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Dec. 06, 2017

Generally, businesses understand the basic ins and outs of tax reporting, or they wouldn't still be in business(!) But your organization might not be aware of the many different facets of reporting requirements for traditional versus contract employees. Attention to detail is key: everything from basic data entry to varying deadlines can mean a lot when it comes to avoiding fines at the end of the season.

Last year, a change was made mandating that businesses send W-2 and 1099-MISC forms to the federal government on or before January 31, regardless of method (paper or e-file). This change meant moving the deadline up months for many filers, and will again require more work in less time for tax year 2017. As states begin requiring earlier filing to match the federal calendar, it can mean a tighter turnaround time to get W-2 and 1099 forms out to employees and the SSA/IRS by Jan. 31, 2018.

First and foremost, businesses should be asking: *"who receives a 1099-MISC and who receives a W-2?"* A W-2 is the form employers use to report annual pay and withholding information. The filing deadline for employers to mail the 2017 Form W-2 to employees is January 31, 2018. Employees will receive four copies of this form to report federal, state and local income, and maintain a copy for their records. It is suggested that taxpayers hold on to W-2 forms for a minimum of three years to ensure proper documentation if needed.

There are a variety of 1099 forms that account for other sources of income. Issuers must mail out these 2017 forms to recipients by January 31, 2018. The most common form, Form 1099-MISC, must be provided to the non-employee and submitted to the

IRS for everyone to whom you paid at least \$600 or more during the tax year. It is

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fine doubles to \$60 for each W-2, with a \$500,000 yearly maximum. If the business does not file at all or files later than August 1, it increases to \$100 for each W-2, with a yearly maximum of \$1,500,000.

- A small business is defined as average gross receipts no greater than \$5 million for the three previous tax years. The maximum annual penalty for a small business for filing less than one month late is \$75,000. The small business maximum for filing late but by August 1 is \$200,000; after August 1, it is \$500,000 per year.
- Employers must deliver W-2s to employees by the last day of January. If statements are late or incorrect, employers will incur the same penalties as for late or incorrect forms.
- Using paper if your business is required to e-file or filing illegible forms to the SSA may result in a fine.

In addition to W-2 penalties, there are fines in place if a business files Form 1099-MISC late or not at all. These fines include:

- \$50 per Form 1099-MISC if late for 30 days or less
- The penalty increases to \$100 per form if late more than 30 days
- If you know you will not file on time, businesses can acquire a 30-day extension to file 1099s by filing IRS Form 8809: Extension of Time to File Information Returns. The form must be filed by February 28 and the extension is not granted automatically.

As a business owner, it is vital to also think about those you employ, whether they are contract or traditional employees. If you are late sending out W-2 and 1099-MISC forms, or forget to file, you are leaving individuals upset and potentially unable to file their own taxes. These setbacks could lead to additional headaches for you and your human resources department, and take away from precious work hours if employees are dissatisfied with your process.

The bottom line: your business could lose money needlessly if you do not adhere to

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