

BROCK, SCHECHTER & POLAKOFF, LLP

Certified Public Accountants • Consultants



726 Exchange Street, Suite 822, Buffalo, NY 14210
716 854 5034 www.bsppca.com

NEW FOR 2011 TAX FILINGS

New question on business returns including Corporations, Partnerships and Schedule C's:

Did you make any payments in 2011 that would require you to file Forms 1099?

If Yes, did you or will you file all required Forms 1099?

These questions must be answered on the return. We will be asking these questions when we prepare your 2011 business returns. Attached is a summary of the Form 1099 requirements.

New Hire Retention Credit

A credit is available for the smaller of \$1,000 or 6.2% of qualified employee's wages paid for 52 consecutive weeks. The qualified employees must be hired after 2/3/10 and before 1/1/11 and work for you for 52 consecutive weeks. The employee will need to complete a Form W-11 Affidavit that he or she has not been employed for more than 40 hours during the 60-day period ending on the date of employment with you. The employee cannot be related to you. We will need the following information:

- 1.) Social Security Number of qualified employee
- 2.) Date of first employment
- 3.) Wages for the first 26 consecutive weeks
- 4.) Wages for the 2nd 26 consecutive weeks

Reminder

Make sure that you have the appropriate documentation to support your deductions for the following:

- 1.) Schedule C
- 2.) Schedule E
- 3.) Auto/Employee Deduction
- 4.) Charitable Deductions
- 5.) Other itemized deductions

If you have any questions or need additional information please call our office 716-854-5034.

Please be advised that, based on current IRS rules and standards, the advice contained herein is not intended to be used for the avoidance of any tax penalty that the IRS should assess related to this matter.

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Information Returns – Forms 1099, 1042-S General Filing Requirements and Information For 2011

The following is presented for informational purposes and is not all-inclusive.

Payments made to Brock, Schechter & Polakoff, LLP are reportable as we are a partnership.

Form 1099s are due to the recipient by **January 31st**.

(Except 1099-B - broker statements, 1099-S - real estate transactions, and 1099-MISC for limited reporting (boxes 8 & 14) are due to the recipient by Feb. 15th.)

Form 1096 (transmittal) and **Forms 1099s** are due to the government by **February 28th**.

Each type of 1099 needs to have a separate 1096 transmittal form. They can be mailed together to the IRS.

1042-S are required to be filed for income paid to foreign persons and are due **March 15th**.

Non-US payers have the same filing requirements for payments made to US persons or entities.

Form W-9 is used to obtain an EIN or SSN that you don't have yet need to prepare a 1099 for payment made during the year.

Penalty provision – Penalties ranging from \$15 to \$100 per return are established for failure to file correct information returns by the due date, failure to furnish correct payee statements and intentional disregard of payee statement requirements.

Income tax withholding – Backup income tax withholding of 28 percent may be required for persons who failed to provide the payor with their identification numbers and in certain other circumstances.

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COMMON PAYMENTS REPORTED ON INFORMATION RETURNS

Generally, payments made to corporations and tax-exempt organizations are not reportable; however, payments to corporations for legal services, and medical and health care payments are reportable on Form 1099-MISC.

Form 1098 (Mortgage Interest Statement)

- Report interest payments received of \$600 or more (if engaged in a trade or business). Individuals holding the mortgage on a former residence are not required to file.
- Report points paid if the points plus mortgage interest is \$600 or more.

Form 1099-INT

Report interest income, for each person to whom you:

- Paid interest of at least \$10,
- Withheld and paid any foreign tax on interest,
- Withheld any federal income tax under the backup withholding rules regardless of the amount of the payment.

Form 1099-DIV

Report dividends and distributions, for each person to whom you have:

- Paid dividends (including capital gain dividends) and other distributions on stock of \$10 or more,
- Withheld and paid any foreign tax on dividends and other distributions on stock,
- Withheld any federal income tax under the backup withholding rules,
- Paid \$600 or more as part of a liquidation.

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Form 1099-MISC

Report miscellaneous income for each person to whom you have in the course of your trade or business:

- Paid at least \$10 in royalties,
- Paid at least \$600 in rents, services (including parts, materials and sales tax), prizes and awards, other income payments, and medical and health care payments,
- Paid attorneys' fees (including a law firm or other provider of legal services) of \$600 or more,
- Withheld any federal income tax under the backup withholding rules regardless of the amount of the payment.
- Also report: If you have made direct sales of at least \$5,000 of consumer products to a buyer for resale other than a permanent retail establishment.

Form 1099-R

Report distributions from pensions, annuities, retirement or profit sharing plans, IRAs, insurance contracts, etc. for each person to whom you have made a designated distribution of:

- \$10 or more including direct rollovers.

Form 1042-S

Report amounts paid to foreign persons for the following (but not limited to):

- Corporate distributions
- Interest
- Rents
- Royalties
- Compensation for independent personal services performed in the US
- Annuities
- Pension distributions and other deferred income