

# BALL AND TREGER, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL LIMITED LIABILITY PARTNERSHIP

400 WARREN AVENUE • SUITE 430 • BREMERTON, WASHINGTON 98337-1408  
FAX: (360) 377-7089 (360) 479-6868

January 2009

Dear Client:

The enclosed memo sets forth the 2008 Form 1099 reporting requirements. Each business is required to provide 1099 annual information returns to those it has paid by January 31, 2009, and to the Internal Revenue Service by February 28, 2009.

We are available to provide assistance in the completion of these forms. You can fill-in the enclosed worksheet and we will prepare the 1099's for you. If you choose to prepare them yourself, we can supply you with blank forms and answer any questions you may have.

It is important that the 1099's are filed timely and are complete. Each 1099 must have a valid social security or federal identification number. Completed forms must be machine readable.

Please feel free to call if you have questions.



**BALL & TREGER, LLP**  
Certified Public Accountants

Enclosures

INFORMATION REQUIRED FOR 1099-MISC

2008

	Name	Address	Amount Paid	Federal I.D. # or Soc. Sec. #
Janitor				
Transcriber				
Office Rent				
Legal				
Accounting (other than to a corporation)				

\_\_\_\_\_  
Client

\_\_\_\_\_  
Client Federal ID#

\_\_\_\_\_  
Address

\_\_\_\_\_  
Address

\_\_\_\_\_  
Telephone

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## **2008 INFORMATION RETURNS MEMO**

### **FORMS 1096, 1098 AND 1099**

Every business pays for a variety of services during the course of a year. Payments to employees are reported to the Internal Revenue Service on Form W-2. Payments to others: independent contractors, lawyers, accountants, creditors and investors are reported to the Internal Revenue Service on Forms 1099 unless a specific exemption is provided by the IRS. Mortgage interest received by a business is reported on Form 1098.

These reporting requirements allow the Internal Revenue Service to determine whether a taxpayer has reported his total income. These requirements apply to non-profit organizations as well as for-profit entities. Payments for personal expenses are not reportable.

In addition to filing information returns with the Internal Revenue Service, the payor must furnish a statement to each recipient named in the information return. Each statement must include the name, address, telephone number, and identification number of the person filing the return, the payor, the home address and social security or federal identification number of the person receiving the statement, the payee, and the total amount of payments made to the payee. The payee must receive the statement by January 31, 2009. The Internal Revenue Service must receive Copy A of the information return and a Form 1096 transmittal by February 28, 2009. Each information return reflects payments the business made for calendar year 2008, even if the business uses a different fiscal year.

The various forms, requirements, and penalties are discussed below:

### **FORMS**

Form 1099 is used by a business to report amounts paid in certain circumstances. Persons (nominees or middlemen) receiving amounts belonging to another person (e.g. rents received by a real estate firm) should file a Form 1099 showing the actual owner as the recipient and the nominee (themselves) as the payor. The more commonly needed Forms 1099 are described briefly.

### **Form 1099-MISC**

Report for 2007 payments aggregating \$600 or more made in the course of your trade or business for (except where noted below):

1. Rents (Box 1) - Amounts paid for rents such as office rent and machine rental.
2. Royalties (Box 2) - Gross royalty payments of \$10 or more.
3. Other income (Box 3) - Prizes and awards that are not for services rendered and certain wages paid after an employee dies. Prizes and awards for employees must be reported on Form W-2. Prizes and awards for services rendered by non-employees, such as an award for the top commission salesperson, are reported in Box 7.
4. Fishing boat proceeds (Box 5) - Distributions in the form of a share of the catch to each crewmember of a fishing boat having fewer than ten crewmembers. Report all payments, even if less than \$600.
5. Medical and health care payments (Box 6) - Generally applies to payments made by insurance companies and medical assistance programs to health care providers.
6. Non-employee compensation (Box 7)
  - a. Professional service fees, such as fees paid to attorneys (including attorneys' corporations), to accountants, architects, contractors, subcontractors
  - b. Fees paid by one professional to another such as fee-splitting or referral fees
  - c. Payments for services, including payments for parts or materials used to perform the services if supplying the parts or materials was incidental to providing the service
  - d. Payments to repairmen, maintenance companies, stenographers, medical transcriptionists, and payment of directors' fees
7. Gross proceeds paid to an attorney (Box 14) - Report payments made to settle a claim against you if you do not know how much of the payment is retained by the attorney and how much is paid to the plaintiff. Put code "A" after the amount. (Example: \$50,000 A) If the attorney's fee is separately stated, report the amount in Box 7.

### **General Exclusions from Form 1099-MISC**

DO NOT report the following on Form 1099-MISC:

1. Payments to a corporation, except payments to an attorney's corporation or to a medical professional service corporation.

2. Payments to employees, such as Christmas bonuses or reimbursements for travel or car expenses. Report these payments on Form W-2.
3. Wages paid to household employees. Report household employee wages on Form W-2.
4. Payments of bills for merchandise, telegrams, telephone, freight, storage and similar charges.
5. Payments of rent made to real estate agencies.
6. Salaries paid or profits distributed by a partnership to individual partners. Report these amounts on Form 1065.
7. Advances or reimbursements of business expenses of an employee who accounts to his employer for such expenses.

**Form 1099-DIV**

Report cash dividends and other distributions of \$10 or more paid to any person. Also report distributions of \$600 or more in corporate liquidation.

**Form 1099-INT**

Interest of \$10 or more paid to any person by banks, savings and loan associations, mutual savings banks and credit unions.

Interest payments totaling \$600 or more paid in the course of a trade or business must be reported when the recipient is an individual, partnership, trust, or an estate. Payments of interest to a corporation, government agency, or tax-exempt organization are not required to be reported.

**Form 1099-R**

Report any distribution of \$10 or more from a retirement or profit sharing plan, an IRA, SEP, or insurance contract.

**Form 1098**

Form 1098 is used by a business to report mortgage interest received.

Report payments of mortgage interest totaling \$600 or more that were received by you (a) in the course of your trade or business and (b) from an individual. A mortgage is any obligation secured by real property. Report points paid directly to you for purchase of a principal residence.

A Form 1098 is required for interest received by a developer of real property, but not by an investor in real property. A developer is defined as one who has improved property by the addition of roads and utilities, then sells parcels and carries real estate contracts from buyers.

Form 1098 is not required for interest received from a corporation, partnership, trust, estate, association, or company (other than a sole proprietor).

### **Form 1096**

Form 1096 is a transmittal form to the Internal Revenue Service to which Copy A of Form 1099 is attached.

For requirements of other Internal Revenue Service forms, see "Guide to Information Returns" attached to this memo.

### **PENALTIES FOR FAILURE TO FILE INFORMATION RETURNS**

The penalty for failure to timely and properly file an information return is generally \$50 for each failure up to a maximum of \$100,000. For failures due to an intentional disregard of the filing rules, the penalty is at least \$100 per payee statement with no maximum penalty. In addition, failure to furnish the payee with a statement when the Internal Revenue Service has received one will result in a \$50 penalty per statement, \$100,000 maximum.

The information return must be correct and include the payor's and payee's identification numbers. Omission of an identification number will result in a \$50 penalty per return unless reasonable cause can be shown.

If you do not have a payee's identification number, you should request it in writing. If you have requested a number but the payee has not provided one, you are subject to the requirements of backup withholding. You must withhold and remit to the Internal Revenue Service tax equal to 28% of the amount paid to the payee.

If you have any questions, please contact us.



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**Guide to Information Returns** (If any date shown falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.)

Form	Title	What to Report	Amounts to Report	Due Date	
				To IRS	To Recipient (unless indicated otherwise)
1042-S	Foreign Person's U.S. Source Income Subject to Withholding	Income such as interest, dividends, royalties, pensions and annuities, etc., and amounts withheld under Chapter 3. Also, distributions of effectively connected income by publicly traded partnerships or nominees.	See form instructions	March 15	March 15
1098	Mortgage Interest Statement	Mortgage interest (including points) and certain mortgage insurance premiums you received in the course of your trade or business from individuals and reimbursements of overpaid interest.	\$600 or more	February 28*	(To Payer/Borrower) January 31
1098-C	Contributions of Motor Vehicles, Boats, and Airplanes	Information regarding a donated motor vehicle, boat, or airplane.	Gross proceeds of more than \$500	February 28*	(To Donor) 30 days from date of sale or contribution
1098-E	Student Loan Interest Statement	Student loan interest received in the course of your trade or business.	\$600 or more	February 28*	January 31
1098-T	Tuition Statement	Qualified tuition and related expenses, reimbursements or refunds, and scholarships or grants (optional).	See instructions	February 28*	January 31
1099-A	Acquisition or Abandonment of Secured Property	Information about the acquisition or abandonment of property that is security for a debt for which you are the lender.	All amounts	February 28*	(To Borrower) January 31
1099-B	Proceeds From Broker and Barter Exchange Transactions	Sales or redemptions of securities, futures transactions, commodities, and barter exchange transactions.	All amounts	February 28*	January 31**
1099-C	Cancellation of Debt	Cancellation of a debt owed to a financial institution, the Federal Government, a credit union, RTC, FDIC, NCUA, a military department, the U.S. Postal Service, the Postal Rate Commission, or any organization having a significant trade or business of lending money.	\$600 or more	February 28*	January 31
1099-CAP	Changes in Corporate Control and Capital Structure	Information about cash, stock, or other property from an acquisition of control or the substantial change in capital structure of a corporation.	Amounts of stock or property valued at \$100 million or more	February 28*	(To Shareholders) January 31
1099-DIV	Dividends and Distributions	Distributions, such as dividends, capital gain distributions, or nontaxable distributions, that were paid on stock and liquidation distributions.	\$10 or more, except \$600 or more for liquidations	February 28*	January 31**
1099-G	Certain Government Payments	Unemployment compensation, state and local income tax refunds, agricultural payments, and taxable grants.	\$10 or more for refunds and unemployment	February 28*	January 31
1099-H	Health Coverage Tax Credit (HCTC) Advance Payments	Health insurance premiums paid on behalf of certain individuals.	All amounts	February 28*	January 31
1099-INT	Interest Income	Interest income.	\$10 or more (\$600 or more in some cases)	February 28*	January 31**
1099-LTC	Long-Term Care and Accelerated Death Benefits	Payments under a long-term care insurance contract and accelerated death benefits paid under a life insurance contract or by a viatical settlement provider.	All amounts	February 28*	January 31
1099-MISC	(Also, use to report direct sales of \$5,000 or more of consumer goods for resale.)	Rent or royalty payments; prizes and awards that are not for services, such as winnings on TV or radio shows.	\$600 or more, except \$10 or more for royalties	February 28*	January 31**
		Payments to crew members by owners or operators of fishing boats including payments of proceeds from sale of catch.	All amounts		
		Section 409A deferrals and income from nonqualified deferred compensation plans.	All amounts (\$600 or more if deferrals)		
		Payments to a physician, physicians' corporation, or other supplier of health and medical services. Issued mainly by medical assistance programs or health and accident insurance plans.	\$600 or more		
		Payments for services performed for a trade or business by people not treated as its employees. Examples: fees to subcontractors or directors and golden parachute payments.	\$600 or more		
		Fish purchases paid in cash for resale.	\$600 or more		
		Substitute dividends and tax-exempt interest payments reportable by brokers.	\$10 or more		
		Crop insurance proceeds.	\$600 or more		
Gross proceeds paid to attorneys.	\$600 or more				
1099-OID	Original Issue Discount	Original issue discount.	\$10 or more	February 28*	January 31**
1099-PATR	Taxable Distributions Received From Cooperatives	Distributions from cooperatives passed through to their patrons including any domestic production activities deduction and certain pass-through credits.	\$10 or more	February 28*	January 31

\*The due date is March 31 if filed electronically.

\*\*The due date is March 15 for reporting by trustees and middlemen of WHFITs.

**Guide to Information Returns** (Continued)

Form	Title	What to Report	Amounts to Report	Due Date	
				To IRS	To Recipient (unless indicated otherwise)
1099-Q	Payments From Qualified Education Programs (Under Sections 529 and 530)	Earnings from qualified tuition programs and Coverdell ESAs.	All amounts	February 28*	January 31
1099-R	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	Distributions from retirement or profit-sharing plans, any IRA, insurance contracts, and IRA recharacterizations.	\$10 or more	February 28*	January 31
1099-S	Proceeds From Real Estate Transactions	Gross proceeds from the sale or exchange of real estate and certain royalty payments.	Generally, \$600 or more	February 28*	January 31
1099-SA	Distributions From an HSA, Archer MSA, or Medicare Advantage MSA	Distributions from an HSA, Archer MSA, or Medicare Advantage MSA.	All amounts	February 28*	January 31
5471	Information Return of U.S. Person With Respect To Certain Foreign Corporations	U.S. persons who are officers, directors, or shareholders in certain foreign corporations report information as required by sections 6038 and 6046.	See form instructions	Due date of income tax return	None
5472	Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business	Reportable transactions that occur during the tax year of a reporting corporation with a foreign or domestic related party.	See form instructions	Due date of income tax return	None
5498	IRA Contribution Information	Contributions (including rollover contributions) to any individual retirement arrangement (IRA) including a SEP, SIMPLE, and Roth IRA; Roth conversions; IRA recharacterizations; and the fair market value (FMV) of the account.	All amounts	May 31	(To Participant) For FMV/RMD Jan 31; For contributions, May 31
5498-ESA	Coverdell ESA Contribution Information	Contributions (including rollover contributions) to a Coverdell ESA.	All amounts	May 31	April 30
5498-SA	HSA, Archer MSA, or Medicare Advantage MSA Information	Contributions to an HSA (including transfers and rollovers) or Archer MSA and the fair market value of an HSA, Archer MSA, or Medicare Advantage MSA.	All amounts	May 31	(To Participant) May 31
8027	Employer's Annual Information Return of Tip Income and Allocated Tips	Receipts from large food or beverage operations, tips reported by employees, and allocated tips.	See separate instructions	Last day of February*	Allocated tips are shown on Form W-2, due January 31
8300 (IRS/FinCen form)	Report of Cash Payments Over \$10,000 Received in a Trade or Business	Payments in cash (including certain monetary instruments) or foreign currency received in one transaction, or two or more related transactions, in the course of a trade or business. Does not apply to banks and financial institutions filing FinCen Form 104, and casinos that are required to report such transactions on FinCen Form 103 or, generally, to transactions outside the United States.	Over \$10,000	15 days after date of transaction	(To Payer) January 31
8308	Report of a Sale or Exchange of Certain Partnership Interests	Sale or exchange of a partnership interest involving unrealized receivables or inventory items under section 751(a).	(Transaction only)	Generally, attach to Form 1065 or 1065-B	(To Transferor and Transferee) January 31
W-2G	Certain Gambling Winnings	Gambling winnings from horse racing, dog racing, jai alai, lotteries, keno, bingo, slot machines, sweepstakes, wagering pools, poker tournaments, etc.	Generally, \$600 or more; \$1,200 or more from bingo or slot machines; \$1,500 or more from keno	February 28*	January 31
104 (FinCen form)	Currency Transaction Report	Each deposit, withdrawal, exchange of currency, or other payment or transfer by, through, or to financial institutions (other than casinos) or the U.S. Postal Service.	Over \$10,000	15 days after date of transaction	Not required
926	Return by a U.S. Transferor of Property to a Foreign Corporation	Certain transfers of tangible and intangible property to a foreign corporation as required by section 6038B.	See form instructions	Attach to tax return	None
W-2	Wage and Tax Statement	Wages, tips, other compensation; social security, Medicare, withheld income taxes; and advance earned income credit (EIC) payments. Include bonuses, vacation allowances, severance pay, certain moving expense payments, some kinds of travel allowances, and third-party payments of sick pay.	See separate instructions	To SSA Last day of February*	To Recipient January 31
TD F 90-22.1	Report of Foreign Bank and Financial Accounts	Financial interest in or signature or other authority over a foreign bank account, securities account, or other financial account.	Over \$10,000	To Treasury Dept. June 30	To Recipient None

\*The due date is March 31 if filed electronically.