

# Rental Property Owners must issue 1099's for certain 2011 expenses

Part of the recently passed Health Care Act contains a provision which will require rental property owners to start issuing 1099 forms for certain goods and services claimed as rental expenses. Starting in 2011, if an owner pays more than \$ 600 per year to a single contractor or service provider the recipient (and the IRS) must be sent a properly completed 1099 form or the deduction may be disallowed.

The \$ 600 threshold is the total paid to a recipient during the year for all properties, not single payments or individual properties. For example, if you own four properties and pay someone \$ 400 to paint each one you must issue a 1099 for \$ 1,600 or each of the \$ 400 deductions may be disallowed. Property managers, plumbers, electricians, roofers, exterminators and yes, even accountants are among those who must be issued a form if you pay them more than \$ 600 a year and claim the expense on Schedule E.

To properly complete a 1099 form you must have the recipient's legal name (not just their "doing business as" name), a valid address and their tax ID number (either Federal ID number if they are a business or Social Security Number if they are a proprietor). Up until now businesses only had to issue 1099's to recipients who are not incorporated but the law which now applies to rental property owners pertains to all recipients.

1099 forms must be issued in January 2012 for payments made during 2011. The time to gather the necessary information is before you make payments in excess of \$ 600 to a recipient. The best way to ensure that you get the proper information is to have the recipient complete Form W-9 (available free at <http://www.irs.gov/pub/irs-pdf/fw9.pdf>) and return it to you before you start paying them. If the recipient is unwilling to provide the required information you may legitimately withhold a percentage of their payment as "backup withholding" and report it on Form 1099 with as much other information as you have. They must then file that form to get credit for the money you withheld.

If the IRS determines that 1099's were not filed as required not only could your expenses be disallowed but you may also be subject to penalties for missing forms or forms with incorrect information

We will be happy to assist you in the preparation of the required forms. At the end of the year you should remit to us all the necessary information: NAME, ADDRESS, SOCIAL SECURITY OR FEDERAL ID NUMBER AND THE TOTAL AMOUNT PAID.