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**Subject: 1099 RULES FOR PEOPLE YOU PAY**

Most organizations pay independent contractors or “freelancers” for various services, including cleaning, maintenance, odd jobs, etc. You are required to report annual payments of \$600 or more to individuals on IRS Form 1099-MISC, “non – employee” compensation box 7. You need not send a 1099 form to corporations (except for incorporated law firms). The 1099-MISC forms should be provided to the independent contractors by February 1, with copies filed with the IRS by March 1. **Non-filing of required 1099 forms can result in penalty assessments.**

**Our recommendations for 2010 are two-fold, as follows:**

- ✓ You should review the “Independent Contractor or Employee” rules at the IRS website of [www.irs.gov/businesses/small](http://www.irs.gov/businesses/small). IRS auditors are increasingly focused on “worker classification” issues in tax audits. If you incorrectly classify an employee as an independent contractor, you could owe substantial back taxes and harsh penalties; and
- ✓ Require every independent contractor to submit a completed W-9 form to you before you pay them the first time. In that way you are assured of collecting the necessary information for preparation of annual 1099-MISC forms.

You can download W-9 forms by clicking on “Forms & Downloads” on our website at [www.accupay.com](http://www.accupay.com).

**Call an AccuPay “CPP/CPA services team” at 885-7600 if you have further questions about 1099 filing requirements.**

PayDay is an email communication of payroll news, legal updates and tax considerations intended to inform clients and colleagues of AccuPay about current payroll issues and planning techniques. You should consult with your CPA or tax advisor before implementing any ideas, comments or planning techniques.