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IT'S 1099 TIME

A primer on 1099 forms.

There are 13 types of 1099 forms¹, and you may have received one or more of them in the mail. Here's a brief rundown of what they report.

1099-A. This form is a consequence of foreclosure or bank repossession of secured real property - "acquisition or abandonment", in IRS terms. Lenders send it to the foreclosed party and the buyer. It shows the date the lender acquired the property or learned it had been abandoned, the balance of principal outstanding, the fair market value, and a description of the property. The lender states on the form whether you are still liable to repay the debt. If the lender elects to sue you for a deficiency, you will not owe any taxes on this "unforgiven" debt.² If the lender forgives the debt, the difference between the fair market value of the property and the amount you owe represents "income" to you, taxable unless you have filed bankruptcy or were technically insolvent at the time of the sale.²

1099-B. Brokers and barter exchanges have to report proceeds from securities, futures, commodities or barter exchange transactions with a 1099-B, and it is also issued when a corporation in which you are a stockholder has had a "change in control or a substantial change in capital structure."³

1099-C. The 1099-C reports debt cancellation of \$600 or more. You must claim the indicated amount on the 1099-C form as income in the year the debt was forgiven. When you pay income taxes on that amount, the creditor cannot come after the debt again. This form sometimes follows a foreclosure.

1099-DIV. When you receive dividends, capital gain distributions or liquidation distributions of \$10 or more, you get one of these.¹ For example, when a mutual fund sells off funds and realizes a capital gain, the fund informs you of your share of the capital gain through a 1099-DIV.

1099-G. This form reports payments from government agencies and qualified state tuition programs - everything from state and local tax refunds and unemployment benefits to agriculture payments, gambling winnings, and taxable grants. It is usually issued to show unemployment benefits or a state tax refund.

1099-INT. Who hasn't gotten one of these? This form reports interest income of \$10 or more¹, and sometimes other tax items related to interest income (such as federal tax withholding or early withdrawal penalties).

1099-LTC. As the LTC part hints, these forms report distributions (payments) from long term care insurance contracts and accelerated death benefits paid out as a result of a life insurance contract or a viatical settlement.

1099-MISC. You will get one of these if you receive \$600 in “miscellaneous income” or more than \$10 in royalties or “substitute” dividend payments in lieu of dividends or tax-exempt interest. What falls under “miscellaneous income”? Well, the category includes everything from compensation, commissions, bonuses and awards for non-employees (i.e., independent contractors) to punitive damages to office rents to landlords to fish purchases for cash and Indian gaming proceeds paid to tribal members.¹

1099-MSA. This form simply reports distributions from Medical Savings Accounts (MSAs), including Medicare+Choice MSAs.

1099-OID. The 1099-OID reports original issue discounts of \$10 or more.¹ That is, the difference between the stated redemption price of a bond at maturity and the issue price of that bond. An OID is considered interest by the IRS, hence the form.

1099-PATR. This obscure form reports patronage dividends - defined by the IRS as “distributions from cooperatives to their patrons.”¹ If you have invested, in, say a farm cooperative or a clean energy plant, you are in 1099-PATR territory. Cooperatives “primarily engaged in the retail sale of goods or services that are generally for personal, living, or family use of the members” may apply for an exemption from the 1099-PATR.⁴

1099-R. The 1099-R reports distributions from all types of retirement, pension and profit-sharing plans, and any IRA or annuity contract. This includes distributions resulting from Section 1035 exchanges (the tax-free exchange of one annuity contract for another), charitable gift annuities and Education IRAs, and PS 58 costs of split dollar life insurance plans. It also reports IRA recharacterizations (when an IRA contribution is reassigned to another IRA), and excess deferrals, excess contributions and distributions.

1099-S. The 1099-S reports gross proceeds from real estate transactions or exchanges. By federal law, a closing attorney or real estate agent must provide a 1099-S to the person(s) receiving proceeds from the transaction. The recipient of the form does not need to fill it out.

Questions? If you think you should have gotten one of these forms but didn’t get one ... or if you think one of these forms might or might not apply to your situation ... be sure to talk with a qualified tax professional or qualified financial advisor today. He or she can help you identify, request and understand the 1099 forms in question.