



Dear Clients and Friends,

The Internal Revenue Service has added two “yes\no” questions on 2011 business returns (Forms 1065, 1120, 1120S & Form 1040 (Schedule C,F) which ask the following:

- (a) Did the business make any payments in 2011 that would require it to file Form(s) 1099?*
- (b) If yes, did or will the corporation file all required Form(s) 1099?*

The purpose of this letter is to outline the reporting requirements for payments paid by you in the course of your business. Additionally, a “no” answer to the above questions could increase your chances for an IRS audit.

The general rule is that every person engaged in a trade or business shall prepare an information return (Form 1099) for each calendar year for payments to another person of:

- Commissions, fees and other forms of compensation for services rendered aggregating \$600 or more.
- Rent, other gains, profits, and income aggregating \$600 or more.
- Interest, royalties and dividends or other distributions on stock aggregating \$10 or more.
- Services in excess of \$600 performed for Landlords of rental property (Small Business Jobs Act).

Persons required to file information returns must also furnish the same data to the person receiving the payment. This copy must include the payor's name, address, telephone number, and identification number along with the aggregate amount of payments made to the recipient and the recipient's name, address and identification number.

No information return is required for the following:

- 1) Payments reported under other prescribed forms (such as Schedule K-1 of 1120S, 1065 and 1041, 941, W-3 and W-2).
- 2) Payments to a corporation, other than payments to physicians' corporation or other supplier of health and medical services and to law firms (see above).
- 3) Payments for merchandise, telegrams, telephone, freight, storage, and similar charges.
- 4) Payments of rent to real estate agents.
- 5) Advances, reimbursements, or charges for traveling and other business expenses of an employee where the employee is required to account and does account for the expenses.

Contact your primary contact, or Melissa Carlson, CPA, or Tim Kenyon, CPA for assistance in the preparation of your 1099's.