



Simple Accounting

1099 FORMS - TYPES OF PAYMENT

- **Non-employee Compensation:**
 - Auto reimbursements
 - Awards
 - Bonuses
 - Car expense
 - Commissions
 - Compensation
 - Fees
 - Golden parachute
 - Mileage
 - Prizes
 - Vacation allowance
- **Gross proceeds paid to an attorney**
- **Crop insurance proceeds**
- **Fishing Boat Proceeds:**
 - Fishing boat crew members proceeds
 - Fish purchases for cash
- **Interest income**
- **Medical and Health care payments**
- **Other Income:**
 - Damages
 - Direct sales of consumer products for resale
 - Directors fees
 - Indian gaming profits paid to tribal members
 - Punitive damages
- **Payer made direct sales of \$5000 or more of consumer products to a buyer (recipient) for resale**
- **Rents**
- **Royalties**
- **Substitute payments in lieu of dividends or tax-exempt interest**



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1099 - INFORMATION SHEET

(For payments in excess of \$600)

COMPANY #: _____ COMPANY NAME: _____

Contact Name: _____ Phone: _____

Recipient's Name: _____ dba: _____

Address: _____

City: _____ State: _____ Zip: _____

Federal Tax ID #

or Social Security Number

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(Please provide if you are a business)

Total Paid \$ _____ Payment Type: _____
(if less than \$600 "1099" not required) (example: non-employee compensation, rents, interest or other)

Federal Income Tax withheld (if any) \$ _____

Recipient's Name: _____ dba: _____

Address: _____

City: _____ State: _____ Zip: _____

Federal Tax ID #

or Social Security Number

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(Please provide if you are a business)

Total Paid \$ _____ Payment Type: _____
(if less than \$600 "1099" not required) (example: non-employee compensation, rents, interest or other)

Federal Income Tax withheld (if any) \$ _____

Recipient's Name: _____ dba: _____

Address: _____

City: _____ State: _____ Zip: _____

Federal Tax ID #

or Social Security Number

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(Please provide if you are a business)

Total Paid \$ _____ Payment Type: _____
(if less than \$600 "1099" not required) (example: non-employee compensation, rents, interest or other)

Federal Income Tax withheld (if any) \$ _____

IMPORTANT DEADLINES
EMPLOYER TO POSTMARK TO RECIPIENT BY - 1/31/22
EMPLOYER TO POSTMARK TO I.R.S. BY - 2/28/22



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NEW CLIENT 1099 COMPANY INFORMATION SHEET

If you are not currently a client of Simple Accounting and are requiring our services to process your 1099's please include the following information with your "1099 Information Sheet".

Legal Name: _____
(Corporate Name / Sole Proprietor Name / Partner Name)

dba: _____
("Doing Business As")

Address: _____ City: _____ State: _____ Zip: _____

Federal - FEIN#

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Contact Name: _____ Phone: _____

Email: _____

BILL TO:

Please include billing information if different than above. Thank you.

Company Name: _____

Address: _____ City: _____ State: _____ Zip: _____

Contact Name: _____ Phone: _____

Email: _____



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How to Respond to Notices and Avoid Form 1099 Penalties

Some entities may receive Notice 972CG, which is a Notice of Proposed Civil Penalty. You will receive this notice and a listing of the information returns if you filed Forms 1099 or W-2G with missing or incorrect name/Taxpayer Identification Number (TIN) combinations. A name/TIN combination is incorrect when it does not match or cannot be found on the IRS files that contain Social Security Numbers and Employer Identification Numbers. Notice 972G proposes a penalty of \$50 for each return you did not file correctly. You should compare the listing with your records to determine:

- **If you took appropriate action to meet the requirements for reasonable cause, and**
- **If you must make an annual solicitation in the current year to avoid penalties in the future years.**

One way to obtain the necessary information and avoid penalties is to secure a Form W-9, Request for Taxpayer Identification Number and Certification, or an acceptable substitute. A W-9 is used by persons required to file information returns (such as Forms 1099-MISC, Forms 1099-R, or Forms W-2G) with the IRS to get the payee's correct TIN prior to making a payment to a vendor, especially a service provider vendor.

A Social Security Number (SSN) must be used with an individual name even though he or she may also have an Employer Identification Number (EIN). He or she must always furnish his or her individual name regardless of whether he or she uses a SSN or an EIN. A sole proprietor may also provide a business name or dba ("doing business as"), but the individual name must be listed first on the account with you.

Other businesses should enter the business name as shown on required federal tax documents. The dba may be listed on the second line "business name". The EIN of the entity should be entered in part I of Form **W-9** requesting the TIN.

Your TIN is not interchangeable with different names. A business Employer Identification Number (EIN) must be used for a partnership or corporation. A Limited Liability Company (LLC) may be a sole proprietorship, partnership, or corporation. A LLC that is a sole proprietorship must provide the social security number of the sole proprietor and not the EIN for the LLC.

The Form W-9 certifies for you that the payee's TIN is correct and the payee is a U.S. person. It also states the kind of business entity and may determine if you have a requirement to file an information report. The form is signed under penalty of perjury. Penalties may be applicable to payees for failure to furnish the TIN or providing false information. Payers may be subject to civil penalties for missing or incorrect information on the information reports.

U.S. resident aliens who are not eligible to receive a SSN must apply for an Individual Tax Identification Number (ITIN) on Form W-7, Application for IRS Individual Taxpayer identification Number. A Form W-9 is also used by individuals who have an ITIN.



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Backup withholding will apply if:

- 1) The payee fails to furnish his or her SSN or TIN to you, or
- 2) The IRS notifies you to impose backup withholding because the payee furnished an incorrect TIN.

Tips for Obtaining “Good” TINs:

- Always obtain the contractor’s TIN before paying for services.
- Avoid abbreviating company names.
- If possible, refer to and use the same name as it appeared on the original application for the EIN (Form SS-4) or social security card.
- If you know a company has changed its name, ask if they have informed the IRS of the change. The IRS and SSA must be informed of any name changes.
- When filing Form 1099-MISC for a sole proprietor, always put the individual’s name, first, followed by the business name. For example, Joe’s Garage should be reported as Joseph Johnson, DBA Joe’s Garage. It does not matter whether you are using an EIN or SSN, the individual’s name must appear first.
- The best tool to help you gather good information on contractors and vendors is Form W-9 (or a substantially similar version). It is a good resource for obtaining correct payee names/TINs and other certifying exempt status for reporting purposes. In addition, the form specifically addresses the issue of sole proprietors. When properly completed, you will know if a contractor is a sole proprietor and therefore you will know to use the individual name first.

More information on backup withholding may be obtained in Publication 1281, Backup Withholding on Missing and Incorrect Name/TINs. For additional information refer to the instructions for the Form W-9. Please maintain the Forms W-9 in your files in event that the Internal Revenue Service requests verification of the name/TIN listed on the Form 1099.

If you have questions about withholding, information reporting, Forms 1099, or the CP2100 or CP2100A Notice(s) and listing(s), you may call your local ITG specialist or Martinsburg Computing Center (MCC) Information Reporting Program Customer Service Section Telephone: 866-455-7438 (toll free) . The telecommunication Device for the Deaf (TDD) number is (304)267-3367 (not a toll-free number). Hours: 8:30 a.m. to 4:30 p.m. Monday through Friday, eastern time, E-Mail: mccirp@irs.gov.

The table on the next page can be used as a quick reference should you receive a CP2100 or CP2100A notice.



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What should you do if you receive a CP2100 or CP2100A notice?

What's the problem?	Compare the IRS listing to your records and...	Then...
Missing TINs	Begin or continue backup withholding immediately	Solicit TIN from Payee... <ol style="list-style-type: none"> 1. Initially (when payment was made) 2. First Annual Solicitation by December 31 of the year payment is made (for 2007 payment this was 12/31/07). 3. Second Annual Solicitation by December 31 of the following year (for 2008 payments this date is 12/31/08).
Incorrect TINs	If they agree (the TIN/name combination on the list match the W-9, W-2G, or other documents in your records)	Send the 1st or 2nd "B" notice to the payee: <ol style="list-style-type: none"> 1. You have 15 business days to send a "B" Notice to a payee, include a Form W-9. 2. Backup withhold from any reportable payments if the payee certification is not returned to you within 30 days after you receive the CP2100/2100A. 3. Do not backup withhold if the payee furnishes the required certification (Form W-9 in response to the 1st "B" notice, or Form SSA-7028 or IRS Letter 147C in response to the 2nd "B" Notice). 4. Keep these documents on file to show you have met the requirements for reasonable cause when the proposed missing or mismatch penalty notices are sent. 5. The 2nd "B" Notice should be sent to the payee if this is the second CP2100/2100A Notice you have received within three calendar years for this payee.
	If they do not agree, if could be because- <ol style="list-style-type: none"> 1. You put the incorrect information on the return; 2. The information changed after you filed it; or, 3. IRS misprinted the information in processing. 	<ol style="list-style-type: none"> 1. Correct & update your records. 2. Use the correct TIN/name information for future filing. 3. Make a note of the error in your records.

Following and documenting these procedures is a very important step to establishing "reasonable cause" when the Proposed Missing and Incorrect TIN Penalty notices are received.



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What is a Taxpayer Identification Number (TIN)?

A TIN is one of the following four numbers:

1. A Social Security Number (SSN)
2. An Employer Identification Number (EIN)
3. An IRS individual taxpayer identification number (ITIN). Aliens who do not have an SSN, and are not eligible to get one should get an ITIN. Form W-7, Application for IRS Individual Taxpayer Identification Number, is used to apply for an ITIN.
4. An Adoption Taxpayer Identification Number (ATIN). An ATIN is a temporary tax identification number issued for a child born in the U.S. An ATIN is used as an identifying number if the child is not eligible for an SSN.

When is a TIN considered missing or incorrect?

Missing TIN - We consider a TIN to be missing if it is not provided. We also consider a TIN to be missing if it has more or less than nine numbers or it has an alpha character as one of the nine numbers.

Example: Missing SSN: 123-45-678

Example: Missing SSN: 123-45-67899

Example: Missing EIN: 12-345678P

Incorrect TIN - We consider a TIN to be incorrect if it is in the proper format but the name/TIN combination doesn't match or can't be found on IRS or SSA files.

Examples of Proper Format:

Correct SSN: 123-45-6789

Correct EIN: 12-3456789

How do I know if a TIN on my account is incorrect?

We will send you a CP2100 or a CP2100A Notice and a listing of incorrect name/TINs.

What should I do if a payee refuses or neglects to provide a TIN?

Begin backup withholding immediately on any reportable payments. Do the required annual solicitation (request) for the TIN. Backup Withhold until you receive a TIN.

Can a payee claim he or she is exempt from backup withholding?

Yes. Payees who may be exempt are listed in the Instructions for the Requester of Form W-9. They include tax exempt organizations, government agencies, corporations, and other listed entities.

Is a payee an exempt corporation if it uses the term "Company" or "Co." in its name?

A payer cannot treat a payee as an exempt organization merely because the business name contains the words "Company" or "Co." A payer can only treat the payee as exempt if:

The name contains the term insurance company, indemnity company, reinsurance company or assurance company. Requirement one is also met if the entity's name indicates that it is an entity listed as a corporation under IRS Regulations, section 301.7701-2(b)(8)(i).

The payer has on file a corporate resolution or similar document clearly indicating corporate status.

The payer receives a Form W-9 which includes an EIN and a statement from the payee that it is a domestic corporation or,

The payer receives a withholding certificate described in Section 1.1441-1(e)(2)(i), that includes a certification that the person whose name is on the certificate is a foreign corporation

What is a "B" Notice?

A "B" Notice is a backup withholding notice. There are two "B" Notices -- the First "B" Notice and the Second "B" Notice. You must send the First "B" Notice and a Form W-9 to a payee after you receive the first CP2100/CP2100A Notice with respect to this account for the purpose of soliciting a correct name/TIN combination.

The text of the Second "B" Notice is different than that of the First "B" Notice. 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 after receiving the second CP2100 or CP2100A 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.

What should I do if a "B" Notice is returned as "undeliverable?"

You must begin backup withholding. However, try to get the correct address for the payee and email the notice. If you can't find the correct address, keep the undelivered notice with your records.



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After I receive a CP2100 or CP2100A notice, when do I start and stop backup withholding?

You must backup withhold on all reportable payments to the payee 30 business days after you have received the CP2100 or CP2100a Notice. You must stop backup withholding on payments after 30 calendar days after you have received the required certification (Form W-9) from payee or TIN validation form from the SSA or the IRS, if it was a second notification. At your option you may start and stop backup withholding at any time during these 30 day periods.

What are the first and second annual solicitation requirements?

A solicitation is a request for a payee's correct TIN. You must make the request to satisfy the backup withholding requirements and to avoid a penalty for filing another information return with a missing or an incorrect TIN. Payee must furnish certified TIN (first solicitation) on Form W-9 with respect to payments of interest, dividends, and amounts subject to broker reporting. For other payments, the payee may furnish/provide a TIN in any manner.

For missing TINs: For all payees you must make the initial solicitation when the payee opens the account or when the transaction occurs. If the payee does not provide a TIN when you initially ask for it, you must begin backup withholding. In addition to avoid a penalty for filing an incorrect Information Return, you must make a first annual solicitation by December 31 of the year in which the account is opened (for accounts opened before December) or January 31 of the following year (for accounts opened the preceding December). If the payee doesn't provide a TIN after the first annual solicitation, you must make the second annual solicitation by December 31 of the year following the calendar year in which the account was opened.

For incorrect TINs: You must make up to 2 annual solicitations in response to penalty notices on the CP2100 or CP2100A Notice. You must send a B Notice within 15 business days after you receive a CP2100 or CP2100A Notice. If you receive a Penalty Notice but not a CP2100 or CP2100A, your annual solicitation must be made by December 31 of year you received the Penalty Notice. However, if you already sent a B Notice in the calendar year pursuant to a CP2100 or CP2100A Notice, you do not have to send another solicitation in response to the penalty.

Generally, you must make the second annual solicitation within the same time frame as required for the first annual solicitation if IRS notifies you of an incorrect TIN within one of the next calendar years following the calendar year in which you received the first notification.

Does a CP2100 or CP2100A Notice indicate whether it is the first or second notification of an incorrect TIN for a specific account?

No. The backup withholding regulations provide that payers are responsible for tracking the status of the notices they receive.

What is the relationship between the requirement to make an annual solicitation for a payee's TIN and the requirement to send a "B" Notice?

Sending a "B" Notice to a payee in response to a CP2100A or CP2100 Notice also satisfies the annual solicitation requirement to avoid a penalty for filing another information return with an incorrect TIN.

Why are accounts I corrected still on the listing of missing or incorrect TINs?

Due to processing cut-off points, a listing may or may not reflect your latest corrections. If you know that an account was corrected, do not send a "B" Notice to the payee.

What should I do if a TIN was actually on file but it was left off the Form 1099 or reported incorrectly?

Make any required change to your records and use the correct information on future filings. Do not send a "B" Notice to the payee.

What should I do if this is the first notification and the Form W-9 is returned with the same incorrect information?

Keep the Form W-9 on file to show that the payee certified the name/TIN combination. Do not backup withhold.

If I no longer do business with a payee, or if it was a one-time transaction, what should I do with the "B" Notice?

Send it and try to get the correct TIN. If you don't receive the TIN, notate your records so that if you do business again with the payee, you can track the notices for the "two in three year rule." We require that you track these accounts for three years after the date of the first CP2100A or CP2100 Notice. *Note: A "B" Notice is not required if no payments have been made to an account and no return is required for the account for one year.*

Can a sole proprietor have an SSN or does he or she need an EIN?

A sole proprietor may have an SSN or an EIN. However, he or she must always furnish his or her individual name, regardless of whether he or she uses an SSN or an EIN. A sole proprietor may provide a business name, but he or she should list his or her individual name first on the accounts with you.



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Should I backup withhold on a payee who is a nonresident alien?

Yes. A nonresident alien is subject to backup withholding unless you have a signed Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding, or W-8, Certificate of Foreign Status, on file. Nonresident aliens are subject to backup withholding, and identified via Form W-8BEN.

Can a Form W-9 for one account be used to correct all accounts?

Yes, if the payer required a payee to file only one Form W-9 for all accounts or instruments of the payee.

Can a payee be subject to backup withholding for more than one reason?

Yes. However backup withhold for only one reason at a time.

How do I get an EIN?

Complete Form SS-4, Application for Employer Identification Number. Follow "How To Apply" in the instructions for Form SS-4 to obtain an EIN by mail, telephone, or facsimile (FAX).

What form do I use to report backup withholding?

Report backup withholding on Form 945, Annual Return of Withheld Federal Income Tax. For more information, including the deposit requirements for Form 945, see the separate instructions for Form 945, or Circular E, Employer's Tax Guide.

How is a Name/TIN mismatch identified?

A Name/TIN combination is incorrect if it doesn't match or can't be found on IRS or SSA files. An example of a Name/TIN mismatch is when an individual name is submitted with an EIN. Your TIN is not interchangeable with different names. A business EIN must be used for a partnership, corporation, or Limited Liability Company (LLC). A SSN must be used with an individual name. A sole proprietor must use his/her individual name, but may also provide his/her DBA name.

What amount is subject to backup withholding with respect to security sales made through margin accounts?

The amount subject to backup withholding in case of a security sale made through a margin account is limited to the amount of cash available for withdrawal by the customer immediately after the settlement of the sale. The amount available for withdrawal by the customer does not include amounts required to satisfy margin account maintenance. If a margin call forces a customer into a sale of , such proceeds are not subject to backup withholding.

In what manner should a payer treat erroneously withheld tax?

If a payer withholds from a payee in error or withholds more than the correct amount of tax, the payer may refund the amount improperly withheld. The refund must be made prior to the end of the calendar year and prior to the time the payer issues a Form 1099. If the payer has not deposited the amount of the tax prior to the time that the refund is made to the payee, the payer should not deposit the amount of the improperly withheld tax. If the improperly withheld tax has been deposited prior to the time the refund is made to the payee, the payer may adjust any subsequent deposit of tax collected, which the payer is required to make in the amount of the tax which has been refunded to the payee. Payers may use refund alternatives only when backup withholding is the result of an error by the payer. The timely submission of requested TIN information including any verifications and/or certifications by the payee does not establish an error by the payer.

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