

Business Credit News

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**APRIL 2016 Chairman: Terry Ludzenski
Holt Cat**

“CAN YOU FIND YOUR SOX?”

By: David Balovich

The question that we are most often asked this time of year is: Is it acceptable for creditors to report uncollected debt to the IRS as additional income through the issuance of form 1099?

The general answer is **no**, it is not acceptable unless you are a secured creditor who has recovered your collateral and disposed of it for less than what is owed. To understand why the answer is no we must familiarize ourselves with the purpose of form 1099.

IRS Form 1099 has many purposes for reporting income and there is more than one Form 1099.

1099-A is used to report all amounts owed which are the result of the recovery or abandonment of property that is security for a debt for which you are the creditor.

1099-B is used to report all amounts from brokerage and barter exchange transactions.

1099-DIV is used to report all dividends and capital gains of \$10.00 or more.

1099-G is used for government payments. \$10.00 or more for unemployment compensation and state and local income tax refunds. \$600.00 or more for the discharge of indebtedness in bankruptcy.

1099-INT is used for reporting all interest income in excess of \$10.00.

1099-MISC is used to report miscellaneous income. Royalty payments exceeding \$10.00. Rent, prizes or awards in excess of \$600.00. Payments to any non-employee of a business, i.e. contract labor, subcontractors, directors in excess of \$600.00. "Golden Parachute" payments made in excess of \$600.00 or the proceeds of crop insurance in excess of \$600.00.

1099-R is used to report all amounts paid from retirement, profit sharing, IRAs, SEPs or 401(K) and 403(C) programs.

1099-S is used to report all gross receipts from the sale or exchange of real estate.

There are other 1099 forms for other sources of income as well. As you can see the form 1099 is used to report additional or miscellaneous income.

The sale of goods or services is not meant to be reported as income to the customer but rather as income to the seller of goods/services which is then subtracted from the cost of those goods or services to obtain gross profit.

If we were to report unpaid debts as income we would first have to reverse the sale. In so doing there would be no account receivable and therefore no bad debt write off.

Who then would benefit from the use of form 1099? Not the seller of the goods but rather the customer. If we use the 1099 form to report bad debts we would have no bad debt write off expense to reduce our taxable income because there would be no sale.

Ask yourself this question, “would I rather pay a \$10,000 dollar invoice or the tax on \$10,000?” I think the answer is rather obvious.

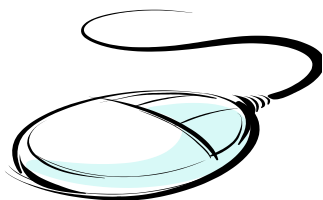
If you are a secured creditor and you either repossess your collateral or the debtor abandons the collateral and you sell the collateral for less than what is owed against it. You may report the difference between what is owed and what you sold the collateral for on the form 1099-A. This is generally the only time a trade creditor may utilize the form 1099.

For further information I suggest contacting your local office of the IRS and ask for the publication that deals with form 1099 or speak with your Chief Financial Officer.

***** **APRIL 2016** *****

Day	Date	Group	Location	Time
Tues	5	Austin Construction	Texas Land & Cattle, 6007 N IH 35 & Hwy 290, Austin TX	11:30
Tues	12	Coastal Bend Group	Holt Cat Corpus Christi TX	11:30
Wed	13	Rio Grande Group	Pro Build Mercedes TX	11:30
Thurs	14	SW Food Credit Group	Las Palapas, 4802 Walzem Rd, San Antonio TX	11:00
Tues	19	Austin Construction	Texas Land & Cattle, 6007 N IH 35 & Hwy 290, Austin, TX	11:30
Wed	20	Victoria Credit Group	Sky Restaurant, 236 Foster Field, Victoria TX	11:30
Thurs	21	Austin Ad Media	Phone Conference Meeting 1-800-791-2345	2:00
Thurs	21	Fuel & Lube/Heavy Eq.	Phone Conference Meeting 1-800-791-2345	2:30
Thurs	24	HVAC Credit Group	Texas Air Products, 11122 Gordon San Antonio TX	11:30
Fri	22	SW Electrical Group	The Onion Creek Country Club, Austin TX	11:30
Tues	26	SA Construction	Las Palapas, 4802 Walzem Rd, San Antonio TX	11:30
Wed	27	Laredo Credit Group	Phone Conference Meeting 1-800-791-2345	2:00

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Our Business Credit Reports are reliable, easy to use and a great value. We have introduced Credit Scoring on our Business Credit Reports. This free service has been added in addition to our already free “Watchdog Alert Service”.

The Credit Scoring and our Watchdog Alert which automatically sends out by e-mail or fax when any derogatory information is reported will help members by:

- *Providing a Quick Snap Shot*
- *IMPARTIAL Credit Rating*
- *Accurate and Reliable information*
- *Staying on top of accounts*
- *Notifying members of information changes*
- *Giving members more time to effectively manage their accounts*

GETTING STARTED:

All you have to be is a NACM Member to access our on-line reports. Call NACM at (210)225-7106 or 800-256-5306 to receive your password and allow us to show you how easy it is to access Business Credit Reports. There are no search fees while accessing our data and you are given the number of trade lines available on a report before you order the report.

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VIEW SAMPLE CREDIT REPORT

Please visit www.nacmtx.com and go to Reports.

Why Wait? You’re “A Click Away” from Credit Scoring & Business Credit Reports