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ACCOUNTING • TAXES • WEALTH MANAGEMENT*

1099 Preparation for 2011

2011 is quickly coming to a close and Cumberland Financial Group recommends that business owners review their files now to be ready for their 2011 1099-Misc reporting requirement. Compile a list of recipients or potential recipients that you have/will pay more than \$600 to in 2011. Make sure you have a new or updated W-9 for each person on the list. This helps to ensure that each individual has submitted a current address and Tax ID Number. The penalty for filing a form with an incorrect SSN/TIN is the same as if a form had not been filed at all...depending on when it's corrected, the penalty is up to \$50 per recipient.

To get a copy of a W-9 go to <http://www.cfgforyou.com/taxpublications.php> ; type W-9 in the keyword section. This will take you directly to IRS.gov search results. We can also fax or email a copy to you. There are several exemptions listed on the W-9, if you have any questions about any part of a W-9, do not hesitate to call.

Some details about 1099's:

- 1099's are required for Vendors and Subcontractor who are paid \$600 or more and are not incorporated. A completed W-9 provides the information necessary to complete the 1099. For more information about who may actually be an employee go to <http://www.cfgforyou.com/CFG-News-For-You.php> and click on "**Are your workers really employee's?**"
- Unincorporated Individuals typically provide a Social Security Number so the 1099 should be made out to the individual. You can include the business name but the individual's name is required. If you are provided a business tax identification number you can use just the business name on the 1099.
- If unable to get a SSN or TIN via a W-9, or the recipient does not cooperate in providing one, the recipient is **subject** to "Backup Withholding". This means **you** are required to withhold taxes on the income you paid at a rate of 28%. That withholding will need to be submitted to the IRS. (see IRS Pub 1281)

Cumberland Financial Group makes it easy...with W-9's and all reporting requirements. Do not hesitate to call us if you have any questions.