

The Gurus Speak about Interest Reporting

Guru Bios: <http://www.bankersonline.com/bio.html>

W-9s for 1099-MISC Compensation

Question: Is there a requirement to get a signed W-9 when issuing a 1099-MISC (for non-employee type compensation)?

Answer by Ken Golliver: On a 1099MISC you are required to solicit the TIN and use it on the information return you file. You are not required to obtain a certified TIN (get a W-9) for a 1099MISC unless the IRS has informed you that you are reporting on an incorrect name/TIN combination; i.e. sent you a B-Notice.

1099-INT Reporting on Deceased Customer

Question 1099-INT reporting A customer passed away in October 2002. She had accounts titled in her name only, and accounts "in trust for". How should we report the interest on these accounts? Whose TIN should be used?

Answer by Ken Golliver: Report the interest paid or credited prior to the decedent's date of death in her name and SSN. Report interest paid or credited after the date of death in the name and TIN of the new owner, either the account beneficiary or the decedent's estate.

It is important to note, 1099INT reporting is on a "cash" basis - you report the interest that is actually paid. The personal representative for the decedent's estate may need the amount of accrued interest as of the date of death, but it does not affect information reporting.

Authority for the above is found in IRS Revenue Ruling 84-73. I do not know of anywhere that it is published in electronic form, but your bank's CPA could obtain a copy of it for you.

Aggregating Interest on Two Accounts for 1099

Question: This question is in regards to 1099 interest. If a customer has 2 interest bearing accounts and 1 account earns more than \$10.00 in interest and the other account earns less than \$10.00 in interest, are we required to aggregate the 2 accounts and report the total or only report the one that earned above \$10.00? I have always understood that we should aggregate them, but our software vendor says that we can do either.

Answer by John Burnett: Even if you don't report the interest on the smaller of these accounts, the depositor is obligated by law to report it on his tax return. So, the better position is to aggregate. In fact, many banks aggregate all interest amounts before applying the \$10 trigger, so that a customer with four \$3.00 interest amounts will still get a 1099-INT.

Reporting Interest on Corporate Account

Question: We recently learned that Corporations are exempt from 1099-INT reporting. Is it the bank's responsibility to not file a 1099 on the corporate customer's account, or the IRS to monitor these reportings? If the bank is responsible not to report such interest, what ramifications can it have on the reporting institution?

Answer by John Burnett: The bank's only "risk" in reporting interest on corporate deposit accounts is the extra costs incurred for processing and mailing the 1099 forms. With the fairly large number of such accounts, a bank can save a bundle by suppressing this reporting.

There is no other penalty for reporting that which need not be reported.

What Is a "Reportable Point"?

Question: On 1098 reporting, it says they had to be a percentage of the loan amount in order to be put on the 1098. Many times we will do a note for \$100,000.00 and charge a fee of \$250.00 which we call a "Loan Origination Fee". This amount is not 1% and is not actually based on the amount of the loan. Is this considered a "Reportable Point"?

Answer by Ken Gollhofer: No, a "point" has to be expressed as a percentage of the loan amount. A fixed fee which does not relate to the size of the loan is not a point.

1099-MISC Reporting - Entities Only?

Question: For 1099MISC reporting, was the term "corporation" for reporting payments made to Appraisers, Title Companies etc. meant to mean an "entity" such as a partnership, LLC etc.? If so, we would not be reporting payments made to any "entities" unless the entity is an attorney such as Smith, Smith, Smith & Smith Attorneys Professional Corporation?

Answer by John Burnett: When dealing with IRS regulations, read them precisely. If the regulation carves out an exception for corporations, you should not assume that it applies to anything other than corporations.

In other words, issue a 1099 if the entity you paid is anything other than a corporation, and issue a 1099 even to corporations if the payment is legal fees or rents.

Are 1099MISC Amounts Cumulative?

Question: For 1099MISC reporting, appraiser fees that we pay are usually under \$600 for each transaction, however we may send an appraiser several different checks throughout the year for different loan transactions. Should this amount be cumulative for the year and not based on each transaction?

Answer by John Burnett: You must accumulate the amounts paid to each such person and send the appropriate 1099-series form based on the aggregate amount paid during the calendar year.

Types of Entities Subject to Interest Reporting

Question: Is there a list or can you provide a list where we can see what type of entities are subject/not subject to interest reporting?

Answer by Ken Gollhofer: Here's a [link](#) to the Instructions to IRS Form W-9. Pages 2 and 3 list the entities that are not subject to backup withholding. Generally, if they are not subject to backup withholding, they are not subject to information reporting either. In any case, you may require entities whom you believe to be exempt to certify their exempt status prior to suppressing their information returns. <http://www.irs.gov/pub/irs-pdf/iw9.pdf>