

Rental Property Owners Must Issue 1099s

Beginning with payments made in 2011, landlords are required to file information returns (Form 1099) to report aggregate payments of \$600 or more made to unincorporated businesses for services they provide in connection with the rental properties. Some examples of service providers are plumbers, electricians, lawn care providers, carpenters, painters, accountants, etc.

There are three easy steps you can take to ensure you are in compliance with the new reporting requirements:

Step 1: The first step in the reporting process is to obtain the service provider's federal identification number. This will be the employer identification number for businesses or the social security number for individuals. Each service provider should provide the landlord with a completed Form W-9, *Request for Taxpayer Identification Number and Certification*. This form does not need to be filed with the IRS but should be retained by the landlord. We have included a Form W-9 in this package. You can make as many copies of this form as necessary or you can download a copy of this form by visiting our website, www.pgco.com, click on the **News** tab, click on the form, print and provide it to each service provider. We suggest that payments not be made until the completed form is received. If these forms are not received, the landlord may be subject to IRS penalties for not filing a complete Form 1099 and may be required to reduce the payment by backup withholdings that will be forwarded to the IRS.

Step 2: Keep records of all payments made to each service provider during 2011.

Step 3: Prepare a Form 1099-MISC for each service provider to which you paid an aggregate amount of \$600 or more in 2011. One copy of the form will be mailed to each service provider by January 31, 2012, one copy will be filed with the IRS by February 28, 2012, and one copy will be retained by the landlord. We have the ability to prepare these forms for you. As an alternative, you can order them online from the IRS at no charge or purchase the forms at an office supply store.

Are there any exceptions? The law provides exemptions for taxpayers who receive rental income below a certain threshold as well as taxpayers who would suffer a hardship in complying with the reporting requirement. The IRS has not yet issued regulatory guidance. We will keep you posted as additional information becomes available.

Should I do anything else? Yes. If you own the real estate in your own name, or if it is held by a single member limited liability company, we suggest that you apply online for an employer identification number. The Form 1099 will require you to disclose your identification number. If you do not have an employer number, you will be disclosing your social security number. Due to the increasing incidents of identity theft, we suggest not using your social security number on Form 1099. The website to apply for your employer number is <http://www.irs.gov/>. On the lower left, there is a section for on-line services. Click on "apply for an employer identification number on-line." At the bottom of the page, click "apply online now." On the bottom of the page, click "begin application." Have a completed Form SS-4 in front of you before starting the online application process so your online time is reduced. Be sure to print the page that assigns your employer identification number. Enclosed is Form SS-4, *Application for Employer Identification Number*. If you need assistance with applying for an employer identification number, please feel free to contact us.