



## **1099-MISC Reporting Requirement**

The Form 1099-MISC reporting rules apply to any business (whether a sole proprietorship, partnership, or corporation) that makes a reportable payment for fees, commissions, and other forms of compensation paid for services performed by non-employees in the course of its trade or business. Personal payments are not reportable. A payer is engaged in a trade or business if the payer operates for gain or profit (rental properties are considered trade or business for this purpose).

The basic requirements for reporting are:

- 1.) Payments over \$600 paid for services, rents, prize and awards, other income payments, medical and health care payments, crop insurance proceeds, and/or cash payments for fish, or gross royalty payments of \$10 or more in 2009  
AND
- 2.) Recipient is any unincorporated entity (EXCEPTION: payments to corporations for legal services still need to be reported on Form 1099-MISC).

When the tax identification number is not provided by the service-provider, the payment is subject to Federal backup withholding at 28%. Please see <http://www.irs.gov/govt/fslg/article/0,,id=110339,00.html> for more information. Report backup withholding on Form 945 and file by January 31 of the year following the payment.

A Form W-9 is to be filled out by any independent contractor engaged to provide services. We recommend having this form completed before payments are made to the



service providers. You may go to this link to retrieve a blank form -

<http://www.irs.gov/pub/irs-pdf/fw9.pdf?portlet=3>

In addition to 1099-MISC filing, the state of California still requires notification, on an annual basis, of all independent contractor arrangements. To meet this requirement you **MUST** file Form DE 542 within 20 days of entering into a contract with an independent contractor or making a payment of \$600 or more. This form has to be filled out **EVERY** year and should include any individuals for whom you will be providing a 1099-MISC for 2010.

It is recommended that the “ongoing” box be checked if you cannot determine when the independent contractor will reach the \$600 threshold in 2010. You may go to <http://www.edd.ca.gov/taxrep/de542.pdf> to retrieve a blank form.

Should you have any questions, please contact our office at 858.481.7702

