



Dear Client:

As a follow up to our recent e-mail relating to preparation of 1099's we would like to add one more bit of information we deem important in relation to filing Internal Revenue Service Form 1099's for 2011. In an effort to police all entities eligible for 1099 preparation, the Internal Revenue Service has adopted new disclosure requirements by requiring answers to the following (new) questions on several 2011 income tax forms:

1. Did you make any payments in 2011 that would require you to file Form(s) 1099?
2. If "Yes", did you or will you file all required Form(s) 1099?

This compliance initiative is fairly comprehensive and affects the following filings: partnership (form 1065), corporate (form 1120 and 1120S), sole proprietor and single member LLC (Schedule C), as well as rental activities reported on Schedule E.

The majority of businesses (including rental of residential or commercial real estate) are required to file forms 1099. In general, 1099s should be filed for any entity or person (non-employee) that you paid over \$600 for services or rents in 2011. You are not required to file a 1099 if the service provider is incorporated. Please remember that the majority of LLC's are not incorporated. Examples (not all inclusive) of services/payments that would require filing 1099s include:

- Professional services – accountants, attorneys, architects, etc...
- Landscapers
- Outside contractors
- Janitorial services
- Repairs and maintenance services including snow plow services
- Rental payments
- Royalty payments
- Interest payments (excludes payments to financial institutions)

Please remember that a 1099 should be issued to Roback Kumlander & Pehl, CPA's, LLP if you have paid us over \$600 in fees during 2011. You must also issue a 1099 to your landlord if you paid rent of over \$600 during 2011 and the landlord is not incorporated. This may include related parties if you are renting from an entity you have ownership in.

Members:

- American Institute of Certified Public Accountants (AICPA)
- New York State Society of Certified Public Accountants (NYSSCPA)

We are making our clients aware of the new verbiage included on the 2011 income tax returns because we are deemed tax advocates under the guidelines of Treasury Department Circular No. 230. This is important to note because when we answer the above questions on your respective income tax returns it will be in your favor that the answers to both questions be "yes". We fear that a "no" answer may result in unwanted communications from the Internal Revenue Service to determine why you are not following regulations.

We encourage all of our clients to ensure that 1099s are being prepared. They are required to be furnished to the recipients by January 31, 2012.

FOR DOCUMENTATION PURPOSES IF YOU ARE FILING ALL REQUIRED FORM(S) 1099 ON YOUR OWN PLEASE REPLY TO THIS E-MAIL STATING SO. THIS WILL PROVIDE US WITH THE NECESSARY DOCUMENTATION TO ANSWER "YES" TO THE ABOVE TWO QUESTIONS AS THEY APPEAR ON YOUR 2011 INCOME TAX RETURN.

We hope this information is helpful. Please do not shoot the messenger and remember as tax advocates we are providing you with the necessary information to avoid communication from the Internal Revenue Service as it relates to the new 1099 regulations. If you would like more details about these provisions or any other aspect of the new verbiage, please do not hesitate to call.

Very truly yours,

Roback, Kumlander & Pehl

Roback, Kumlander & Pehl CPA's, LLP

IRS CIRCULAR 230 DISCLOSURE:

Pursuant to requirements imposed by the Internal Revenue Service any tax advice contained in this communication (including any attachments) is not intended to be used, and cannot be used, for the purpose of avoiding penalties imposed under the United States Internal Revenue Code or promoting, marketing or recommending to another person any tax-related matter.