



Dear Client,

As a business owner, you have a responsibility to file various information reporting forms. This letter highlights some of the most common year-end filings.

Information Reporting for Payments to Independent Contractors

Important: Filing deadline for certain forms 1099 is 1/31/2021 for both the recipient and government filing copies

Form 1099 is used to report payments made to reportable vendors. In addition to the IRS's penalty for failing to file Form 1099, the California Franchise Tax Board may disallow deductions when a business fails to file information returns, including Forms 1099 and DE 542. Businesses are required (by the IRS) to obtain a completed form W-9 from independent contractors. The information collected on Form W-9 is used by businesses to file Form 1099. [Please refer to the insert for further details.](#)

If you are a Schedule C or Schedule E filer, please be informed that you are required to indicate on your income tax return whether you have filed all the requirements for Forms 1099.

Besides filing compliance, the IRS has recently focused its efforts on ensuring that businesses are properly classifying workers as independent contractors versus employees. It is not always easy to determine the employment status of a worker as the rules are complicated, and each worker's situation is different. [To help you in making an informed decision, we have enclosed a checklist for your perusal.](#)

City Business Tax

Businesses generally are required to register with the city in which they do business. Depending on the type of business activity you are engaged in, your business may require special permits or licenses. Some cities impose an annual business tax for the privilege of doing business. For example, each year, businesses are required to renew their business license for the City of Los Angeles and pay any applicable business tax. The business tax renewal filing is due on January 1st and becomes delinquent on the first business day in March. If you would like more information on the particular city that your business is located, you can contact us or contact your city's local office.

Business Property Statement

Counties within California impose business property tax based on the assessed value of the business personal property. Business personal property is valued annually as of January 1st. Businesses with personal property that cost \$100,000 or more must file a Business Property Statement each year by April 1st (the last day to file without incurring a 10% penalty is May 7, 2021).

Please keep in mind that this list is not comprehensive. Tax laws are complicated, and there are many more information reporting laws that you should be aware of depending on your business circumstances. Our ability to assist you in this area is limited by how clearly you communicate your business activities to us. We should be able to identify most requirements through our regular contact with you, but the ultimate responsibility for filing your information returns is yours. Please contact us if you are uncertain about how your business activities may impact your reporting requirements.

[Download the following letter here](#)

Sincerely,

KROST CPAs & Consultants

Please note: Our offices will be closed from Friday, December 25, 2020 – Sunday, January 3, 2021. Normal office hours will resume on Monday, January 4, 2021. We will have limited staff working on a case by case basis, which will need to be pre-arranged.

Contact us if you are uncertain about how your business activities may impact your reporting requirements.

[CONTACT US](#)

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