to employees
(Reported on Form W-2)
- Business travel allowances paid to employees
(may be reported on Form W-2)

PAYMENTS EXCLUDED FROM FORM 1099-MISC REPORTING - CONTINUED

- Cost of current life insurance protection (Report on Form W-2 or Form 1099R, distributions from pensions, annuities, retirement or profit sharing plans, IRAs, insurance contracts, etc).

PAYMENTS EXCLUDED FROM FORM 1099-MISC REPORTING - CONTINUED

- Payments to a tax exempt organization, the United States, a state, the District of Columbia, a U.S. possession, or a foreign government.

PAYMENTS EXCLUDED FROM FORM 1099-MISC REPORTING – CONTINUED

○ NEW FOR 2011

- Certain payment card transactions if a payment card organization has assigned a merchant/payee a Merchant Category Code (MCC) indicating that it is not required.
 - More information can be found at:
 - Revenue Procedure 2004-43 (can be found on page 124 of the Internal Revenue Bulletin 2004-31)
 - www.irs.gov/pub/irs.irbs/irb04-31.pdf
 - Will now be filed on **Form 1099K**

REPORTABLE PAYMENTS TO CORPORATIONS

- Gross Proceeds paid to an attorney
 - Reported in Box 14
- Substitute payments in lieu of dividends or tax-exempt interest
 - Reported in Box 8
- Payments by federal executive agency for services (Vendors)
 - Reported in Box 7

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PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents	OMB No. 1545-0115
		\$	2010
		2 Royalties	
		\$	
		3 Other income	Form 1099-MISC
		\$	4 Federal income tax withheld
PAYER'S federal identification number	RECIPIENT'S identification number	5 Fishing boat proceeds	6 Medical and health care payments
		\$	\$
RECIPIENT'S name		7 Nonemployee compensation	8 Substitute payments in lieu of dividends or interest
		\$	\$
Street address (including apt. no.)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds
City, state, and ZIP code		\$	\$
Account number (see instructions)		11	12
2nd TIN not <input type="checkbox"/>		13 Excess golden parachute payments	14 Gross proceeds paid to an attorney
		\$	\$
15a Section 409A deferrals	15b Section 409A income	16 State tax withheld	17 State/Payer's state no.
\$	\$	\$	\$
		18 State income	\$

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REPORTABLE PAYMENTS TO CORPORATIONS

- Medical and Health Insurance Payments
 - Reported in Box 6
- Fish Purchases
 - Reported in Box 7
- Attorneys' Fees
 - Reported in Box 7

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PAYER'S name, street address, city, state, ZIP code, and telephone no.		Rents	OMB No. 1545-0155
		\$	2010
		2 Royalties	
		\$	
		3 Other income	Form 1099-MISC
		\$	4 Federal income tax withheld
		\$	Copy A
PAYER'S federal identification number	RECIPIENT'S identification number	5 Fishing boat proceeds	6 Medical and health care payments
		\$	\$
RECIPIENT'S name		7 Nonemployee compensation	8 Substitute payments in lieu of dividends or interest
		\$	\$
Street address (including apt. no.)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds
		\$	\$
City, state, and ZIP code		11	12
Account number (see instructions)		2nd TIN not <input type="checkbox"/>	13 Excess golden parachute payments
		\$	\$
15a Section 409A deferrals	15b Section 409A income	16 State tax withheld	17 State/Payer's state no.
\$	\$	\$	\$
		18 State income	\$

Miscellaneous Income

For Internal Revenue Service Center

File with Form 1096.
For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.

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2010 FORM 1099-MISC REPORTING



- The 2010 Form 1099-MISC remained unchanged
- Paper 1099s can “Mask” payee’s TIN
 - Protects against ID Theft
 - Only applicable to:
 - Form 1098 Series
 - **Form 1099 Series**
 - Form 5498 Series.

***FOR 2011 TIN MASKING
PILOT PROGRAM HAS
ENDED – MUST SHOW
COMPLETE IDENTIFYING
NUMBER***

2010 FORM 1099-MISC REPORTING



- Does not apply to:
 - any information return filed with the IRS
 - any payee state furnished electronically
- Effective immediately
- Notice 2009-93, 11.19.09
 - www.irs.gov/pub/irs-drop/n-09-93.pdf

GENERAL INSTRUCTIONS

- When to file 2010 Form 1096 (paper)
 - Along with Form 1098,1099 or W-2G
 - February 28, 2011
- When to file 2010 Forms 1099 filed electronically
 - Receive one month extension automatically
 - March 31, 2011
- IRS no longer takes magnetic media
 - 2 options
 - Paper (less than 250 returns)
 - Electronically

GENERAL INSTRUCTIONS - CONTINUED

- Forms 1099-Misc containing amounts in
 - Box 14 (Gross Proceed Payments to Attorneys)
 - Box 15b (Income From Nonqualified Deferred Compensation Plans)
 - Not required to provide to recipients until
 - February 15, 2011
- Reporting Period
 - January – December 2010

GENERAL INSTRUCTIONS - CONTINUED

- Extensions
 - File Form 8809
 - Must be requested before due date of returns
 - No signature required
 - Additional 30 days
 - Form must be received before first extension expires
 - Reason for additional extension must be provided
 - Form must be signed

GENERAL INSTRUCTIONS - CONTINUED

- Record Retention of forms
 - Generally keep copies of returns filed with the IRS
 - 3 years
 - Back up withholding
 - 4 years
- Recipients Names & Taxpayer Identification Numbers
 - Used to verify amounts reported to IRS
 - Using corresponding tax returns

GENERAL INSTRUCTIONS - CONTINUED

○ Attorney Payments

- IRC Section 6045(f) added by the Taxpayer relief Act of 1997 (TRA)
- Generally requires information reporting for payments of gross proceeds made in the course of a trade or business to attorneys in connection with legal services

GENERAL INSTRUCTIONS - CONTINUED

- No information return is required under section 6045(f) for the portion of the payment that is required to be reported under:
 - Section 6041(a) for services rendered to the payer
 - Section 6051 for services provided by employees



GENERAL INSTRUCTIONS - CONTINUED

- Reporting requirement – The regulation require that gross proceeds payments be reported to the attorney even though some or all of the payment must also be reported to another party (e.g. attorney's client).
- Definitions:
 - Payments to an attorney
 - Payer
 - Legal Services

GENERAL INSTRUCTIONS - CONTINUED

- Joint or Multiple Payees
 - Checks delivered to one payee attorney
 - Check delivered to payee non-attorney
 - Check delivered to non-payee

GENERAL INSTRUCTIONS - CONTINUED

- Exceptions:
 - Not required under section 6045(f)
 - Payments of wages or other compensation paid to an attorney by the attorney's employer
 - Reported on Form W-2
 - Payments of compensation or profits paid or distributed to its partners by a partnership engaged in providing legal services
 - Payments of dividends or corporate earnings and profits paid to its shareholders by a corporation engaged in providing legal services

GENERAL INSTRUCTIONS - CONTINUED

- Payments that are required to be reported to the payee as nonemployee compensation
 - already on Form 1099-MISC in box 7
- Payments made to a nonresident alien individual, foreign partnership, or foreign corporation that is not engaged in a trade or business in the U.S. and does not perform any labor or personal services in the U.S. The payer makes this determination by obtaining a Form W-8 or Form W-9 from the payee

GENERAL INSTRUCTIONS - CONTINUED

- Payments made to an attorney in the attorney's capacity as the person responsible for closing a real estate sale or financing transaction. Note that this exception includes payments made to attorneys in connection with real estate financing
- Payments made to an attorney in the attorney's capacity as a bankruptcy trustee

GENERAL INSTRUCTIONS - CONTINUED

- Bankruptcy
 - IRS guidance –
 - Individuals who file Chapter 11 on or after 10/17/2005
 - Employers that report payments to these employees
 - Notice 2006-83, 2006-40 IRB 596
 - Bankruptcy estate of a Chapter 11 debtor who is an individual
 - Separate taxable entity
 - The estate must include all of the debtors income which is entitled under the bankruptcy code
 - Exceptions
 - Where Chapter 11 is converted to a Chapter 7 or 13

- **NOTE: FOLLOW UP ON ALL RULES AND REGULATIONS BEFORE YOU PROCEED**

FORM 1099-MISC BOX BY BOX INSTRUCTIONS

- PAYER's name, street address, city, state, zip code and telephone no.
- PAYER's federal identification number

9595 VOID CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents	OMB No. 1545-0115
		\$	2010
		2 Royalties	
		\$	Form 1099-MISC
		3 Other income	4 Federal income tax withheld
		\$	\$
PAYER'S federal identification number	RECIPIENT'S identification number	5 Fishing boat proceeds	6 Medical and health care payments
		\$	\$
RECIPIENT'S name		7 Nonemployee compensation	8 Substitute payments in lieu of dividends or interest
		\$	\$
Street address (including apt. no.)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds
		\$	\$
City, state, and ZIP code		11	12
Account number (see instructions)	2nd TIN not <input type="checkbox"/>	13 Excess golden parachute payments	14 Gross proceeds paid to an attorney
		\$	\$
15a Section 409A deferrals	15b Section 409A income	16 State tax withheld	17 State/Payer's state no.
\$	\$	\$	\$
		\$	\$

File with Form 1099.

For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.

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FORM 1099-MISC BOX BY BOX INSTRUCTIONS - CONTINUED

- RECIPIENT's Identification Number
- RECIPIENT's name
- Street address
- City, state and ZIP code

9595 VOID CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents	OMB No. 1545-0115	
		\$	2010 Form 1099-MISC	
		2 Royalties		
		\$		
		3 Other income	4 Federal income tax withheld	Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.
PAYER'S federal identification number	RECIPIENT'S identification number	5 Fishing boat proceeds	6 Medical and health care payments	
		\$	\$	
RECIPIENT'S name		7 Nonemployee compensation	8 Substitute payments in lieu of dividends or interest	
Street address (including apt. no.)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds	
City, state, and ZIP code		11	12	
Account number (see instructions)	2nd TIN not <input type="checkbox"/>	13 Excess golden parachute payments	14 Gross proceeds paid to an attorney	
		\$	\$	
15a Section 409A deferrals	15b Section 409A income	16 State tax withheld	17 State/Payer's state no.	18 State income
\$	\$	\$	\$	\$

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FORM 1099-MISC BOX BY BOX INSTRUCTIONS - CONTINUED

- Account Number
- 2nd TIN not.

9595		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0115		2010	Miscellaneous Income
PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents		\$			
PAYER'S federal identification number		RECIPIENT'S identification number		2 Royalties		\$	
RECIPIENT'S name		7 Nonemployee compensation		3 Other income		4 Federal income tax withheld	
Street address (including apt. no.)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>		5 Fishing boat proceeds		6 Medical and health care payments	
City, state, and ZIP code		11		6		\$	
Account number (see instructions)		2nd TIN not. <input type="checkbox"/>		7		\$	
15a Section 409A deferrals		15b Section 409A income		8 Substitute payments in lieu of dividends or interest		9	
\$		\$		10 Crop insurance proceeds		11	
				13 Excess golden parachute payments		14 Gross proceeds paid to an attorney	
				16 State tax withheld		17 State/Payer's state no.	
				\$		\$	
				\$		\$	

Copy A
For
Internal Revenue
Service Center
File with Form 1096.
For Privacy Act
and Paperwork
Reduction Act
Notice, see the
2010 General
Instructions for
Certain
Information
Returns.

FORM 1099-MISC BOX BY BOX INSTRUCTIONS - CONTINUED

- Box 1 - Rents
- Box 2 - Royalties
- Box 3 – Other Income

9595 VOID CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents	OMB No. 1545-0115	
		\$	2010	
		2 Royalties	Form 1099-MISC	
		\$	Miscellaneous Income	
		3 Other income		
		\$	Copy A	
PAYER'S federal identification number	RECIPIENT'S identification number	4 Federal income tax withheld		
		\$		
RECIPIENT'S name		5 Fishing boat proceeds	File with Form 1096.	
		\$		
Street address (including apt. no.)		7 Nonemployee compensation	For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.	
		\$		
City, state, and ZIP code		8 Substitute payments in lieu of dividends or interest	For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.	
		\$		
Account number (see instructions)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.	
		\$		
2nd TIN not <input type="checkbox"/>		10 Crop insurance proceeds	For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.	
		\$		
15a Section 409A deferrals		11	For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.	
15b Section 409A income		\$		
		13 Excess golden parachute payments	For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.	
		\$		
16 State tax withheld		14 Gross proceeds paid to an attorney	For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.	
\$		\$		
17 State/Payer's state no.		18 State income	For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.	
\$		\$		

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FORM 1099-MISC BOX BY BOX INSTRUCTIONS - CONTINUED

- Box 4 – Federal Income Tax Withheld
- Box 5 – Fishing Boat Proceeds
- Box 6 – Medical and Health Care Payments

9595 VOID CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents \$	OMB No. 1545-0115 2010 Form 1099-MISC	Miscellaneous Income
		2 Royalties \$	3 Other income \$	
		4 Federal income tax withheld \$	5 Fishing boat proceeds \$	
PAYER'S federal identification number	RECIPIENT'S identification number	6 Medical and health care payments \$	7 Nonemployee compensation \$	8 Substitute payments in lieu of dividends or interest \$
RECIPIENT'S name		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds \$	For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.
Street address (including apt. no.)		11	12	
City, state, and ZIP code		13 Excess golden parachute payments \$	14 Gross proceeds paid to an attorney \$	
Account number (see instructions)	2nd TIN not <input type="checkbox"/>	15a Section 409A deferrals \$	15b Section 409A income \$	
		16 State tax withheld \$	17 State/Payer's state no.	18 State income \$

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FORM 1099-MISC BOX BY BOX INSTRUCTIONS - CONTINUED

- Box 7 – Nonemployee Compensation
- Box 8 – Substitute payments in lieu of Dividends or Interest

9595 VOID CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents	OMB No. 1545-0115	Miscellaneous Income
		\$	2010	
		\$	Form 1099-MISC	
PAYER'S federal identification number		2 Royalties	3 Other income	4 Federal income tax withheld
RECIPIENT'S identification number		\$	\$	\$
RECIPIENT'S name		5 Fishing boat proceeds	6 Medical and health care payments	7 Nonemployee compensation
Street address (including apt. no.)		\$	\$	8 Substitute payments in lieu of dividends or interest
City, state, and ZIP code		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds	11
Account number (see instructions)		12	13 Excess golden parachute payments	14 Gross proceeds paid to an attorney
2nd TIN not <input type="checkbox"/>		\$	\$	\$
15a Section 409A deferrals	15b Section 409A income	16 State tax withheld	17 State/Payer's state no.	18 State income
\$	\$	\$	\$	\$

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File with Form 1096.

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FORM 1099-MISC BOX BY BOX INSTRUCTIONS - CONTINUED

- Box 9 – Payer Made Direct Sales of \$5,000 or More of Consumer Products to a Buyer (Recipient) for Resale
- Box 10 – Crop Insurance Proceeds
- Box 11 – Not Used
- Box 12 – Not Used

9595		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		Payers		OMB No. 1545-0115		Miscellaneous Income	
PAYER'S name, street address, city, state, ZIP code, and telephone no.				Rents		2010		Form 1099-MISC	
				\$		4 Federal income tax withheld		Copy A	
				2 Royalties		\$		For Internal Revenue Service Center	
				\$		6 Medical and health care payments		File with Form 1096.	
PAYER'S federal identification number		RECIPIENT'S identification number		3 Other income		\$		For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.	
				5 Fishing boat proceeds		\$			
RECIPIENT'S name				7 Nonemployee compensation		Substitute payments in lieu of dividends or interest			
				\$		\$			
Street address (including apt. no.)				9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale		10 Crop insurance proceeds			
				\$		\$			
City, state, and ZIP code				11		\$			
				13 Excess golden parachute payments		14 Gross proceeds paid to an attorney			
Account number (see instructions)				2nd TIN not. <input type="checkbox"/>		\$			
				\$		\$			
15a Section 409A deferrals		15b Section 409A income		16 State tax withheld		17 State/Payer's state no.		18 State income	
\$		\$		\$		\$		\$	

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FORM 1099-MISC

BOX BY BOX INSTRUCTIONS - CONTINUED

- Box 13 – Excess Golden Parachute Payments
- Box 14 – Gross Proceeds Paid to an Attorney

9595 VOID CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents \$	OMB No. 1545-0115 2010 Form 1099-MISC	Miscellaneous Income
		2 Royalties \$		
		3 Other income \$	4 Federal income tax withheld \$	Copy A For Internal Revenue Service Center File with Form 1096.
PAYER'S federal identification number	RECIPIENT'S identification number	5 Fishing boat proceeds \$	6 Medical and health care payments \$	
RECIPIENT'S name		7 Nonemployee compensation \$	8 Substitute payments in lieu of dividends or interest \$	For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.
Street address (including apt. no.)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds \$	
City, state, and ZIP code		11	12	
Account number (see instructions)	2nd TIN not <input type="checkbox"/>	13 Excess golden parachute payments \$	14 Gross proceeds paid to an attorney \$	
15a Section 409A deferrals \$	15b Section 409A income \$	16 State tax withheld \$	17 State/Payer's state no.	18 State income \$

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FORM 1099-MISC

BOX BY BOX INSTRUCTIONS - CONTINUED

- Box 15a – Section 409A Deferrals
- Box 15b – Section 409A Income

9595 VOID CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents \$	OMB No. 1545-0115 2010 Form 1099-MISC	Miscellaneous Income
		2 Royalties \$	4 Federal income tax withheld \$	
PAYER'S federal identification number	RECIPIENT'S identification number	3 Other income \$	5 Fishing boat proceeds \$	Copy A For Internal Revenue Service Center File with Form 1096.
RECIPIENT'S name		7 Nonemployee compensation \$	8 Substitute payments in lieu of dividends or interest \$	
Street address (including apt. no.)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds \$	For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.
City, state, and ZIP code		11	12	
Account number (see instructions)	2nd TIN not <input type="checkbox"/>	13 Excess golden parachute payments \$	14 Gross proceeds paid to an attorney \$	
15a Section 409A deferrals \$	15b Section 409A income \$	16 State tax withheld \$	17 State/Payer's state no. \$	
		18 State income \$		

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FORM 1099-MISC

BOX BY BOX INSTRUCTIONS - CONTINUED

- Box 16 – State Tax Withheld
- Box 17 – State / Payer's state no.
- Box 18 – State income

9595 VOID CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone number		1 Rents	OM 3 No. 1545-0115	Miscellaneous Income
		2 Royalties	2010	
		3 Other income	4 Federal income tax withheld	Copy A For Internal Revenue Service Center
PAYER'S federal identification number	RECIPIENT'S identification number	5 Fishing boat proceeds	6 Medical and health care payments	
RECIPIENT'S name		7 Nonemployee compensation	8 Substitute payments in lieu of dividends or interest	For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.
Street address (including apt. no.)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient for resale <input type="checkbox"/>)	10 Crop insurance proceeds	
City, state, and ZIP code		11	12	
Account number (see instructions)	2nd TIN not <input type="checkbox"/>	13 Excess golden parachute payments	14 Gross proceeds paid to an attorney	
15a Section 409A deferrals	15b Section 409A income	16 State tax withheld	17 State/Payer's state no.	18 State income

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YEAR END AND THE FORM 1099-MISC

- First and foremost....
 - Year end is not the time to become concerned about the Form 1099
- Preparing for year end starts with vendor set-up
 - Receive the Form W-9
 - Mark the vendor if a Form 1099 is required
 - Research any issues/questions you may have



YEAR END AND THE FORM 1099-MISC CONTINUED

- Tight vendor controls helps keep errors low
 - Common concerns:
 - Incomplete name and/or address
 - Duplicate vendor/payee
 - Vendors without an indication of whether they are subject to a Form 1099 or not
 - Vendors without a TIN

YEAR END AND THE FORM 1099- MISC CONTINUED

- Vendors with a TIN in the incorrect format, or with too few or too many digits
- Vendors with incorrect classification; e.g. sole proprietor, but should be flagged as a corporation or a nonprofit.
- Sole Proprietorships or partnerships where the legal business name has not been entered as the payee on the Form 1099 and/or has not been entered in the first name first for Sole Proprietorship

FORM 1099-MISC DISTRIBUTION AND IMPORTANT DATES

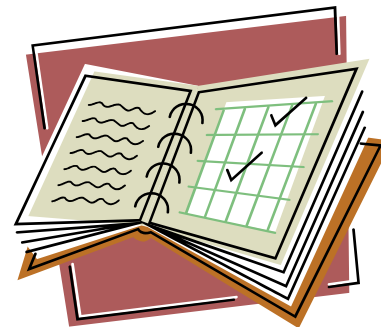
- Copy B & 2 to the payee
- Copy A to the government
- Copy 1 to the state
- Copy C to be retained by the entity filing the form

9595		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0115	
PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents	2010 Form 1099-MISC		Miscellaneous Income
		\$			
		2 Royalties			
PAYER'S federal identification number		3 Other income	4 Federal income tax withheld		Copy A For Internal Revenue Service Center
		\$	\$		
RECIPIENT'S identification number		5 Fishing boat proceeds	6 Medical and health care payments		File with Form 1096.
RECIPIENT'S name		\$	\$		
Street address (including apt. no.)		7 Nonemployee compensation	8 Substitute payments in lieu of dividends or interest		For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.
City, state, and ZIP code		\$	\$		
Account number (see instructions)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds		
2nd TIN not <input type="checkbox"/>		11	12		
15a Section 409A deferrals		13 Excess golden parachute payments	14 Gross proceeds paid to an attorney		
15b Section 409A income		\$	\$		
16 State tax withheld		17 State/Payer's state no.		18 State income	
\$		\$		\$	

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FORM 1099-MISC DISTRIBUTION AND IMPORTANT DATES - CONTINUED

- Mailing Deadline
 - Last day of January
- Filing dates
 - Manual forms – last day of February
 - Electronic forms – last day of March
 - Each year IRS determines actual date depending on holidays and weekends
- Check the state for due dates



B-NOTICES

- What is a B-Notice?
 - This is a back up withholding notice from the IRS.
- How can B-Notices be prevented?
 - Get a Form W-9 from the vendor
 - Perform the TIN Matching on each vendor

B-NOTICES

- When does back-up withholding start?
 - Within 30 days of receiving the notice
- When does back-up withholding stop?
 - Within 30 calendar days of receiving the Form W-9 from the payee or TIN Validation from SSA/IRS

B-NOTICES

- 2 types of B-Notices (CP2100 / CP2100A)
 - You must send the First "B" Notice and a Form W-9 to a payee after you receive the first Notice with respect to this account for the purpose of soliciting a correct name/TIN combination.

B-NOTICES

- The Second "B" Notice is different than the first.
 - It tells the payee to contact IRS or SSA to obtain the correct name/TIN combination.
 - The mailing of the second notice should not include a Form W-9.
 - You must send the second B Notice with respect to this account.
 - The payee must certify the Name/TIN combination after receiving the second "B" Notice.
 - Generally, you do not have to send a "B" Notice more than two times within three calendar years to the same account.

P-CARDS AND THE FORM 1099

- Basic Reporting Rule - Payments made in the course of a trade or business are subject to the Form 1099 reporting and withholding rules, unless an exemption exists.
- Payment made via credit card have never been an exemption from the basic reporting rule

P-CARDS AND THE FORM 1099

- Payment is made at the time the card is “swiped,” not later when the payment is made to the card “Servicer.”
- Card servicers have never had the responsibility to report, the obligation has always been the companies

P-CARDS AND THE FORM 1099 - CONTINUED



- These payments have been made outside the normal AP system.
 - Company has to solicit information from vendors after the payment has been made
 - Getting Form W-9 information from vendors that were paid via the credit card

P-CARDS AND THE FORM 1099 - CONTINUED



- Current Issues:
 - Current process exposes companies to liability for reporting penalties and back up withholding on these payments
 - Liability remains for all of 2010 and the previous years the IRS has to audit
 - Passage of 6050W, allows relief from these reporting responsibilities effective 1/1/2011

P-CARDS AND THE FORM 1099 - CONTINUED



- P-card & Gross Receipts Reporting
 - Section 6050W was added to 3091(a) of the Housing Assistance Tax Act of 2008
 - Requires payment settlement entities to report the gross receipts paid to merchants/vendors who have agreed to accept payment through the use of a payment card or as a result of a third party network transaction
 - Payments made effective 1/1/2011 the payment settlement entities will be required to report on Form 1099-K the gross amount of the payments the merchants/vendors received during the year



1010 VOID CORRECTED

FILER'S name, street address, city, state, ZIP code, and telephone no.	FILER'S federal identification no.	OMB No. 1545-XXXX	2011	Merchant Card and Third Party Network Payments
	PAYEE'S taxpayer identification no.	Form 1099-K		
Check box if FILER is Payment Settlement Entity (PSE) <input type="checkbox"/> OR Check box if FILER is Electronic Payment Facilitator (EPF)/ Third Party Payer (TPP) <input type="checkbox"/>	1 Gross amount of merchant card/third party network payments	2	Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2011 General Instructions for Certain Information Returns.	
	\$			
3	4			
PAYEE'S name	5a January	5b February		
	\$	\$		
Street address (including apt. no.)	5c March	5d April		
	\$	\$		
City, state, and ZIP code	5e May	5f June		
	\$	\$		
PSE'S name and telephone number	5g July	5h August		
	\$	\$		
Account number (see instructions)	5i September	5j October		
	\$	\$		
	5k November	5l December		
	\$	\$		

Form **1099-K**

Cat. No. 54118B

Department of the Treasury - Internal Revenue Service

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P-CARDS AND THE FORM 1099 - CONTINUED



- Resulting from this reporting requirement, in house AP departments will be relieved of their current obligations to report p-card payments on Form 1099-MISC as long as they are reportable under section 6050W



QUALIFIED DEFERRED COMPENSATION

- Deferred Compensation
 - Compensation that is earned or promised now, but paid later
 - Taxes payments are also deferred until compensation is paid
 - Current salary is reduced by contributions to the deferral account or value of a pension benefits
 - Plan examples
 - 401(k), 457, 403(b), Pension, etc

NONQUALIFIED DEFERRED COMPENSATION

- Nonqualified plans are all that do not meet the definition of a qualified plan
- Benefits are generally provided to CEO's, executives, officers, non-employees
- Current salary is not reduced
- Could be looked as a post-termination continuation plan
- Contingencies
 - Years of service
 - Requirements not met, benefits lost
 - Substantial risk of forfeiture

NONQUALIFIED DEFERRED COMPENSATION & 409A

- Applies generally to nonqualified deferred compensation that is earned and vested after December 31, 2004
- 409A requires that nonqualified deferred compensation plans meet certain operational and documentary requirements

NONQUALIFIED DEFERRED COMPENSATION & 409A

- If the plan fails the requirements of 409A
 - Upon vesting
 - All participants are subject to tax on the deferred compensation balance
 - Plus an additional 20% tax
 - Plus interest charges
 - Regardless of whether they have actually received the funds

NONQUALIFIED DEFERRED COMPENSATION & 409A

- If the plan fails Section 409A
 - The tax obligation attaches and must be paid
- If the tax obligation is triggered, so is the reporting obligation
 - Employees – Form W-2
 - Nonemployees – Form 1099-MISC

NONQUALIFIED DEFERRED COMPENSATION & FORM 1099-MISC

- Form 1099-MISC
 - Box 15a
 - As of tax year 2009 no reporting in this box
 - 2011 Still no reporting
 - If you do complete – enter all amounts, if more than \$600 for the year, deferred under all nonqualified plans
 - Box 15b
 - Enter all amounts deferred that are includible in income under section 409A because the nonqualified deferred compensation plan fails to satisfy the requirements of section 409A
 - Amounts reported in box 15b must also be reported in box 7

STATE REPORTING

- Form 1099-MISC Boxes 16,17, and 18
 - Provided as a convenience by the IRS
- Each state is different
 - Check state reporting requirements to determine if you have made any reportable payments
 - Some states have their own forms to use instead of, or with, the federal form
 - Some states also require other types of information reporting and state tax withholding
 - Retirement distributions
 - Interest and dividend payments
 - Reported on forms other than the Form 1099-MISC

STATE EXAMPLES - CALIFORNIA



- Contractor located in CA?
 - Report payment on Form 1099-MISC
- Contractor performing services in CA, but located somewhere else?
 - Report the payment on Form 1099-MISC to CA and withhold 7% CA income tax
- To be EXEMPT from withholding
 - Resident Payees provide Form 590

STATE EXAMPLES - CALIFORNIA



- Use Form 592 to submit quarterly payments of withholding
- CA will assess penalties for failure to file information returns in the same way and rate as the federal government

STATE EXAMPLES - MICHIGAN



- File Form 1099-MISC
 - If paying for services performed in MI
 - Does not matter where the provider is located
- MI cities to file in:
 - Albion, Battle Creek, Big Rapids, Detroit, Flint, Grand Rapids (own reporting format), Grayling, Hamtramck, Highland Park, Hudson, Ionia, Jackson, Lansing, Lapeer, Muskegon Heights, Pontiac, Port Huron, Portland, Saginaw

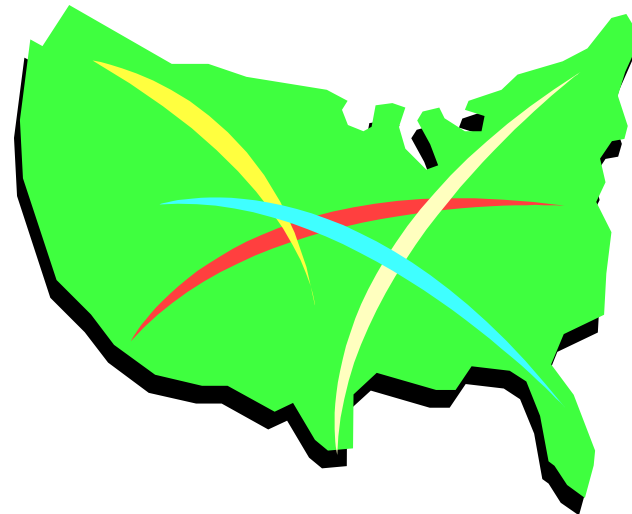
STATE EXAMPLES - MICHIGAN



- No withholding required
- Penalties
 - \$10 per day for each separate failure
 - Total penalty for each separate failure no to exceed \$400

COMBINED FEDERAL STATE FILING PROGRAM

- Most filing can be accomplished by participation in the program
- You must tell the IRS what information to provide
- 32 States participate
- IRS Pub 1220 for more details





AND NOW FOR A LITTLE
SOMETHING EXTRA

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1099-MISC REPORTING – CORPORATIONS & PAYMENTS FOR PROPERTY

- 2010 Health Care Legislation
 - Amendment IRC Section 1041
 - Beginning January 1, 2012
 - Payments to corporations must be reported
 - Some Exceptions

GEAR UP FOR CHANGE

- System Changes
- Additional Form W-9 solicitation
- Increased Costs
- More Payers crossing the threshold
- Decision on paper or Electronic

GOVERNMENT PAYERS - WITHHOLDING

- Starting 2012
 - Federal, State and Local Government entities
 - Required to withhold 3%
 - For Services or Property
 - There are exceptions

FORM 1099-K REPORTING

- Effective 2011
- For Payment Cards and Electronic Transactions
- Backup withholding is subject to start 2012

NON US VENDORS

- Foreign Account Tax Compliance Act
- New Regulations will change
 - Forms
 - W-8IMY
 - W-8BEN
 - W-8ECI
 - W-8EXP

TAX TREATIES

- New tax treaties or protocols
 - United States and Italy
 - United States and France
 - United States and Canada (2009)
 - United States and Iceland (2009)
 - United States and New Zealand (2009)
 - United States and Switzerland (2009)
- United States has announced reestablishing treaty with Malta

TAX TREATIES

- Tax Treaty information can be found at:

<http://www.irs.gov/businesses/international/article/0,,id=96739,00.html>

LOGOS AND SLOGANS

- Revenue Procedure 2008-36
 - Logos, Slogans, or any sort of advertising would be prohibited on Form 1099 and Form 1042
 - Originally effective for tax year 2010.
 - Postponed until Tax year 2011
 - Statements furnished January 2012



QUESTIONS

Presented By:

Daniel B. Dycus, CPP
Senior Manager, Payroll – Accounting Operations

Daniel.Dycus@Intelsat.com

202.944.7692