

# DO I NEED TO ISSUE A FORM 1099 TO INDIVIDUALS THAT JUDGE MY MEET?

**T**he basic rule is that you must file a 1099-MISC whenever you pay an unincorporated independent contractor (that is, an independent contractor who is a sole proprietor or member of a partnership or LLC) \$600 or more in a year for work done in the course of your trade or business. This does apply to amounts paid to judges.

If the independent contractor does not have to provide proof of their expenses, via receipts or other documentation, the employer should include those reimbursement amounts in the reported compensation on Form 1099-MISC. It will then be up to the independent contractors to deduct business-related expenses on their tax return and maintain records that support those claims. Amounts paid for per diem must always be included in the Form 1099. In summary, whatever is paid to the independent contractor, whether in the form of compensation or expense reimbursement, should be reported on the Form 1099-MISC.

In order to issue form 1099, the independent contractor needs to complete Form W-9 showing the full name, address and social security number. This can easily be accomplished if the Meet Director furnishes Form W-9 to the judges at the start of the competition and requires completed forms before checks are issued. Meet Directors should have a secure place to store this sensitive information.

Judges must determine if judging is a hobby or business to know where to treat their judging on their annual tax return. The IRS has developed Fact Sheet 2008-23 that helps explain when an activity is a hobby or a for profit business. Section 183 limits deductions that can be claimed when an activity is not engaged in for profit.

Taxpayers may need a clearer understanding of what constitutes an activity engaged in for profit and the tax implications of incorrectly treating hobby activities as activities engaged in for profit. This educational fact sheet provides information for determining if an activity qualifies as an activity engaged in for profit and what limitations apply if the activity was not engaged in for profit. To classify as a business, there must be a clear profit motive and there must be income in three out of five consecutive years.

Judges should report judging income on Schedule C. The corresponding expenses will also show on Schedule C. Schedule C will be carried both to Schedule SE and Form 1040. There should be recordkeeping which includes a receipt for expenses. If the expense is less than \$75, these small expenses may be logged onto a calendar and no receipt is necessary. Mileage must also be kept on a log.

Form 1099-MISC is a multi-part form. Here are the parts of this form and when and where to send each:

- Copy B and Copy 2 are for the independent contractor and must be provided no later than January 31
- Copy A must be filed with the IRS no later than February 28, or March 31 if you file electronically,
- Copy 1 is for your state taxing authority if your state has a state income tax; the filing deadline for most states is February 28, but some states require earlier filings--check with your state tax department, and
- Copy C is for you to retain in your files.

You can obtain a

30-day extension on the time to file 1099s by filing IRS Form 8809, *Extension of Time to File Information Returns*. The form must be filed with the IRS by February 28. The extension is not granted automatically. You must explain the reason you need it. The IRS will send you a letter of explanation approving or denying your request.

If you have questions about filing Form 1099-MISC, you may call the IRS toll-free at 1-866-455-7438.

A penalty of \$50 per form may be assessed for each Form 1099 that is not issued or is incorrect. If the IRS feels the action was intentional, the penalty can be increased to \$100 per Form 1099. ✖

