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Client Bulletin



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New IRS Form 1099 Reporting Requirement by Financial Institutions that Applies to Subchapter S Corporations Effective January 1, 2012

New Internal Revenue Code Section 6045(g)(4) requires financial institutions, beginning January 1, 2012, to treat corporations that have elected Subchapter S tax treatment in the same manner as partnerships, thus subjecting Subchapter S corporations to Form 1099-B reporting on certain gross proceeds transactions. Since the new IRC provision requires that financial institutions report gross proceeds paid on the sale of covered securities that are acquired after January 1, 2012 on IRS Form 1099-B for all confirmed or “presumed” Subchapter S corporations, most financial institutions, including stock brokerages, have or will be, during the month of December, sending to many corporations a new IRS Form W-9, which requires the identification of Subchapter S corporations and Subchapter C corporations (the previous IRS Form W-9 did not differentiate between Subchapter S corporations and Subchapter C corporations; it just had a checkbox for Corporations).

It is important that any new IRS Form W-9 form you receive be completed, signed and returned by December 31, 2011. Otherwise, the financial institution is required to “presume” that the corporation is a Subchapter S corporation and send the IRS a Form 1099-B when a sale of covered securities, acquired after January 1, 2012, occurs.

Although new IRC section 6045(g)(4) requires financial institutions to now report certain gross proceeds transactions, in general Subchapter S corporations, like Subchapter C corporations, remain exempt from most other Form 1099 reporting requirements (i.e. 1099-INT, 1099-DIV).

Notice

This bulletin provides general information and is not legal advice. Please contact us if you need legal advice.

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