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Hidden Costs of 1099 Non-Compliance *Making Compliance Easy for Business Owners*

San Jose, Calif. – May 9, 2012 – This tax season was marked by increased IRS scrutiny of 1099 compliance, according to Abbott, Stringham & Lynch Tax Manager Jonathan Laddy, and it is “a trend likely to continue.” Laddy says, “The hidden costs of non-compliance can be significant, but there are steps your company can take now to reduce your risk.” [Video News Release: Hidden Costs of 1099 Non-Compliance.](#)

“For example,” says Laddy, “if you made 10 payments of \$5,000 to a vendor over the course of the year and neglected to issue a 1099, an IRS or other government agency audit may result in your tax deduction being disallowed. At a 40% tax rate, that can have a \$20,000 impact on your business.”

Laddy says there are three ways that companies can enhance their approach to compliance:

- 1) “Make 1099 compliance an easy and automated process. There are accounting systems on the market that are affordable, even for small businesses, which will automatically generate 1099s. For example, QuickBooks is available for a cost around \$200. I recommend you implement such a system if you don’t have one.
- 2) “Collect W9s from all of your vendors before you pay them. The W9 gives you all the information needed for your accounting system to generate a 1099.
- 3) “Make it internal policy and procedure to update vendor information on a regular basis as it is identified. For example, address changes should be updated to not only ensure payments are delivered, but also to ensure the 1099s you produce are accurate. If a vendor changes its name, entity type, or ID numbers, a new 1099 should be requested.”

The regulatory environment is moving towards requiring 1099s for all vendors, according to Laddy. “We recommend you get ahead of the game and issue 1099s to all of your vendors. This helps you avoid missing a vendor who was required to have one.” Laddy says there is no penalty for issuing an unnecessary 1099, but “failing to issue a necessary 1099 can cost your company a lot.”

About Abbott, Stringham & Lynch (ASL)

Abbott, Stringham & Lynch (ASL), founded in 1977, is one of the leading local CPA firms in the Silicon Valley. ASL provides emerging and mid-market private companies and their executives with accounting and audit, tax, estate and wealth planning, and consulting services. ASL's clients include construction, technology, and real estate businesses among others. ASL is a member of PKF North America, a network of independent CPA firms.

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