

Highlights and Quick References

Summary of 1099 Types and Related Forms

- ❑ **Attorney Payments:** Payments to attorneys, which are not solely for legal fees, are reportable in Box 14 of Form 1099-Misc.
- ❑ **Penalties:** The IRS may assess failure to file Forms 1099 to the IRS and/or failure to provide Forms 1099 to the Payee ranging from \$30–\$250 *each*. This is not a new law, but the IRS is becoming more vigilant in assessing these penalties for revenue generation.
- ❑ **1099-MISC:** Reporting is required if \$600 or more is paid to a business or individual, which is NOT a corporation, for non-employee compensation or rental fees. Note: You must report all payments to attorneys of \$600 or more regardless of their corporate status.
- ❑ **1099-INT:** Reporting is required if \$10 or more of interest is paid by your company to a recipient. The IRS does not recognize interest-free loans. You are exempt from filing Form 1099-INT if the interest is paid to a corporation or tax-exempt organization.
- ❑ **Form W-9:** Request for Taxpayer Identification Number and Certification. When requested from your vendors, Form W-9 will provide you with the appropriate information to determine if Form 1099-MISC is required; as well as provide the information needed to prepare the form.
- ❑ **2017 Filing Requirements to the State of Michigan and Michigan Cities:** When a federal Form 1099-MISC is required and the recipient resides and/or performs services in Michigan, you MUST file a copy of Form 1099-MISC with the State of Michigan. Furthermore, if the recipient resides and/or performs services in a Michigan City, which imposes a tax on its residents/businesses, you are also required to file a copy of Form 1099-MISC within that municipality. For additional 1099-MISC filing instructions with the State of Michigan, see page 4 of this newsletter, or go to the State of Michigan website: www.michigan.gov/tax. Click on “FAQs” located at the top of the site; under the category “Business Taxes FAQs” select “W-2, 1099-MISC and Magnetic Media”. You will see the reference to the Public Act mandating this filing requirement as well as additional information. Each municipality has its own filing requirements for Form 1099-MISC. We suggest you call the municipality directly to obtain specific filing instructions.

The following Michigan cities are taxing municipalities:

Albion, Battle Creek, Big Rapids, Detroit, Flint, Grand Rapids, Grayling, Hamtramck, Highland Park, Hudson, Ionia, Jackson, Lansing, Lapeer, Muskegon, Muskegon Heights, Pontiac, Port Huron, Portland, Saginaw, Springfield, and Walker

2017 Federal 1099 Information

Enclosed you will find information regarding the preparation of Forms 1099 for your business. Please be advised that there are federal, state and local 1099 filing requirements. We encourage you to call our office if you have any questions or need clarification regarding possible recipients.

1099 Reporting

Note: The new January 31st deadline applies to certain types of 1099s. If you are filing Form 1099-MISC and reporting amounts in Box 7: *Nonemployee Compensation*, then you will need to meet the new filing deadline of January 31st. There is a \$30-\$250 penalty for failure to file Forms 1099 to the IRS and/or failure to provide Forms 1099 to the Payee. This law has always been in existence. However, as in past years the Internal Revenue Service is becoming more vigilant in assessing the penalties for revenue generation.

Who must file Form 1099?

In general, any business that pays another business or individual and meets the criteria listed below (including non-employee compensation, rents paid, and interest paid) must file Form 1099. Please note that this is NOT a comprehensive list of all Forms 1099 or requirements. Please contact our office if you have specific questions or concerns. You may also visit the Internal Revenue Service website at www.irs.gov for more information.

Form 1099-MISC. This informational return has multiple uses. The three most common uses for our clients include:

Non-Employee Compensation - Form 1099-MISC is primarily used to report ALL non-employee compensation for services rendered to your trade or business for which you made payments, unless a corporation performed the services. (If the payments were for medical services or to attorneys, corporations would not be exempt from this filing.) Some examples may include:

- Accountant fees if the accountant or accountants are not a professional corporation (P.C.)
- Attorney fees **even if** the attorney or attorneys are a professional corporation (P.C.)
- Fees paid by one professional to another, such as fee splitting or referral fees
- Payments by attorneys to witnesses or experts in legal adjudication
- Payments for contractor services, including payment for parts or materials used to render the services, unless the person rendering the service is in the business of selling parts and materials
- Commissions paid to non-employee salespersons
- Payment to non-employee entertainers for services
- Exchanges for services (i.e., barter transactions)
- Directors' fees for non-employees

Attorneys – Payments made to attorneys in the course of your trade or business are and continue to be reportable in Box 7 of Form 1099-MISC. However, if you make a payment in the course of your trade or business to an attorney in connection with legal services and the attorney’s fee is not reportable by you, the total amount paid to the attorney (gross proceeds) must be reported in Box 14. For example, an insurance company pays an attorney \$100,000 to settle a claim. The attorney’s fee is not reportable by the insurance company. Therefore, the insurance company must report \$100,000 in Box 14 of Form 1099-MISC.

These rules apply (a) whether or not the legal services are provided to the payer, and (b) whether or not the attorney is the exclusive payee (e.g., the attorney’s and claimant’s names are on one check).

If you paid an attorney any amount from a trust or if it is indeterminable which portion paid to your attorney represents legal fees and which portion represents trust account holdings, please contact our office for further information.

Amount to report:	Applies to \$600 or more
Due date to recipient:	Postmarked by January 31, 2018
Due date to IRS (paper):	Postmarked by January 31, 2018
Due date to IRS (electronic):	Transmitted by January 31, 2018

Rents Paid - Form 1099-MISC is used to report rents paid to any person or business that is not a corporation or real estate agent. Examples of types of rent may include but are not limited to:

- Office space rental
- Machine rental

Amount to report	Applies to \$600 or more
Due date to recipient:	Postmarked by January 31, 2018
Due date to IRS (paper):	Postmarked by February 28, 2018
Due date to IRS (electronic):	Transmitted by April 2, 2018

- Form 1099-INT.** This informational return is used to report interest paid by an individual or a company to the recipient of the interest. For example, either you (as owner of your company) or a friend makes a loan to the business. The IRS does NOT recognize interest-free loans. Therefore, we will need to calculate a reasonable interest amount on the outstanding balance of the loan throughout the year. This interest amount will be included into the income of the person making the loan.

Amount to report:	Applies to \$10 or more
Due date to recipient:	Postmarked by January 31, 2018
Due date to IRS (paper):	Postmarked by February 28, 2018
Due date to IRS (electronic):	Transmitted by April 2, 2018

Note: If the interest is paid to a corporation or tax-exempt organization, you are exempt from filing Form 1099-INT.

State 1099 Information for 2017

- ❑ 1099-MISC forms for services performed in the State of Michigan, regardless of the state of residence of the payee, must be filed with the State of Michigan.
- ❑ File Copy 1 of Form 1099-MISC with Form 5081, Annual Return for Sales, Use and Withholding Taxes, along with any paper W-2s. Mail to the address stated on Form 5081.
- ❑ If you are not registered to pay taxes to the State of Michigan and do not use Form 5081 or if you have already mailed your annual Form 5081 to the State, then send Copy 1 of Form 1099-MISC with a summary letter. Include in the letter your company name, address, Federal Employer's Identification Number (FEIN) or Treasury-assigned account number, total number of Form 1099-MISC, Copy 1, and the total amount of the forms enclosed and mail to:

**Michigan Department of Treasury
Sales, Use and Withholding
Lansing, MI 48930**

- ❑ If you wish, instead of filing Form 1099-MISC, Copy 1 on paper, you may file the forms via magnetic media (CD-R or 3480 or 3490 tape cartridges). (Electronic filing is not available at this time.) If you choose to file Form 1099-MISC, Copy 1 using magnetic media, be sure to mail your paper Form 5081 separately to the address on the form. Send the magnetic media, along with a copy of the Transmittal for Magnetic Media Reporting of W-2s, W-2Gs, and 1099s (Form 447), to:

**Michigan Department of Treasury
Business Tax Division
Customer Contact
Lansing, MI 48930**

**Courier Deliveries: Michigan Department of Treasury, Operations Center,
7285 Parsons Drive, Dimondale, MI 48821**

- ❑ Submissions of Form 1099-MISC, Copy 1 must be postmarked by **February 28, 2018**. Currently Michigan does not accept 1099 forms via electronic transmission.

Additional information is available at www.michigan.gov/taxes. A simple search using the phrase "State of Michigan 1099 filing instructions" should bring you to a Michigan.gov/taxes link. Each municipality has its own filing requirements for Form 1099-MISC. We suggest that you call the municipality directly to obtain specific filing instructions.