

## **W-9s, 1099s & 1096s....What Do I Need To Know?**

Every January, your accountant asks the dreaded question -W ho do you need to issue a 1099 to this year? Then ensues a mad rush to gather social security & FEIN numbers, addresses & information about contractors you made payments to in the last year but haven't talked to in at least 6 months. With a little preparation, you can simplify your year-end process and focus your attention on other important things in January....like how to shovel all that snow! So, here's a helpful guide on information to gather throughout the year in order to make your January go a little smoother.

### **What are W-9s, 1099s & 1096s?**

**W-9** – This is an informational form you keep in your files for each of your vendors. It provides you with each vendor's tax id, filing status information, and address.

**1099** – This is an informational form you give to each vendor that has provided services for you – more details below

**1096** – This is a summary form you file with the IRS each year with a copy of the 1099's you sent to your vendors.

### **Form W-9 – Who should fill these out?**

**Simply put – EACH OF YOUR VENDORS!** The W-9 is a simple form requesting their business or individual name, EIN or social security number, their Federal Tax classification (Corporation, LLC, Individual, etc.) and address. You'll use this information at the end of the year to decide who should receive a 1099. Throughout the year, before you make any payments to outside vendors, require them to fill out a W-9. Your vendors will gladly give you the information you need in exchange for getting paid versus at the end of the year when they have already spent your money.

We recommend pulling a vendor report in late November from your accounting software and doing a simple audit of your W-9s to ensure that you have not missed anyone. This is a good time of year to get in touch with any of those vendors who you are missing information to ensure you're not scrambling once January arrives.

### **Who gets a 1099?**

In general, a 1099 is issued in January to vendors who are individuals or partnerships that have performed over \$600 in services for your business in the previous calendar year. You are **not** required to provide a 1099 if the company performing the service is a corporation. Though, with most tax laws, there is one exception to this rule – attorneys.

Some examples include:

- Rent

- Services (including parts & materials)
- Prizes & awards
- Other income payments
- Medical & health care payments
- Attorneys (even if they are incorporated – more info in a moment)

Then there are those unusual categories which probably will not affect you but are worth mentioning:

- Payments for fish (or other aquatic life)
- Crop insurance proceeds.

### **Who gets the 1096?**

A 1096 is the summary form you will file with the IRS in February once you've sent out 1099s to each of your vendors. It includes all of your tax information, the number of 1099s you sent out & the total dollar amount. You'll also attach a red copy of each of each 1099 to the 1096.

### **Year-end...W-9s, 1099s, 1096s – oh my!**

So, now pretend its January 1<sup>st</sup>. You made it through another holiday season & have made your new year's resolutions. You've received the dreaded e-mail or phone call from your accountant asking who needs a 1099 this year...but you're ready! You've got your W-9s neatly filed away (alphabetically of course) & you've pulled your accounting software vendor report showing who you paid money to over the past year. Before you get caught up with how much money that report tells you spent last year, here are some deadlines you should be aware of:

**January 31<sup>st</sup>** – All 1099s must be postmarked to each individual vendor

**February 28<sup>th</sup>** – Your 1096 summarizing your 1099s must be postmarked to the IRS

### **The Big Question – Prepare them myself or hire it out?**

Like most tax paperwork, you can choose to prepare 1099s & 1096s but there are some definite benefits to having the Livesay Group assist you.

- Forms – you only pay for what you need – we complete and provide all the forms you'll need to file . You don't have to buy costly software or extra forms you may not use.
- Guidance – We'll walk you through the process step by step from collecting the information to meeting each of the IRS's deadlines.
- Low Cost – with our new 2012 pricing structure most clients can receive this service for under \$100 (see pricing structure below)
- Peace of Mind – Let us do what we do best so you can focus on what you do best.

### **2012 Pricing Structure:**

For 2012, The Livesay Group will charge a flat fee of \$50 per client plus \$3.50 for each 1099 prepared. For example, the preparation of 10 – 1099s would be \$85 (\$50 + 10 x \$3.50). We've provided a pricing worksheet for you to calculate your preparation cost:

|                               |                   |
|-------------------------------|-------------------|
| _____ (# of 1099s) x \$3.50 = | _____             |
| Add Flat Fee =                | _____ <u>\$50</u> |
| Total Preparation Fee =       | _____             |

**What's my Next Step?**

- Step 1: Contact the Livesay Group to sign up for our 1099 service.
- Step 2: Next, start collecting W-9s from each of your vendors. We recommend having each vendor fill one out prior to remitting payment to them.
- Step 3: To allow time for our staff to complete and return your 1099s and 1096 to you in a timely manner, we suggest the following timeline:

- November 15<sup>th</sup>** – Pull initial vendor report to ensure you have a W-9 on hand for each vendor
- December 15<sup>th</sup>** – Forward your initial report & W-9s to the Livesay Group Staff for review
- January 10<sup>th</sup>** – Forward your final vendor report & an additional W-9s to the Livesay Group Staff for 1099 preparation
- Prior to January 31<sup>st</sup>** – Review & mail the completed 1099s to each vendor
- February 10<sup>th</sup>** – Forward any changes to the 1099s to the Livesay Group
- Prior to February 28<sup>th</sup>** – Sign & mail your 1096 with red copies of your 1099s to the IRS