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**INFORMATION RETURNS - ANNUAL REQUIREMENTS**  
**FORMS 1099 / EDD FORM DE542 / COUNTY FORM 571**

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### Form 1099 Reporting Requirements

Taxpayers engaged in a trade or business may be required to file information returns (Form 1099, used for both Federal and State) if they make certain payments via cash or check in the aggregate amount of \$600 or more during the calendar year. Payments made via credit card are excluded. Taxpayers owning rental property may also be required to file the forms. As a general rule of thumb, we recommend that rental property owners file the information returns in accordance with the trade or business rules.

Generally, the types of payments to be reported are:

Dividends; Interest (aggregate payment of \$10 or more) Rents; Commissions; Fees or any other form of compensation not reported on Form W-2; e.g. a computer programmer, a janitor, medical/health care payments (incorporated or not incorporated however, you do not need to report any payments to tax-exempt or facilities operated by the United States, a state, the District of Columbia, or any of their political subdivisions, agencies, or instrumentalities), an attorney (incorporated or not incorporated), accountant or bookkeeper, a consultant, or an independent contractor.

The information returns are generally required only if the payments were made via cash or check to a non-corporate person/business that has provided a service in connection with your business. Please note that all cash or check payments made for attorney fees, corporate or non-corporate, are required to be reported. If you are unsure of a particular payment, please ask us for clarification.

If you are required to file an information return, a copy of the return must be furnished to the person receiving payment for services on or before January 31. The returns must generally be filed with the IRS on or before February 28.

To prepare Form 1099, the following information is necessary:

- 1) Name and address of recipient.
- 2) Identifying number; i.e. Social Security or Federal Identification number.
- 3) Total amounts of payments during the calendar year.
- 4) Type of payment(s).

If, in the course of your trade or business, you received (not paid) mortgage interest from an individual amounting to \$600 or more, you are required to file Form 1098 reporting this amount. The reporting deadlines are the same as Form 1099's above.

If you fail to file information returns or furnish a copy to the recipient by the due date, you may be subject to IRS penalties for each failure. There could be more penalties for failure to file correct information on a return or for failure to furnish correct information to the payee. There could be more substantial penalties where the IRS asserts “intentional disregard” which could include repeated failure to file in a timely manner. The State of California imposes similar penalties.

If you meet the above requirements and are required to file Forms 1099, you must obtain the correct identification number of the person paid by you. We can assist you with preparing the information returns along with the necessary transmittal forms. If you so request, we would appreciate having all necessary data in our office by January 20. Please let us know if you have any questions. If you would like to use the attached template you can complete this and fax or email to us.

#### Form DE 542 - Additional Reporting Requirements for Each Independent Contractor

You are required to file form DE 542 with the Employment Development Department within 20 days of making payments or entering into contract for \$600 or more within that calendar year. If you have an independent contractor that provides services for more than one year, Form DE 542 must be filed for each year. Please contact us or your payroll company for more information on these filing requirements or for any needed forms. A penalty per form or more may be assessed for failure to comply with this requirement.

#### Form 571 - Reporting Requirements for Business Personal Property

You may be required to file Business Personal Property Statement Form 571 to report property used in a trade business (other than real estate and automobiles/equipment registered with the DMV) with the county that the property is held in. The county may assess penalties of 10% or more of the unpaid tax, plus interest if you do not file Form 571 by the due date. The reporting requirements and due date is determined separately by each county, so if you would like us to assist you in preparing this form, please let us know as soon as possible.

If you have any questions please check with us. Thank you.



