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The IRS is attempting to combat the under reporting of income by taxpayers. The government is under increasing pressure to find ways to reduce the federal budget deficit. Tax revenues have decreased significantly over the past five years as a result of the recession in the United States. The IRS is making a broad attempt to find means to reduce the amount of unreported income. It is estimated that in a typical tax year $400 billion of income is not reported. Although this is a long way from eliminating the deficit, it certainly would be a contributor to increasing tax revenues.

One of the ways they have implemented to meet this is by creating a new 1099 reporting requirement â€“ Form 1099-K. This form applies to payment settlement entities, such as banks and credit card companies. It requires these companies to file a Form 1099-K for any business totaling more than $20,000 in transactions and that process more than 200 debit card and or credit card transactions with that provider. Copies will be sent to the IRS and the business.

Small business owners will be most affected by this reporting requirement. A small business such as a restaurant or retail store receives most of their income through the processing of credit card transactions. They will now be forced to reconcile their total income to that reported to them on Form 1099-K. A CPA in Miami and other areas will need to assist their small business clients ensuring that they are reporting the correct amount of income on their tax return. This will be another layer of work for a CPA in Miami. Additionally, more work means higher accounting fees for clients, which is another burden for small businesses.

The result of this form will mean that businesses will need to reconcile what they report as income on their income tax return and the Form 1099-K they receive from providers. A CPA in Miami can provide assistance. Businesses now must be careful that their income properly reflects the transactions that resulted in Form 1099-K. For instance, if a business receives $200,000 in total amounts reported on Form 1099-K, reporting income below that amount would result in a large red flag to the IRS, and most likely an IRS audit attempting to determine the actual reportable income of that business. Form 1099-K will be a separately reported item on the business tax return. The Form will include the business full legal name, address, and employee identification number. Merchants will be required to obtain this information by requiring business users to fill out Form W-9.

This new form will have a huge effect on internet providers and purchasers of merchandise such as eBay and processing providers of credit card and bank transactions such as PayPal. These companies will face the same reporting requirements as the large banks that typically provide VISA, MasterCard, and other credit and debit cards. Most internet transactions have not been reported to the IRS. Internet transactions will become more a part of the normal transactional information for businesses that it has been in the past. This may be the greatest change that this new reporting requiring will have on the economy and businesses.

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