

**From the desk of  
Peter S. Muffoletto, C.P.A.**

# **Form 1099 Business Income**

IRS Form 1099 is used to communicate both to the recipient and the taxing authorities the amount of income that was paid to you, or your entity during the year from one, or many payers.

Form 1099 is one of the more important tax forms in the overall tax system in that amounts indicated convey to the IRS, and other tax authorities income earned by you, or your entity during the tax year.

1099's should be issued by companies that you have done business with.

Failure to issue 1099's by a paying entity is subject to substantial penalties by the IRS, and can lead to the disallowance of amounts paid by the payor if the IRS or other taxing authorities find that a paying entity failed to issue the 1099's when appropriate which can lead to substantial tax increases, plus additional penalties for the tax attributable to those deductions then lost, therefore the issuance of the 1099's is highly important to the issuing business.

The IRS and many other state taxing authorities get a copy, and in many cases many municipalities obtain that same information to determine if your business is subject to local city and county taxes.

Each form 1099 is matched to your Social Security Number (SSN), of Federal Identification Number (FEIN).

The IRS, and other taxing authorities then match the cumulative amount of 1099's issued to them relating to your SSN, or FEIN, and if the amount reported on your tax return does not match the amounts on file with the IRS an audit generally follows.

Reporting more income does not trigger a mismatch of income with IRS computers.

The normal deadline for mailing Forms 1099 to taxpayers is January 31.

The issuer has until the end of February to send copies of all Forms 1099 to the IRS and state authorities.

Some payers send forms to taxpayers and the IRS simultaneously, but most take advantage of the 30 day delay.

All 1099's received should be reviewed immediately and compared to your own records for appropriateness.

If the issuer has not transmitted the IRS or state copies, and you find an error, ask the payer to correct 1099.

Also request that the issuer confirm in writing that the erroneous form was corrected. Keep copies of all correspondence as you may need that information later if things go awry as they often do.

If the payer has already sent an incorrect form to the IRS, ask the payer to send a corrected form to both you and the IRS, and any other taxing authority that the erroneous 1099 was issued.

There is a box on Form 1099 that indicates that the corrected 1099 is in fact a corrected copy.

Upon the receipt of the corrected 1099 be sure that box is checked otherwise the IRS will add both 1099's together.

Retain your copies of all 1099's and it is best to keep them with a copy of your income tax return for that year.

If you have a CPA or a paid preparer handle your tax return preparation give a copy to your preparer of all Form 1099's you receive therefore they will have copies to respond to the IRS should there be any sort of assessment or inquiry at a later date.

Not all issuers are tax compliant, or spend the appropriate amount doing so, and may not issue their 1099's until later in the year despite the fact that all 1099's are supposed to be issued no later than January 31.

In some instances when an issuer is audited, the IRS and other taxing authorities will pick up the income that was supposed to be reported to you, and then compare that data to your tax returns. If there is an underreporting on your return, you will most likely be audited, and then have to explain why that occurred. If the amount that is reported is significantly lower the Criminal Investigation Division (CID) of the IRS maybe alerted before you know that you are under investigation.

Stating that you did not receive a 1099 is not a sufficient defense as it is up to you to keep accurate records.

Should you fail to report sufficient income on your return that is reported on all 1099's issued to you, or that should have been received will create a mismatch, and at the minimum an inquiry, and if significant, and audit. Should you underreport your income, you are potentially subject to criminal penalties and indictment, and possible jail sentencing.

It is sufficient to state that is important that you keep accurate income and expense records, and spend the appropriate amount doing so, otherwise the penalties, and potential criminal procedures that are potential should you fail to do so are significant enough that you should be proactive in maintaining your records and reporting your income accurately.

Remember, your government is watching you!  
George Orwell was right, just not how.

---

Our emphasis at Muffoletto & Company is to provide you the proper guidance and understanding of the system so that you avoid taxes to the extent that the law allows.

Should you have questions relating to these matters, tax, financial, and accounting issues, give us a call at (818) 346-2160.

You can also visit us on the web at [www.petemcpa.com](http://www.petemcpa.com)!

---

**We here at Muffoletto & Company believe that the more informed you are in regards to the rules and regulations that affect you the more we can be of service. Should you have questions relating to any tax or financial matters, or if you know of someone that could benefit from our assistance feel free in calling us at (818) 346-2160, or you can visit us on the web at [www.petemcpa.com](http://www.petemcpa.com)!**

**Providing individuals, small businesses, corporations, partnerships, professionals, and other business entities with the necessary guidance and answers for a complex world.**

IMPORTANT NOTICE

The contents of this email and any attachments to it may contain privileged and confidential information from Muffoletto & Company.

This information is only for the viewing or use of the intended recipient. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution or use of, or the taking of any action in reliance upon, the information contained in this e-mail, or any of the attachments to this e-mail, is strictly prohibited and that this e-mail and all of the attachments to this e-mail, if any, must be immediately returned to Muffoletto & Company or destroyed and, in either case, this e-mail and all attachments to this e-mail must be immediately deleted from your computer without making any copies hereof.

If you have received this e-mail in error, please notify Muffoletto & Company by e-mail immediately.

To ensure compliance with Treasury Department regulations, we wish to inform you that, unless expressly stated otherwise in this communication (including any attachments) any tax advice that may be contained in this communication is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or applicable state or local tax law provisions or (ii) promoting, marketing or recommending to another party any tax-related matters addressed herein.

**If you prefer not to remain on our email lists, please let us know. We will remove you as soon as you notify us.**

**You may do so by emailing us at [pete@petemcpa.com](mailto:pete@petemcpa.com)**