

### APPENDIX 3T

#### Preparation Checklist for Forms 1099-MISC and 1096

Company: \_\_\_\_\_ Period: \_\_\_\_\_

Completed by: \_\_\_\_\_ Date: \_\_\_\_\_

Reviewed by: \_\_\_\_\_ Date: \_\_\_\_\_

**Instructions:** This checklist provides guidance for preparing and reviewing Form 1099-MISC (*Miscellaneous Income*) and Form 1096. The accountant should answer each question by checking Yes, No, or N/A (not applicable). “No” answers indicate possible errors in completing the Form 1099-MISC and Form 1096. Any additional steps performed or unusual matters noted while completing Form 1099-MISC and Form 1096 should be documented in the client’s file.

**Note:** This Checklist applies to the 2018 Form 1099-MISC and 1096. The checklist for the 2019 Form 1099-MISC and 1096 will be posted on the Thomson Reuters Tax & Accounting Customer Help Center website at <http://thomsonreuterstaxsupport.force.com> when it becomes available in late 2019.

PROCEDURE	Yes	No	N/A
<b>General Information</b>			
1. Are the Forms 1099-MISC:			
a. Entered legibly in black ink? (Typed or machine printed entries are recommended.)			
b. On current, official IRS forms or using current, substitute statements that comply with Publication 1179? <sup>a</sup>			
c. Submitted on 8- by 11-inch sheets?			
d. Without tractor-feed pin holes, staples, tears, or tape?			
e. Without erasures, whiteouts, or strikeovers?			
f. In a nonscript type?			
g. Without dollar signs, commas, or other special characters in money amount boxes? (Do not enter “0” or “none” in money amount boxes when no entry is required.)			
h. Without apostrophes (’), asterisks (*), or other special characters on the payee name line.			
i. With decimals and cents for all amounts?			
j. Without number signs (#)?			
k. In a manner that all copies of the form are legible?			
l. Has the business made only one entry in each box?			
2. For substitute 1099-MISC forms, are the tax year, form number, and form name prominently displayed together on the statement and do they comply with the rules in Publication 1179, “General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498 and Certain Other Information Returns.” Also, have appropriate instructions to the recipient been provided?			

PROCEDURE	Yes	No	N/A
3. Has the business withheld backup withholding or obtained a Form W-9 from each qualified payee?			
4. Has the business prepared Form 1099-MISC for each of the other owners for any Form 1099-MISC that it received as a nominee or middleman?			
5. Has the business filed Forms 1099-MISC for any absorbed corporation?			
<b>Electronic Filing</b>			
6. If 250 or more Forms 1099-MISC are being filed:			
a. Do the electronic filings meet IRS specifications?			
b. For initial electronic filings, has Form 4419 ( <i>Application for Filing Information Returns Electronically</i> ) been filed 30 days before the returns are due? <sup>b</sup>			
c. For filings not done electronically, has Form 8508 [ <i>Request for Waiver From Filing Information Returns on Electronically (Forms W-2, W-2G, 1042S, 1098, 1099 series, 3921, 3922, 5498, 5498-SA, and 8027)</i> ] been filed 45 days before the returns are due? <sup>c</sup>			
d. Are paper forms <i>not</i> being sent to the IRS?			
<b>Identification</b>			
7. Has the business furnished correct names, social security numbers or employer identification numbers for recipients on the forms? <sup>d</sup>			
8. If the recipient has not provided a TIN, has it left the box blank?			
9. If the recipient is a sole proprietor, has the business entered the individual's name on the first line and the business name on the second line?			
10. Is the filer (payer) name and TIN consistent with the name and number on the filer's other tax returns?			
11. If the business has not received an EIN by the time of filing, has it entered "Applied For" in the space?			
12. Is the business telephone number prominently displayed on the form?			
<b>Payees Reported</b>			
13. Has the business filed Form 1099-MISC for each person, sole proprietor, or partnership to whom it has paid:			
a. At least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest?			
b. At least \$600 in rents, services performed by a nonemployee (including parts and materials), prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, cash payments for fish (or other aquatic life)?			
c. At least \$600 for certain expenses on rental property for which the business is receiving rent?			
d. Any fishing boat proceeds?			
e. At least \$600 in attorney fees or gross proceeds paid to an attorney?			
f. At least \$5,000 in direct sales of consumer products to a buyer for resale?			
g. To each person from whom you have withheld any Federal income tax under the backup withholding rules regardless of the amount of the payment?			

PROCEDURE	Yes	No	N/A
14. Has the business filed a Form 1099-MISC for payments to <i>corporations</i> for medical and health care payments (box 6), legal services provided by attorneys (box 7), substitute payments in lieu of dividends or interest (box 8), gross proceeds paid to an attorney that are not for services (e.g., under a settlement agreement) (box 14)?			
<b>Payments Included</b>			
15. Has the business entered an "X" in the 2nd TIN not. box if the business was notified by the IRS twice within 3 calendar years that the payee provided an incorrect taxpayer identification number?			
16. Has the business reported payments only when they are made in the course of your trade or business?			
a. Are payments for merchandise, telegrams, telephone, freight, storage, and similar payments excluded?			
b. Are payments of rent to real estate agents or property manager excluded?			
c. Are wages paid to employees that are properly reported on Forms W-2 excluded?			
d. Are business travel allowances paid to employees, which may be reportable on Forms W-2 excluded?			
e. Are payments to a tax-exempt organization, the United States, a state, the District of Columbia, a U.S. possession, or a foreign government excluded?			
f. Are accrued wages, vacation pay, and other compensation paid after the date of death to an employee that dies during the year included?			
g. Are employee business expense reimbursements excluded?			
h. Are costs of current life insurance protection excluded?			
i. Are certain payment card transactions if a payment card organization has assigned a merchant/payee a Merchant Category Code (MCC) indicating that reporting is not required excluded?			
17. Has the business included payments to independent contractors:			
a. If payments are subject to self-employment tax, has the business reported the payment in box 7, nonemployee compensation?			
b. If payments are not subject to self-employment tax, has the business reported the payment in box 3, other income?			
c. If the value of a transit pass, tokens, or parking is greater than \$21 in a month, has the full value been included on Form 1099-MISC?			
18. Have payments been made to attorneys:			
a. If payments are determined to be attorney fees, has the business reported the payment in box 7, nonemployee compensation?			
b. If payments cannot be separated between fees and other settlements, has the business reported the gross proceeds in box 14?			
19. If the business is an escrow agent that maintains owner-provided funds for a construction project and makes payments for the owner and general contractor, has the business filed Forms 1099-MISC for reportable payments of \$600 or more?			

PROCEDURE	Yes	No	N/A
20. If the business makes payments to members of Indian tribes from the net revenues of class II or class III gaming activities:			
a. Has the business reported the payments in box 3, Other income?			
b. Has the business reported the Federal income tax withheld in box 4?			
21. Are amounts of \$600 or more paid to recipients for all types of rents entered in box 1:			
a. Real estate rentals for office space (unless paid to a real estate agent or property manager)?			
b. Machine rentals (allocated between machine charge in box 1, Rents, and operator's charge in box 7, Nonemployee Compensation)?			
c. Pasture rentals?			
d. Coin-operated amusements?			
22. Has the business entered gross royalty payments of \$10 or more paid to recipients:			
a. Author or literary agents in box 2?			
b. Working interests in oil and gas in box 7?			
23. Has the business entered other income not properly reported in other Form 1099-MISC boxes in box 3:			
a. Prizes and awards that are not for services performed?			
b. Punitive damages paid in cases that do not involve physical injury or sickness and other taxable damages?			
c. Payments to patients and members in VA hospitals and domiciliaries under the VA therapeutic or rehabilitative programs?			
d. Payments to the estate or beneficiary of a deceased employee?			
e. Payments to tribal members for Indian gaming profits?			
f. Termination payments to former self-employed insurance sales people?			
24. Has the business entered federal income tax withheld in box 4:			
a. For all backup withholding?			
b. For income tax withheld from payments to members of Indian tribes on net gaming activities?			
c. Has the business excluded from box 4 certain payment card transactions if a payment card organization has assigned a Merchant Category Code (MCC) indicating that reporting is not required?			
25. Has the business entered the share of all proceeds from the sale of a catch or the fair market value to a distribution in kind to each crew member of fishing boats in box 5?			
26. If in the trade or business of purchasing fish for resale, are <i>cash</i> payments of \$600 or more paid during the year to any person entered in box 7?			
27. Has the business entered payments of \$600 or more made in the course of its trade or business to each physician or other supplier or provider of medical or health care services in box 6? <sup>e</sup>			

PROCEDURE	Yes	No	N/A
28. Has the business entered payments for all nonemployee compensation of \$600 or more in box 7:			
a. Fees, commissions, prizes and awards, or other forms of compensation for services performed for your trade or business by an individual who is not your employee?			
b. Are fish purchases for cash included?			
c. Are oil and gas payments for a working interest included?			
d. Are amounts of all deferrals (plus earnings) reported in box 15b that are includable in gross income because the NQDC plan failed to satisfy the requirements of Section 409A included?			
e. Are payments for section 530 employees and independent contractors included?			
f. Are all professional service fees, including legal fees, included?			
g. Are all fees paid by one professional to another, such as fee-splitting or referral fees included?			
h. Are payments to witnesses or experts in legal adjudication included?			
i. Are the payments for all services, including payment for parts or materials used to perform the services included?			
j. Are all commissions paid to nonemployee salespersons included?			
k. Are payments to nonemployee entertainers for services included?			
l. Are exchanges of services between individuals in the course of their trades or businesses included?			
m. Are taxable fringe benefits for nonemployees included?			
n. Are payments to current and former self-employed insurance salespersons included?			
o. Are all directors' fees included?			
p. Are all commissions paid to licensed lottery ticket sales agents included?			
q. Are golden parachute payments to a nonemployee included in box 7 and any excess golden parachute payments in box 13?			
29. Has the business entered aggregate substitute payments of at least \$10 received by a broker for a customer in lieu of dividends or tax-exempt interest as a result of the transfer of a customer's securities for use in a short sale in box 8?			
30. Has the business entered an "X" in the checkbox in box 9 for all sales by you of \$5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other commission basis for resale anywhere other than in a permanent retail establishment?			
31. Has the business entered crop insurance proceeds of \$600 or more paid to farmers by insurance companies in box 10? <sup>f</sup>			
32. Has the business noted that no entries should be made in boxes 11 and 12?			
33. Has the business entered the amount (if \$600 or more) of the total deferrals during the year for nonemployees from all nonqualified deferred compensation (NQDC) plans subject to the provisions of section 409A in box 15a? <b>Note: Box 15a reporting is not required for 2018.</b>			
34. Has the business entered the amount of current year and prior year deferrals that are includible in income under section 409A because the NQDC plan failed to satisfy the requirements of section 409A in box 15b?			

PROCEDURE	Yes	No	N/A
<b>Forms Distribution</b>			
35. Are the filer's name address and taxpayer identification number the same on Form 1096 ( <i>Annual Summary and Transmittal of U.S. Information Returns</i> ), and Forms 1099?			
36. Has the business submitted a separate Form 1096 for each type of information return?			
37. Have the forms been sent unfolded to the IRS in a flat mailing envelope?			
38. Has the business submitted only copy A of the Forms 1099-MISC to the IRS with Form 1096 by the required due date? <sup>g</sup>			
39. Have the Forms 1099-MISC been provided to the recipient by January 31st or February 15th, as applicable? <sup>h</sup>			
40. Has the business kept copies of information returns it filed with the IRS or have the ability to reconstruct the data for at least three years from the due date of the returns?			
41. If the business sent several packages of information returns to the IRS, has it written its name, TIN, and numbered each package consecutively and placed Form 1096 in the first package?			
42. Has the business sent the forms by First-Class mail (return receipt requested)?			
43. Has the business verified the correct postage before mailing? (Large envelopes may require extra postage.)			
44. If a Form 1099-MISC is incorrect and the business has <i>not</i> submitted the form to the IRS:			
a. Has the business marked "void" at the top of the form?			
b. Has the business entered the correct information on a separate form (not marked as corrected)?			
45. If a Form 1099-MISC is incorrect and the business has submitted the form to the IRS, has the business properly adjusted and reported the correct information?			
46. Has the business properly completed Form 1096:			
a. Has the business used the preprinted label?			
b. Has the business made any necessary changes to the information on the preprinted label?			
c. If the business is <i>not</i> using a preprinted label, has the business entered a TIN number in either box 1 or box 2?			
d. Has the business entered the total number of correctly completed forms in box 3?			
e. Does the total in box 3 exclude blank or voided forms?			
f. Has the business entered the total of all Federal income tax withheld and reported in box 4 of Forms 1099-MISC in box 4 of the Form 1096?			
g. Has the business entered the total of all amounts from boxes 1, 2, 3, 5, 6, 7, 8, 10, 13, and 14 of the Forms 1099-MISC in box 5 of the Form 1096?			
h. Has the business entered an "X" in only one box to indicate the type of form being filed with the Form 1096?			
i. Has the business entered an "X" in the final return box if it will not be required to file Forms 1099-MISC in the future?			
j. Is the paper form signed by either:			
(1) For a sole proprietorship: by the individual owning the business?			

PROCEDURE	Yes	No	N/A
(2) For a corporation: by a president, a vice president, or other principal officer?	_____	_____	_____
(3) For a partnership or other unincorporated organization: by a partner, member, or officer who is responsible and duly authorized and has knowledge of the organization's affairs?	_____	_____	_____
(4) For a trust or estate: by a fiduciary?	_____	_____	_____
(5) By an agent or employee for whom an acceptable Form 2848 ( <i>Power of Attorney and Declaration of Representative</i> ) has been filed?	_____	_____	_____

**Notes:**

- a Substitution forms prepared in continuous or strip form must be burst and stripped to conform to the size specified for a single sheet before they are filed with the IRS.
- b Note that there is an inconsistency with regard to the due date of Form 4419 in the IRS instructions. Form 4419 instructions state a due date of "at least 45 days before," but the IRS "General Instructions for Certain Information Returns" document indicates a filing deadline of "at least 30 days before" the due date of the information returns. The authors recommend the more conservative filing deadline of 45 days to allow adequate time for IRS processing. In addition, only one Form 4419 need be filed for all types of returns that will be filed electronically, and the organization need not reapply each year.
- c The business cannot apply for a waiver for more than one tax year at a time. It must reapply at the appropriate time each year.
- d As indicated in the IRS publication entitled "General Instructions for Certain Information Returns," IRS final regulations allow individuals filing informational returns, including Form 1099, to truncate the recipient's identification number (Social Security Number, Taxpayer Identification Number, etc.) on payee statements. It is important to understand that numbers may not be truncated on forms filed with the IRS, just on statements furnished to the payees.
- e Include payments made by medical and health care insurers under health, accident, and sickness insurance programs.
- f If the farmer has informed the insurance company that expenses have been capitalized, no amount is reportable.
- g Employers must file Forms 1099-MISC reporting amounts in box 7 with the IRS on or before January 31 of the year following the calendar year to which the return relates, regardless of whether the forms are filed on paper or electronically. The due dates for filing Forms 1099-MISC that do not report a payment in box 7 remain February 28, if filing on paper, or April 1, if filing electronically.
- h Most Forms 1099-MISC should be provided to the recipient by January 31. However, Forms 1099-MISC for substitute payments in lieu of dividends or tax-exempt interest reportable by brokers (box 8) and gross proceeds paid to attorneys (box 14) should be provided to the recipient by February 15. For years in which a filing deadline falls on a weekend or a legal holiday, the deadline is extended to the next business day.