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Renee Poirier • Nov. 17, 2017

IRS Increases Penalties for Income Tax Preparers

By Renee Poirer

All in an effort to minimize filing fraudsters, the IRS has accelerated major information form filing. And to drive home their emphasis, the IRS has drastically increased preparer penalties.

Examples of affected forms include: Forms 1099, 1098, W-2, W-3 and W-2G.

The amount of the penalty is based on when you file the correct information return or furnish the correct payee statement. The penalty for not filing a correct information return is separate from the penalty for not providing the correct payee statement. For example, if you don't file a correct Form 1099-MISC with the IRS and don't provide a correct Form 1099-MISC statement to the payee, you may be subject to two separate penalties.

The Rules

Pre-2016:

In the old days (pre-2016), to avoid a penalty, businesses, including tax-exempt and government entities, had to send Copy A of Forms 1098, 1099, W-2G and other information returns to the Internal Revenue Service with transmittal Form 1096 by:

- The last day of February of the following year if filing by paper; or
- March 31 if filing electronically.

Employers were also required to send Copy A of Form W-2 to the Social Security

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- Employers must send Copy A of Forms W-2 and W-3 to the Social Security Administration by January 31 of the following year for both paper and electronic forms.
- Employers must furnish Copy B and any other applicable copies of information returns to the employee by January 31 of the following year.
- Businesses, including tax-exempt and government entities, must send Copy A of Form 1099-MISC to the IRS by:
 - o January 31 of the following year when you're reporting nonemployee compensation payments in Box 7
 - o February 28 if filing by paper when you're **NOT** reporting nonemployee compensation in Box 7; or
 - o March 31 if filing electronically when you're **NOT** reporting nonemployee compensation in Box 7.

The Penalties

The penalty rates and maximums for not filing correct information returns and/or not furnishing correct payee statements, including inflationary adjustments if applicable, are reflected in the following table (* – as adjusted for inflation):

Government Entities and Large Businesses with Gross Receipts of More Than \$5 Million

Time returns filed/furnished	Returns due 01-01- 2011 thru 12-31- 2015	Returns due 01-01- 16 thru 12-31-2016	Returns due 01-01- 17 thru 12-31-2017
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After August 1 or Not At All	\$100 per return/ \$1,500,000 maximum	\$260* per return/ \$3,178,500* maximum	\$260 per return/ \$3,193,000* maximum
Intentional Disregard	\$250 per return/ No limitation	\$520* per return/ No limitation	\$530* per return/ No limitation

Small Businesses with Gross Receipts \$5 Million or Less

Time returns filed/furnished	Returns due 01-01- 2011 thru 12-31- 2015	Returns due 01-01- 16 thru 12-31-2016	Returns due 01-01- 17 thru 12-31-2017
Not more than 30 days late (by March 30 if the due date is February 28)	\$30 per return/ \$75,000 maximum	\$50 per return/ \$185,000* maximum	\$50 per return/ \$186,000* maximum
31 days late – August 1	\$60 per return/ \$200,000 maximum	\$100 per return/ \$529,500* maximum	\$100 per return/ \$532,000* maximum
After August 1 or Not At All	\$100 per return/ \$500,000 maximum	\$260* per return/ \$1,059,500* maximum	\$260 per return/ \$1,064,000* maximum
Intentional	\$250 per return/	\$520* per return/	\$530* per return/

Disregard

No limitation

No limitation

No limitation

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- Don't file paper forms that are machine-readable.

Penalties for not providing correct payee statements (Code Section 6722) may apply if:

- You don't provide a correct payee statement by the applicable date and a reasonable cause isn't shown;
- All required information isn't shown on the statement; or
- Incorrect information is included on the statement.

To the Rescue

Online information form filing services are now helping preparers file on time and more accurately.

Your secure online account can be set up anytime in advance of the filing season. All payer and payee/recipient forms and information are saved securely year over year for easy access and updates. Filing data may be uploaded and exported in bulk and many providers offer concierge services to handle large-volume filers with ease. Regular email correspondence reminding preparers when to file, where in the process their filings are and any notices of any issues with their filings (such as inaccurate TIN) can be very helpful to ensure timely and accurate preparation. To learn more about online filing services, visit www.eagleviewfiling.com.

Renee Poirier is product manager, Eagle View Filing Solutions, a division of Tenenz, Inc., in Minneapolis, Minnesota. Visit www.eagleviewfiling.com for more information about online filing 1099s and W-2s.

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<http://cib.ca/2y3Wm1S>

Estate and Gift Tax Limits for 2018. Forbes Tax.

<http://bit.ly/2yRh0l6>

6 Tips to Prepare Your Firm for Tax Season. Wolters Kluwer Tax Blog.

<http://bit.ly/2xnx0HO>

Form 433-A Due Diligence Checklist. Canopy Tax Blog.

<http://bit.ly/2yMaB8R>

Latest Tax News:

Standard Deductions and Exemptions Increase for 2018. More than 50 IRS income tax provisions are being adjusted for inflation in 2018, including the tax rate schedules and other tax changes.

www.cpapracticeadvisor.com/12375788

Chicago Repeals New Soda Tax. The Board of Commissioners voted in mid-October to repeal the controversial penny-an-ounce tax on sweetened beverages.

www.cpapracticeadvisor.com/12374442

2018 Retirement Plan Dollar Limits. The IRS has announced the 2018 cost-of-living adjustments (COLAs) with respect to retirement plan limits.

www.cpapracticeadvisor.com/12375787

70% of Tax Pros Expect Tax Reform in Next 6 Months. The survey also found that most concerning to international tax professionals was the potential increase in

disclosure, reporting and transparency requirements.

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