



LexisNexis®

A 1099 CHECKLIST FOR LAW FIRMS



Getting 1099s in order is essential to closing out the year and completing your taxes on time. Scan this list to jog your memory for any potential oversights.

- Expert witnesses
- Sheriffs
- Other lawyers or law firms your firm paid during the year (even incorporated attorneys or firms if they're paid more than the \$600 annual threshold amount)
- Investigators
- Court reporters
- Jury consultants
- Vendors that are not incorporated or are classified as sole practitioners
- Class-action clients if your firm was heavily involved in managing and overseeing the distribution of settlement checks
- Vendors paid from trust accounts (checks paid from trust accounts won't be included in your Accounts Payable Journal, but will be included in your 1099 listing if they have been entered properly)
- Clients receiving settlement distributions over \$600 or current limit



BEST PRACTICE

To protect your firm from potential year-end hassles, it's important to collect 1099 vendor information at the very beginning of a relationship. Each vendor should complete and provide a W-9 form. Not only will it protect you from year-end hassles tracking down missing information; it also ensures that every vendor is properly set up in your firm's accounts payable software from the very beginning. That makes issuing 1099s push-button easy if you're using legal-specific programs such as PCLaw or Juris financial management software.



BEST PRACTICE

When producing vendor checks from anywhere inside your financial software, be sure to select the vendor from the vendor list rather than typing the entry individually. You'll save yourself the hassle of having to consolidate vendors under different or misspelled names when you're creating 1099s at year-end, while ensuring that checks written outside of accounts payable will be included in 1099 reporting.



STRESS SAVER

If your firm is certain (or reasonably so) that you're making a one-time payment to a vendor or client, you can save the end-of-year hassle by issuing and sending 1099s along with the check, no matter what time of year it is. Particularly in the case of a class-action lawsuit where the firm involves itself in sending out settlement checks to large numbers of plaintiffs, it will also save the firm an extra mailing later.



IRS ALERT

Law firms come under special scrutiny by the IRS for 1099s and may face complications other types of businesses aren't subject to. On the recipients' end of client payouts, the IRS also singles out law firms for special consideration, requiring every company hiring lawyers to report those payments on 1099s.



TIP

If in doubt about whether you need to send a 1099 to a particular vendor or client, send a 1099.



ALERT

If your firm changed accounting software at some time during the current year, make sure you have complete vendor information from both programs before closing the books on the year's 1099s. You'll also need to include payments from your prior system in the current calendar year.



IRS ALERT

If a law firm creates more than 100 1099s, the IRS requires that those 1099s be filed electronically. See www.irs.gov/pub/irs-pdf/i1099msc.pdf for more details.



IRS ALERT

Needless to say, IRS rules are not only very complex; they also change from year to year. It's essential that your firm stay updated on the latest 1099 guidelines. To be safe, consult a tax advisor or the relevant IRS webpage. For 1099 rules, the address is www.irs.gov/pub/irs-pdf/i1099msc.pdf.

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