



# Memorandum

**From:** Kristan R. Costello  
Chief Financial Officer  
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**Date:** 1/20/2015

**Re:** 1099 and LLC Filing Requirements

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**Oxford Research Group, LLC**

**Tax ID: 27-3843876**

The Internal Revenue Code Sec. 6041(a) requires a person engaged in a trade or business to file an information return if payments during the year to an independent contractor *for services provided* total \$600 or more. Under IRC Sec. 6041(a), a person who, in the course of a trade or business, makes fixed or determinable payments of salaries, wages, commissions, fees, and other forms of compensation for services rendered aggregating \$600 or more must file an information return for that year.

Form 1099-MISC (Miscellaneous Income) is used to report payments to independent contractors who provide trade or business services. Specifically, it is used to report amounts paid as nonemployee compensation, including fees, commissions, prizes, awards, or other forms of compensation for services rendered to the payer's trade or business by someone who is not an employee.

The IRS has set four conditions for payments that, if all four conditions are met, the payment generally is reportable as nonemployee compensation:

1. The payment was made to a nonemployee.
2. The payment was made for *services rendered* to or on behalf of the payer's trade or business.
3. The payment was made to an individual, partnership, estate, or in some cases, a corporation.
4. Payment(s) to the payee totaled \$600 or more during the year.

Accordingly, the property and casualty insurance premium paid to Oxford Insurance Company (Delaware or Tennessee) is not subject to the information return requirements because it is not payment for services rendered.

January 20, 2015

The fees paid to Oxford Research Group are payments for services rendered and are subject to the information return requirements. Accordingly, a Form 1099-MISC should be filed to report the payments to Oxford Research Group.

Below is a brief summary of amounts paid to various parties and the information return reporting guidelines:

1. Oxford Research Group engagement fee - subject to information reporting as discussed above.
2. Insurance premium - not subject to information reporting as discussed above.
3. Regulatory capital - not subject to information reporting as this amount represents the capital contribution to the captive and is non-deductible to the client.
4. State application fee - not subject to information reporting as these amounts are paid to the Delaware or Tennessee Departments of Insurance, both of which are state governmental agencies.

You must furnish Forms 1099-MISC to recipients by January 31st and to the IRS by February 28th.

#### **LLC Filing Requirements**

If an LLC was formed to own a captive, the LLC may be subject to income tax reporting requirements. The captive is taxed as a C-corporation, so no income will pass-through to the LLC owner, and the only taxable income from the captive to the LLC would be a dividend or liquidating distribution. Single member LLCs are disregarded for tax purposes and any income passes through directly to the owner of the LLC.

Please do not hesitate to reach out to me if you have any questions at 410.472.6490.