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10 TIPS TO AVOID IRS NOTICE OF UNREPORTED W2s & 1099s

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Some of you may have received a bill from the IRS for interest, dividend, or W2 that you may have forgotten to include in your income tax. The IRS notifies you of such unreported income via CP-2000 letters. It has stepped its computerized matching programs and has sent substantial numbers of notices for unreported income. **Here are 10 tips to avoid such notices:**

- 1 If you do **not receive a W2 or 1099** (or receive incorrect forms), contact the company by telephone and mail. If the company has moved or closed shop, it is even more important that you send mail that you hope will come back undelivered. This returned letter proves your **due diligence** in securing a copy of your W2.
- 2 If April 15 (or October 15) comes along and you still have not received your W2 or 1099, estimate year-to-date amounts from your **latest pay stub** or bank deposits.
3. Complete and attach **Form 4852 as a substitute for the missing W2**. Explain why you do not have a W2 and how you made your estimate.
4. If you receive a corrected W2, **attach both the original and the corrected W2s** to your income tax return. (It is a common mistake to attach only the corrected one).
5. If you receive a 1099 that does **not belong to you** and all efforts to correct it have failed by filing time, do not omit this wrong 1099 from your tax return. This is an invitation to an underreporter notice. Report the wrong 1099 and back it out as a *negative* entry to zero it out.
6. If you receive a **1099 with a wrong amount**, ask the payer to correct it. The second 1099 should have the box "corrected" checked; otherwise you have just received another headache. You now have **two** 1099s to report!
7. If you form your **own business with a new federal I.D.** and the payer sends a 1099 using your personal social security (SS) number, request that payer to correct it. If the payer sends you only one new 1099 with the correct I.D., you have a second headache. You also end up with two 1099s to report. The one issued in your SS number has to be reissued with a *zero* in the amount box. In other words, you always need **two** 1099s to correct one that had your SS number.
8. If you have business expenses related to a 1099, do **not** net and just report the difference. Report the **full gross 1099** and deduct the expenses in either Schedule A or Schedule C.
9. If you receive **several 1099s**, do not combine them all as one amount. Report them **separately**. If you have a lot of interests and dividends, attach a list to your return and report the total in Schedule B.
10. Closely related to 1099s are 1098s from banks and mortgage companies. The IRS uses 1098s to track down **homeowners who pay mortgages but do not file tax returns**. But this is another issue that you have to read from our website at www.vsy@victorsycpa.com. Good day.