FORM 1099 TAX UPDATE – JANUARY 1, 2017

ADDRESS BLOCK

Form 1099 is an information return required to be reported to the IRS. Every person engaged in a trade or business, including an individual, a partnership and a nonprofit organization, must file information returns for the calendar year if they made certain payments during the year, this includes any Schedule C businesses filed under your personal social security number.

In order to comply with the 2016 IRS requirements for the filing of 1099 Informational Returns we are requesting that our clients compile information for us from their 2016 records. Complete the enclosed forms and mail or fax them to us by **January 15, 2017**. It is imperative that the names and EIN or Social Security numbers are accurate.

We, in turn, will prepare the 1099 forms, and return them to you early enough to meet the January 31st deadline for mailing them to payees.

If you choose to prepare your own returns, we urge you to carefully read the “Package 1099" instructions already furnished to you by the IRS or online at <http://www.irs.gov/pub/irs-pdf/i1099gi.pdf>

A list of instructions is included to assist in the compilation of the 1099 data. We will be happy to provide any additional direction you may need to complete the process.

We must stress the importance of ***accuracy*** and ***timeliness*** in the preparation of these returns in order to **avoid** any IRS **penalties**. IRS penalties begin at $50 per 1099 filed within 30 days from the original due date. If you file the form more than 30 days late but before August 1st, the penalty jumps to $100 per 1099. If you file after August 1 or do not file required information returns, the penalty is $260 per return and continues to increase from there with a maximum penalty of $1,064,000 for small businesses with annual gross receipts of less than $5 million for the three preceding tax years. We do not accept responsibility of any penalties for 1099's not filed if they were not included in your listing or not provided to us in a timely manner.

**Special Information**: Regarding the 1095 filing requirement for health insurance provided to employees, a large employer (employer with more than 50 full time employees) **must** fill out the Form 1094 to report to the IRS and Forms 1095 to report coverage to employees. If you would like more information regarding the new filing requirements, please go online to <http://www.irs.gov/Affordable-Care-Act/Employers/Questions-and-Answers-on-Reporting-of-Offers-of-Health-Insurance-Coverage-by-Employers-Section-6056>

OKONAK CIOCCA & LECHNER, PC

Enclosures

INSTRUCTIONS FOR COMPILING 1099 DATA

**Please note**, these instructions include 1099 items most common to our clients, but do not indicate all types of disbursements that have 1099 requirements. For a complete list of information required to be reported on Form 1099 please refer to the “Package 1099" instructions already furnished to you by the IRS or online at www.irs.gov.

1. Review your vendor files (paid bills) and/or your cash disbursements records for January 1, 2016 through December 31, 2016 for any potential 1099 recipients.
2. Omit corporations as they are exempt (except for attorneys).
3. Payments made totaling $600 or more during the year for services rendered (not products) will require a 1099 MISC.
4. Rent paid to non corporate landlords will require a 1099 MISC for amounts totaling $600 or more. This includes rents paid for real estate, machinery and equipment.

b. Nonemployee compensation ($600 or more), such as fees, commissions and awards paid to a nonemployee for services including professional service fees, such as fees to attorneys (including corporations), accountants and architects.

c. Prizes and awards that were not paid for services rendered.

1. Interest payments of $10 or more paid to non-corporate individuals during the year will require a 1099 INT to be filed.
2. Dividend payments of $10 or more and other distributions made to persons during the year will require a 1099 DIV to be filed.
3. If we prepared 1099's for you last year, we have included a pro-forma of the name, address and identification number of your payees for last year. If there were amounts paid during 2016 to these payees, please indicate the amount and type of payment. Please check the preprinted information and indicate any changes in address, etc. If there are no amounts to report this year for a payee listed on your pro-forma, please put an “X” through the payees name so we know the name was not overlooked.
4. For payees in 2016 that are not on your pro-forma, or if you did not receive a pro-forma, please use the attached Form OCL-1 or a similar list to provide the following:
	1. Payee name
	2. Payee address
	3. Payee Social Security Number or federal identification number. (Whichever is appropriate). For individual (non-corporate) recipients of Form 1099 (including sole proprietors) the correct number is their ***Social Security Number***.
	4. Type of payment, e.g. rent, non-employee compensation, interest, dividends, etc.
	5. Amount paid to them between January 1 and December 31, 2016. Be sure to include your company name on your list. Make copies of Form OCL-1 for additional payees.
5. **Each payee must have an ID number. If you don’t know the ID number you will have to obtain one**.
6. Mail or fax Form OCL-1 and/or the pro-forma to us by **January 15, 2017** to process 1099 Forms by January 31, 2017 for mailing to recipients. We accept no responsibility for penalties for 1099's not filed that were not included in your listing.

**Form OCL-1**

Your Business Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Your Business EIN # \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Your Business Address \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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**ISSUE 1099’S TO THE FOLLOWING:**

Vendor Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Interest

Address: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Rent

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Misc.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

SS# or Fed EIN: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Amount $\_\_\_\_\_\_\_\_\_

Vendor Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Interest

Address: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Rent

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Misc.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

SS# or Fed EIN: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Amount $\_\_\_\_\_\_\_\_\_

Vendor Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Interest

Address: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Rent

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Misc.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

SS# or Fed EIN: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Amount $\_\_\_\_\_\_\_\_\_

Vendor Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Interest

Address: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Rent

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Misc.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

SS# or Fed EIN: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Amount $\_\_\_\_\_\_\_\_\_