

Fishing Information Newsletter

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

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Message from the Coordinator

Since Congress passed the Small Business Job Protection Act of 1996, and with it the tax regulations dealing with the reporting of cash sales, I've heard a common concern voiced by fish buyers: "Even though I am complying with the tax laws I know some of my competitors are not."

Certainly the main purpose of this newsletter is to educate those who may not be aware of their tax obligations. If you know of anyone who could benefit from receiving the tax information in this publication, by all means forward a copy to him or her.

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Do You Know?

About Using Form 1040, Schedule C-EZ

If you made a profit and had fishing expenses of \$2,500 or less, you may be able to use Form 1040, Schedule C-EZ, *Profit or Loss from Business - Short Version*. This is a plus for sternmen and student fishermen.

Cash Payments to Purchase Fish

If you are a fish wholesaler, retailer, restaurant owner, marine worm dealer, or any other type of business that buys fish for resale directly from the fisherman, using cash, there are tax regulations that come into play.

One of the provisions in the Small Business Job Protection Act of 1996 created Internal Revenue Code Section 6050R, *Returns Relating to Certain Purchases of Fish*. The Code Section requires that if you purchase **fish** from a **person** who is in the business of catching fish and you pay \$600 in **cash** during the course of the calendar year to this person, you must report this information to the IRS. The effective date for 6050R was for all payments made after December 31, 1997.

Fish

The term **fish** includes fish, shellfish (including clams and mussels), crustacea (such as lobster, crab, shrimp, sponge, seaweed, marine worms, or other aquatic forms of animal or vegetable life).

Person

The term **person** includes an individual, a trust, an estate, a partnership, an association, a company, and a corporation.

Cash

The definition of **cash** is currency, cashiers' checks, bank drafts, travelers' checks and money orders. (Cash does not include personal checks and business checks).

In order to comply with information reporting provisions, you are required to obtain or maintain the following:

- ◆ Complete name, addresses, and tax identification number of each person to whom you pay cash for the product. The information should be captured on Form W-9, *Request for Taxpayer Identification Number and Certification*, at the time of the initial cash transaction.
- ◆ Maintain records of each payment to these persons. Form 1099 MISC, *Miscellaneous Income*, is required to be filed with the IRS for each person to whom you paid more than \$600 in cash for the purchase of fish. The total amount paid to the person is reflected in item 7, "Non-employee Compensation".

Sale of Fish for Cash

As you've learned from the previous article, the tax law requires the buyer to issue a Form 1099 MISC, *Miscellaneous Income*, to a fisherman for certain cash sales.

Same Buyer

As the fisherman, if all your cash sales are to the same buyer, then your gross receipts should equal the amount shown on the Form 1099 MISC. At the end of the calendar year, you should compare the 1099 MISC amount with the amount shown in your cash sales journal (provided you are a cash basis taxpayer).

Multiple Buyers

As the fisherman, if your cash sales are to more than one buyer, then the amount shown in your cash sales journal should be compared to the total of the amounts shown on all 1099 MISC forms.

Multiple Buyers — Cash and Checks

As the fisherman, if you sell for cash to some buyers and checks for others, then good recordkeeping becomes extremely important. You must keep track of cash sales and check sales. At the end of the year, the amounts must be reconciled to ensure the correct amount has been reported.

Reselling Share of the Catch




If you are a boatowner and have a crewmember or sternman and pay them a percentage of the catch, the above explanations should apply.

As the crewmember or sternman who is given a share of the catch to sell, you may be faced with a potential recordkeeping problem. The crewmember/sternman who sells their share of the catch for cash would be issued a 1099 MISC from the buyer AND one from the boat owner. However, the 1099s could be for different amounts. Because both Forms 1099 need to be filed with the IRS, in this instance Agency records would indicate twice the amount actually received by the seller. *The easiest way to remedy potential problems is to sell the product and receive payment by check, not cash.*

More on this subject in a future issue!

Topics for the Next Issue

How to Report Fishing Income

-  Boat Owners
-  Crew Members
-  Urchin Divers

We Need Feedback and Questions

We depend on you to suggest topics for the newsletter, or ask a question and we'll answer it in a future issue. Contact us by e-mail at: fishing.assistance@m1.irs.gov

IRS Offers Free Services

Tax Seminars

Tax seminars are available through the IRS Taxpayer Education Office in Boston, Massachusetts. If requested, technical specialists will speak before your group free of charge. Contact the Taxpayer Education Coordinator by e-mail at: judith.j.howard@m1.irs.gov

Web Site (IRS Digital Daily)

The IRS Internet Home Page allows convenient access to tax information 24 hours a day. The Web site provides tax forms with instructions, IRS publications, the latest tax law changes, and much more. IRS Internet Web site: www.irs.gov
FTP: [ftp.irs.gov](ftp://ftp.irs.gov)
Telnet: [iris.irs.gov](telnet://iris.irs.gov)

Tax Assistance

Call with general tax questions.
(800) 829-1040
Seven days a week, 24 hours a day
(800) 829-4059 TTY/TDD (Hearing Impaired)
Seven days a week, 24 hours a day

Tax Forms and Publications

Order free tax forms and publications. Two publications geared towards fishermen's needs are Publication 595, *Tax Highlights for Commercial Fishermen*, and Publication 1967, *Fisherman's Tax Guide*. Call (800) 829-3676, seven days a week, 24 hours.

TeleTax

Provides recorded tax information by topic number. For example, Topic 416 gives information about federal tax regulations for the farming and fishing industry. Call (800) 829-4477, seven days a week, 24 hours.



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