

NeoSystems News and Notes



Welcome to the introductory issue of NeoSystems News and Notes, an e-newsletter designed to inform you of emerging trends throughout the industry, networking events we're sponsoring, and updates on new services we offer. Feel free to forward this newsletter to any business partners or colleagues who you feel might be interested.

New IRS Regulations to Boost 1099 Count

What the Future Holds for Purchasing Goods and Reporting

The recent overhaul of the American health care system is sure to dramatically affect each business in its own way. But buried within the legislation are new sets of rules designed to close the estimated \$300 billion "tax gap" between what businesses are paying as opposed to what is actually owed.

Under the Patient Protection and Affordable Care Act (PPACA), companies must notify the IRS, via a Form 1099, of all vendors that received payments of over \$600 for either goods or services. Finance professionals are sure to see a large increase in workload and a general change in the corporate culture to adopt to these regulations. This includes proactively insisting on a Form W-9 from each vendor to certify their proper legal name and Taxpayer Identification Number (TIN), even for previously exempt corporations and suppliers from whom you purchased merchandise. In this new world, virtually all entities must get a 1099-MISC, greatly increasing the reporting on Form 1099.

Some companies may choose to ignore this, thinking that it's possible to fly under the IRS' radar due to their smaller size. This would be a grave mistake, as the IRS is moving towards a policy of auditing each and every business' reporting. Intentionally disregarding the new regulations can result in fines with no set maximum. Meanwhile, failure to provide an accurate and timely report to the government will result in penalties that are soon set to double from their previous amount. Your company faces even further losses when valuable resources must be allocated to correct the inaccurate TIN and vendor names after receiving a "B" notice from the government to do so.

These regulations go into effect for all transactions made after December 31, 2011. Although this may seem in the distant future, these far reaching changes mean you need to start auditing for compliance as soon as possible - even if you previously thought that you were in good shape. Here are some tips to get your business ready for the changing regulations:

- Conduct a mass mailing to vendors who currently do not have a W-9 in your system requesting that one be sent to your accounting team immediately
- Examine your new vendor set-up procedures and restrict the vendor set-up process to require a W-9 to be in place before the vendor can be activated in your accounting system.
- If there is not a W-9 already in place for a vendor, put any outstanding payments to this vendor on hold until your team is able to get one. This will avoid backup withholding requirements in the future.

For our MSP clients, rest assured that our highly-experienced professionals are constantly ahead of the curve with new and emerging trends put forth by the IRS and auditing agencies and will prepare your business to handle these new requirements.

How are you planning to tackle the 1099 reporting challenges? Email us at msteidler@neosystemscorp.com and we'll share your thoughts in the next newsletter.

OMB Tightens Regulations on Executive Pay

Washington Technology, July 8, 2010

As the Obama Administration moves towards increasing its oversight of federal contractors, interim rules have been established that require both prime- and sub-contractors to report the compensation of their executive-level staff. Learn what the requirements and timelines are for reporting under the FAR amendment in this article by Washington Technology.

New Faces to the NeoSystems Team

Three Key Hires Made to Increase Quality and Variety of Services

NeoSystems recently made three senior-level appointments to fuel further growth. Kara Harrod, Miriam Kaffke, and Jim Henriksen are all welcome additions to the team and will provide opportunities to expand the service offerings to our clients.

Visit NeoSystems at 2010 Navy Gold Coast

August 17 & 18, San Diego, California

NeoSystems will be exhibiting at the 22nd Annual Navy Gold Coast Conference in San Diego, California on August 17th and 18th. If you plan on attending the event, please make sure to stop by our booth for information on our services and a chance to win great prizes.

We hope you enjoyed the first issue of our newsletter. If you have interesting content you would like to share with the NeoSystems community or have any questions regarding our services, please email msteidler@neosystemscorp.com.

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