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## New IRS Reporting Requirements for Business

Business owners will have to be prepared for a lot more paperwork in filing their tax returns in future. At present, if your business pays more than \$600 a year for services from any service provider, you have to declare it using a Form 1099-MISC. One copy is given to the service provider and another copy must be submitted to the IRS. But starting 2012, business owners will have to do the same thing for the suppliers of goods also.

This entails business owners having to issue dozens or more Forms 1099s to their suppliers. If you are a cell phone dealer, you would have to issue Forms 1099s to your cell phone suppliers, cell phone accessories suppliers, stationery suppliers, computer suppliers and so forth. Currently, all these suppliers of various goods are exempted from the Form 1099 miscellaneous requirements. The details to the new regulation have not been finalized by the IRS yet.

The primary purpose of this new reporting requirement is to close what the IRS calls the 'tax gap', which is the amount of money lost when taxpayers get around the system. Over the next several months, the IRS proposes to get feedback from business owners and interested parties over this matter before the law is officially implemented. What the IRS wants to ensure is that there is no duplicative reporting and that fulfilling the requirement is not too burdensome.

On the other hand, the requirements must achieve the objective of closing the tax gap such that the companies that are gaming the system will be brought out into the open. To facilitate the process, business owners are advised to obtain the Taxpayer Identification Numbers (TIN) of all their suppliers before making payment to them. Upon an audit, you will not get your deductions without a Form 1099. Failure to submit a 1099 is also punishable with a fine.

Another upcoming new requirement has to do with credit cards. Beginning January 1, 2011, the IRS requires all merchant banks to send Forms 1099s to all their retailers to report the total credit card and debit card spending made by their customers for the calendar year. This information is to be sent to the IRS. If a merchant conducts more than \$20,000 worth of credit card sales or has more than 200 card transactions, the credit card issuer would have to report the information to the IRS the next year.

These transaction reports apply only to retail sales and not business to business transactions.