



PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

Tip of the Month for December 2016

Over the past few years there has been an increase in the amount of fraudulent returns filed with the IRS. The IRS has implemented several changes to help combat fraud. One change that might impact you or your business is the filing deadline for Forms W-2 and Forms 1099.

Starting in 2017, with the filing of the 2016 calendar year forms, Forms W-2 will now be due to the employees AND the Social Security Administration on January 31st (paper and electronic filers alike). In prior years, the due date to the Social Security Administration has been February 28th for paper filers and March 31st for electronic filers.

Similarly, Forms 1099-MISC, reporting nonemployee compensation in Box 7, will also be due to the IRS by January 31. Forms 1099-MISC that do not have amounts listed as nonemployee compensation will still be due to the IRS on February 28th for paper filers and March 31st for electronic filers.

In order to ensure that your Forms 1099-MISC are prepared timely, please ensure that you have obtained Forms W-9 for all vendors you pay for services greater than \$600 in the calendar year. It is best practice to obtain the W-9 from a vendor before paying them their first check. A copy can be found at www.irs.gov. Backup withholding is required for vendors who do not provide the requested information on the form. Obtaining the W-9 before payment ensures that you are aware if backup withholding should be withheld and eases record keeping burdens at end of year.

Penalties can be assessed for not filling the required Forms W-2 or 1099 or for filing Forms with incomplete information.

- \$50 per information return if you correctly file within 30 days maximum penalty \$532,000 per year (\$186,000 for small businesses)
- \$100 per information return if you correctly file more than 30 days after the due date but by August 1; maximum penalty \$1,596,500 per year (\$532,000 for small businesses)
- \$260 per information return if you file after August 1 or you do not file required information returns; maximum penalty \$3,193,000 per year (\$1,064,000 for small businesses)
- \$530 per information return if you do not file the required information return at all; no maximum limitations apply

If you have any questions, please feel free to contact our office any time.

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