

Fishing Information Newsletter

News You Can Use from the Internal Revenue Service
New England District

Volume 2, Issue 3

Circulation 227

March 2000

Message from the Coordinator

"HE WHO ASKS A QUESTION IS A FOOL FOR FIVE MINUTES; HE WHO DOES NOT ASK A QUESTION REMAINS A FOOL FOREVER." - CHINESE PROVERB

Over the years this ancient Chinese proverb has been updated a bit, but the point remains the same — the only dumb question is one that is never asked. So won't you consider submitting a troublesome tax question so that other FIN readers can learn from it? We can all benefit from working through a tough technical issue or procedural inquiry — both Agency employees and newsletter readers. Please keep those questions coming via e-mail and fax!

With the April 18th tax deadline creeping ever closer, we're again devoting some space to helpful filing hints. Yes, that's not a misprint, **April 18th**. The Taxman is giving a three-day extension this year! Since April 15 falls on a weekend, and Monday, April 17 is a legal state holiday in Maine and Massachusetts, the IRS has extended the filing deadline for all Form 1040 filers in the Northeast to Tuesday, April 18, 2000. That extended deadline is not only to *file* a return, but also to comply with *any* act for tax purposes, such as filing for an extension, paying taxes, etc., which is normally due April 15.

My thanks to those organizations, associations and tax professionals who have shared this newsletter with their members and clients. Without your assistance, it would not be reaching, and helping, as many readers as it does today.

William E. Haas
IRS Fishing Project Coordinator
324 Harlow Street, Bangor, Maine 04401
Phone: (207) 990-0645
Fax: (207) 990-3658



Remember - Don't Be "Selfish"
Please share our e-mail addresses:
fishing.assistance@m1.irs.gov
william.e.haas@m1.irs.gov

Did You Know...

... that the IRS Web site, the Digital Daily, contains a wealth of important tax information, just a computer keystroke away? If you have access to an Internet connection, the IRS is a great site to visit, especially for business owners and tax professionals.



To access the Digital Daily, type in www.irs.gov on the address line of your Internet browser. Once at the IRS "home page," move down to the bottom of the first page and click on **Tax Info for Business** section. The **Tax Corners for Business Segments** heading will appear. From here, you can choose either the **Small Business Corner** or **Tax Professionals' Corner**.

Tax practitioners have found the **Tax Law Issues, Nibbles & Bytes** section a great place to link to research topics, while the **Tax Regs in English** area offers IRS regulations in an easy to understand format. And if you need tax forms or publications — current year or prior years — the Digital Daily has them all!

The IRS has developed various industry guides, including one for the fishing industry, which are available through the Web site (www.irs.gov/bus_info/mssp/index.html). You can read about the proper treatment of certain issues for your industry. Check it out!

Frequently Asked Questions ~ FAQs

- Q** I am a self-employed fisherman and for various reasons have not filed my Federal income tax return for the past four years. I'm not sure if I owe any taxes, but I probably do. What kind of trouble am I in? What do I do to correct it?
- A** Gather all of your available business records, secure the services of a professional tax preparer (provided you don't know how to complete the returns) and file the returns immediately. You will be subject to late filing penalties, failure to pay penalties and interest. If you are unable to pay the entire liability (*tax, penalties, and interest*) when you file the return, send

in what you can afford. You will be billed for the balance.

Q I am a fish wholesaler buyer and I read in your newsletter that I have to file Form 1099 with the IRS if I pay the fishermen cash for their catch. What happens if I decide not to file the 1099s?

A As stated in the October issue of the FIN, IRC 6050R requires the buyer to issue a 1099-MISC with the IRS, if you pay cash for the fish and it exceeds \$600 for the year. It also requires you to complete a Form W-9, *Request for Taxpayer Identification Number and Certification*.

Failure to file the required Form 1099MISC under the provisions of IRC 6050R could result in a penalty under IRC 6722 — Failure to Furnish Correct Payee Statements.

IRC 6722(a) - provides for a penalty of \$50 for each statement required but not filed, not to exceed \$100,000 during any calendar year.

IRC 6722(c) - provides for a penalty of \$100 for each failure or if greater 10 per cent of the aggregate amount of the items required to be reported correctly.

Note of Caution: If your records do not reflect to whom, when, and the exact amount of each payment made for the purchase of fish, you may run the risk of a disallowance of the purchase for lack of documentation. The penalties referred to would also apply for 1099MISC required for crewmembers/sternmen.

Q I heard from another fishermen that if I sold my catch to a buyer for cash, and my sternman did the same, he would need to give us a 1099-MISC for the money we each received. Does this mean I don't have to give my sternman a 1099-MISC, because the buyer did?

A Even though the buyer gave you and your sternman a 1099-MISC, you are still required to provide a 1099-MISC to your sternman. IRC 6050A requires that the boat owner furnish the crewmember a 1099-MISC, provided the money received/paid are allocated to each individual and the boat owner/operator's percentage of the catch. This requirement is for \$1 or more in payments. (*This is not subject to the normal \$600 threshold*).

Q I read in your newsletter that the boatowner / operator should sell the entire catch to the buyer and then issue a check to the crewmember for their share of the catch. If I do this, what is to prevent the IRS coming to me later and calling these people employees? It's happened in the past!

A Prior to 1976, that might have been the case, but the Tax Reform Act of 1976 (P.L. 94-455) which was codified in IRC 6050A has eliminated that as a concern. Provided you follow all the requirements of IRC 6050A, these individuals will be treated as self-employed. Please refer to IRS Publication 595, *Tax Highlights for Commercial Fisherman*, for an explanation of the requirements.

Q I am a sternman and received a 1099-MISC from both the boat captain and the buyer I sold my catch to for cash. Now the IRS has contacted me and says I didn't report all my income. They are counting the 1099s twice and they are for the same catch. What can I do?

A Respond to the letter and explain what has happened. Statements from both the captain and the buyer would help explain why the variance exists. If this fails, ask that the matter be transferred to your local IRS office.

This is a common problem for those crewmembers that sell their share of the catch for cash as compensation from the boat captain. Legally both parties (captain and buyer) are required to give you a 1099-MISC, and failure for them to do so would result in penalties against them. You might consider doing one of two things (or both):

- ◆ Have the boat captain sell the entire catch and then you receive your money from him.
- ◆ Receive a check as payment for your share of the catch from the buyer.

Failure to elect one of these two options will probably result in continued inquiries regarding the discrepancies.

NEXT MONTH: THE COLLECTION PROCESS

Taxpayer Advocate Service

Ann filed her 1999 federal tax return, expecting a refund. Instead, she received an IRS notice stating an error had been made in computing the profit/loss on the sale of her fishing boat — an additional amount was now due. She called the IRS and was promised an explanation within 30 days, but Ann couldn't wait — the refund was needed to pay for medical care for her son. Where can she turn?

If you are experiencing a hardship because of IRS treatment or delay, contact the Taxpayer Advocate Service - the voice at the IRS who works independently to assist you. Call toll-free 1-877-777-4778.