

Payments Made to Individual Instead of S Corporation

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1. Taxpayer owns an S corporation but money is paid directly to the owner. The owner receives a Form 1099. The owner would like to have the money reported by the S corporation.
2. There are a couple of ways we can solve the issue.
 - a. We could write a letter to the payor stating that the individual is under the exclusive control and employment of the S corporation and that all the moneys are being deposited to the S corporation account. Enter into an employment agreement with the S corporation. This may encourage the payor to reissue the Form 1099.
 - i. The letter and employment agreement will serve to help convince the IRS that the S corporation earned the income. Otherwise you may have an assignment of income issue if the income is reported directly on the S corporation tax return.
 - b. If a new Form 1099 is not issued, we can nominate the income to where it should have gone. File a Schedule C and report the income on the Schedule C. The Schedule C makes a payment of all the money to the S corporation. This will zero out the Schedule C. Attach a statement stating that the money was paid to the S corporation including the EIN of the S corporation so that the IRS can match the deduction.