

# **Do you Need to file 1099's for 2008?**

If an individual doing business as a sole-proprietor or partnership provides **your business tax deductible services**, you must report what you pay to that individual or partnership to the Internal Revenue Service. Examples of services are: secretarial services, contract labor, delivery service etc. You must also submit 1099's for people your business pays rent and interest to. **Please note that a Limited Liability Company (LLC) is not necessarily a corporation.**

If you paid someone \$600 or more during 2008 you are required to report this compensation on Form 1099-Misc. This form must be sent to the recipient by February 2, 2009 and to the Internal Revenue Service by March 2, 2009. Additional information required is a social security number or Employer Identification Number and the address of the recipient. If the recipient refuses to provide this information you must withhold 28% income tax on future payments to that individual.

**All payments to attorneys for services must be reported on Form 1099 whether the attorney is incorporated or not.**

If you do not report this information your deduction may be disallowed if you are audited. You are also subject to penalties for failure to file forms 1099.

## **Do you owe the Nanny Tax?**

If you paid a household employee (Nanny, maid, caretaker or gardener) \$1,600 or more during 2008 you are required to report this income on form W2 due February 2, 2009 and pay payroll taxes on your federal income tax return due April 15, 2009. You might also be required to file state unemployment tax returns.

## **Do you have Employees or are they Independent Contractors?**

Many people believe that the individuals that do work for them are independent contractors who are not subject to payroll tax withholding. The IRS has taken a very aggressive position relating to employees that are treated as independent contractors. If your workers are found to be employees you could be subject to substantial penalties on top of all taxes that should have been withheld. Please contact me if you have any questions about whether someone is an employee or independent contractor.

**Please contact your tax preparer if you need to take action on any of these issues or if you have any questions.**