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returns and failure to provide correct payee statements for information returns filed after December 31, 2015, with maximum penalties on small businesses increasing from ...

Dec. 11, 2015

A large, red, rectangular stamp with a thick border. Inside the border, the word "PENALTY" is written in a bold, serif, all-caps font. The stamp has a slightly distressed or ink-like texture.

As the year winds down, it is time to start thinking about recent tax reporting changes and how they can affect your business. This year, mistakes can be costlier than ever if you are not prepared.

This summer, the [IRS increased penalties](#) for failure to file correct information returns and failure to provide correct payee statements for information returns filed after December 31, 2015, with maximum penalties on small businesses **increasing from \$500,000 to \$1 million**. These changes apply to 1099, W-2 and 1095 filings.

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There are a variety of **1099** forms that account for other sources of income. Issuers must mail out these 2015 forms to recipients by February 1, 2016. However, 1099 forms do not have to be issued to the IRS until February 29, allowing businesses to catch potential mistakes and correct them. This is also true for W-2s, although they are issued to the Social Security Administration rather than the IRS.

New for reporting year 2015 as part of the Affordable Care Act (ACA), employers and insurers are also expected to be compliant with [ACA reporting requirements](#), including filing Form 1095, which must also be issued to recipients by February 1, 2016. Filing each of these forms properly is important so businesses do not spend it on costly, unnecessary fines.

The penalties (Section 6721) are revised as follows:

- \$50 per information return if you correctly file within 30 days (by March 30 if the due date is February 28); maximum penalty \$500,000 per year (\$175,000 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 \$1,500,000 per year (\$500,000 for small businesses).
- \$250 per information return if you file after August 1 or you do not file required information returns; maximum penalty \$3,000,000 per year (**\$1,000,000 for small businesses**).

“Businesses work hard year-round for their money, and we at Greatland are here to help them avoid preventable penalties and fines,” said Bob Nault, Greatland’s CEO. “Our experts and software products are ready to help businesses meet deadlines, answer questions, file data accurately and stay current with year-over-year changes.”

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