



# Reporting Service Vendor Payments to the IRS

If during the course of your business you make payments to an individual or an unincorporated business for services they provide (examples in the below box), you are required to report to the Internal Revenue Service the annual amounts paid if the amount is greater than \$600 or \$10 for royalties. Throughout the year you should maintain tax identification records and keep track of the amounts paid to each entity or individual.

## COMMON PERSONAL SERVICES FOR PGA/LPGA PROFESSIONALS:

- Caddie
- Swing Coach
- Putting Coach
- Mind Coach
- Personal Trainer
- Agent
- Physiologist
- Nutritionist
- Attorney

## WHAT YOU SHOULD REQUEST

Prior to paying a service provider, you should request a completed Form W-9 or W-8ECI. The completed form will determine your filing requirements for the year. In order to complete Form W-9 the individual must be a US Citizen or Resident Alien. Payments to US Citizens or Resident Aliens do not have withholding requirements. If the individual is not a US Citizen or Resident Alien they most likely should complete a W-8ECI as you are engaging them in providing you business services.

## RESIDENT ALIEN VERSUS NON-RESIDENT ALIEN

There are two tests to determine if the entity or individual is a non-resident alien:

1. If they are a lawful permanent resident of the USA at any time during the calendar year ("Green Card Test").
2. If they are present for 183 days or more after using the Substantial Presence Test formula.

## FORM W-8ECI

**Who must file:** Non-Resident Aliens

**What you need:** Form W-8ECI – Completed and signed by recipient

**Obligations:** File Form 1042 & 1042-S – Due March 15th to IRS and recipients. If you receive a form other than W-8ECI you may need to withhold taxes on each payment. In addition, if a service provider fails to provide a TIN you will need to withhold tax from your payments.

### Penalties for failing to meet Obligations:

- There are various penalties for failure to file Form 1042 & 1042-S.
- You are liable for interest and penalties for failure to file form 1042 and late payments of tax.
- The maximum penalty is \$100 per Form 1042-S if you file after August 1 or you do not file required information returns. If you intentionally disregard filing requirements the penalty per form is increased to the greater of \$250 or 10% of the total amount of items required with no maximum.

## FORM W-9

**Who can file:** US Citizens and Resident Aliens

**What you need:** Form W-9 – Completed and signed by recipient

**Obligations:** File Forms 1096 & 1099s for total annual payments in excess of \$600 – Due January 31st to recipients and February 28th to IRS. If individual fails to provide a TIN, then you should withhold tax from your payments.

### Penalties for failing to meet Obligations:

- There are various penalties for failure to file Form 1096 & 1099.
- The maximum penalty is \$100 per Form 1099 if you file after August 1 or you do not file required information returns.

***If you do not collect backup withholdings from affected payees as required, you may become liable for any uncollected amount.***

*This bulletin is presented for informational purposes only. Please consult us for application to your specific situation.*

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