

“IRS audits are down!”

You may have seen headlines like the one above, but **don't be fooled**. In recent years, the IRS has been aggressively increasing its audits of **employment taxes** and **1099 compliance** of small businesses.

Over a 3-year period, the IRS audited 7,200 taxpayers for 1099 compliance. Of those audited, 74% of them were assessed backup withholding tax with interest and penalties.

Why should I care? — Penalties!

You could be subjected to a penalty of **\$1,080 per 1099** not filed if you intentionally disregarded the filing requirement and did not file the 1099s.

So, if ten 1099s were required but not filed, you could be subjected to penalties of **\$10,800!! OUCH!!!**

You could also be required to pay back-up withholding of 24% of payments made to a vendor, i.e. you owe the vendor \$1,000.00, you withhold \$240.00 and send it to the IRS. Backup withholding and remittance of the withheld tax requires another tax form and our assistance, so save yourself some money and make sure you get the W-9 from the vendor and file the required Form 1099s.

How is this being enforced?

Two questions on your tax return must be answered or your income tax return cannot be filed.

- ⇒ Did the corporation make any payments in (year) that would require it to file Form(s) 1099?
- ⇒ If “yes,” did or will the corporation file required Forms 1099?

By responding to these questions, you are indicating (under penalty of perjury) that your tax return is accurate and complete – including your answers to the above 1099 questions. The IRS is using these questions to classify the failure to file as “intentional disregard” and are assessing the highest level of penalties or \$1,080 per 1099.



Just think how easy it is for computer data matching to identify businesses that are not in compliance. There will probably be a LOT more computer-generated correspondence audits.

When do I need to file a 1099?

A Form 1099 is required for each payment to a non-corporate entity or person of \$ 600.00 or more during the year for:

- ◆ Rents
- ◆ Services performed by someone who is not your employee
- ◆ Prizes and awards
- ◆ Other income payments
- ◆ Medical and health care payments
- ◆ Crop insurance proceeds
- ◆ Payments to an attorney

In addition, Form 1099-MISC is required if you made direct sales of at least \$5,000 of consumer products to a buyer for resale anywhere other than a permanent retail establishment.

** There are other transactions which require the filing of 1099s but these are the ones we felt were most pertinent to our clients. **

Rule of Thumb

Not filing a 1099 can cause you a lot of headaches and \$\$\$.

However, filing one even when it isn't required doesn't cause anyone headaches or \$\$\$ other than the cost of compliance.

So the rule of thumb is:

When in doubt—file.

You can never be penalized for filing too many 1099s, just not enough.

Begin now to manage your risk

The best way to manage your risk of 1099 compliance and Backup Withholding Tax is by requiring any individual you pay to **submit a Form W-9 to you before you pay them.**

The image shows a Form W-9 with two red circles. One circle highlights the title 'Request for Taxpayer Identification Number and Certification'. The other circle highlights the 'Social Security Number' field in the TIN section.

Form W-9 is an IRS form that vendor's provide to you which includes their business name, tax ID #, address and information related to the type of tax return they file. If a vendor refuses to provide this information you are required to "backup withhold" taxes from your payment to them if they do not provide a Form W-9 to you.

A potential bonus to W-9/1099 compliance is it may assist you in state Workers Compensation and Unemployment Insurance audits also.

Creating a best practices procedure for paying vendors can

go a long way in reducing your risk of being the subject of these types of audits as well as providing the necessary documentation support in case you're are involved in an audit.

Attached is a Form W-9 for Elev8 Financial Group LLC which we encourage you to keep in your files, to assist you in your 1099 compliance.

More penalties?? How about your having to pay the taxes which were supposed to have been withheld, plus late filing/payment penalties?

ANOTHER OUCH!!!

If in doubt, fill it out. If in doubt, send it out. ON TIME!!

Looking ahead with Elev8 Financial Group

Along with our company's re-branding as of January 1, 2018, we will be introducing a number of changes and innovations to improve our clients' experience, for their personal and business needs.

Projects we will be implementing and topics we will be addressing throughout 2018:

— Changing Managed Solutions Plan (“MSP”) pricing and options

We aim to provide only those services our clients need at an affordable fixed monthly rate.

— Video Tutorials

We will be offering training materials to help with software (e.g. QBO) and processes that tend to cause pain points with our clients. These will be made in-house and tailored to our clients' needs.

— Upcoming newsletter: “Paying your children”

What are the key points to consider when preparing to provide funds to your children?

— 2018 Tax Planning

What are the changes in 2018 income tax filing and how do they affect your individual and business reporting?



Elev8 Financial Group — Our Goals

- * Determine what will provide the most value to our clients, and make it affordable.
- * Offer personalized services which enhance our clients' personal and business goals.
- * Listen and react to clients' needs and strive to continually improve their experience.

Request for Taxpayer Identification Number and Certification

**Give Form to the
requester. Do not
send to the IRS.**

▶ Go to www.irs.gov/FormW9 for instructions and the latest information.

Print or type.
See Specific Instructions on page 3.

1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank. Elev8 Financial Group	
2 Business name/disregarded entity name, if different from above	
3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only one of the following seven boxes. <input type="checkbox"/> Individual/sole proprietor or single-member LLC <input type="checkbox"/> C Corporation <input checked="" type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ▶ _____ Note: Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is not disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner. <input type="checkbox"/> Other (see instructions) ▶ _____	4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3): Exempt payee code (if any) _____ Exemption from FATCA reporting code (if any) _____ <i>(Applies to accounts maintained outside the U.S.)</i>
5 Address (number, street, and apt. or suite no.) See instructions. PO Box 5005	Requester's name and address (optional)
6 City, state, and ZIP code Bozeman, MT 59717	
7 List account number(s) here (optional)	

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

Note: If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number										
or										
Employer identification number										
8	2		-	1	8	4	9	3	7	7

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

Sign Here	Signature of U.S. person ▶	Date ▶ 6/1/18
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General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/FormW9.

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following.

- Form 1099-INT (interest earned or paid)

- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding, later.