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Members, Florida Institute of Certified Public Accountants

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Dear Client:

Beginning with payments made after Dec. 31, 2010, with certain exceptions, taxpayers receiving income from rental real estate are considered to be in the trade or business of renting property, and subject to the same information reporting requirements as taxpayers in other trades or businesses. That is, if an owner of rental property makes a payment of at least \$600 to a service provider (such as a plumber, electrician, accountant, etc.) during the tax year, the owner must file an information return with IRS and with the service provider. Typically, the payments will be reported on Form 1099-MISC.

Please note- if you fall under the new 1099-MISC reporting requirements and fail to file on time, you may be subject to failure to file penalties. In addition, if IRS believes the failure to file was willful, they can disallow what would otherwise be deductible business expenses.

Form W-9 should be supplied to any service providers who may fall under these reporting requirements. The W-9 collects their information so you have everything you need to file the Form 1099-MISC in January of 2012 for 2011 payments. Copies of Form W-9 can be found on our website at <http://www.mywatsoncpa.com/documents/W9.pdf>.

Please note, Form 1099-MISC is printed on special machine read paper. It cannot be printed directly from the IRS website. However, it can be ordered for free from IRS, or we can assist you in the preparation of these forms if necessary.

Please keep in mind that this is only an overview of the new rental real estate information reporting rules. If you would like further information, please contact us at your earliest convenience.

Sincerely,

Watson & Associates, PA  
Certified Public Accountants