

Navigating the 1099 Maze

A Comprehensive Guide to Tax Reporting for Freelancers & Businesses



If you're responsible for sending 1099 forms:

1. Most 1099 forms must reach recipients by January 31.
2. Mailed paper forms to the IRS should be postmarked by February 28.
3. Utilizing tax software like TurboTax for e-filing extends the deadline to March 31.

Note that forms 1099-NEC should be delivered to both recipients and the IRS by January 31, regardless of filing method.

How to file a 1099 form:

- Form 1099 consists of two copies: Copy A and Copy B.
- Employers report payments made to independent contractors on Copy A, which is submitted to the IRS. Copy B contains the same information and is provided to the contractor.
- Independent contractors receiving Form 1099, Copy B, from clients do not need to submit it to IRS; they report income listed on Copy B on their personal tax return.

Form 1099-NEC : <https://www.irs.gov/pub/irs-pdf/f1099nec.pdf>

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116 Form 1099-NEC (Rev. January 2022) For calendar year 20 ____	Nonemployee Compensation	
PAYER'S TIN	RECIPIENT'S TIN	1 Nonemployee compensation \$ _____	Copy B For Recipient <small>This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.</small>	
RECIPIENT'S name Street address (including apt. no.) City or town, state or province, country, and ZIP or foreign postal code		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/> 3 _____ 4 Federal income tax withheld \$ _____		
Account number (see instructions)		5 State tax withheld \$ _____ 6 State/Payer's state no. _____ 7 State income \$ _____		
		\$ _____		
		\$ _____		
Form 1099-NEC (Rev. 1-2022)		(keep for your records)	www.irs.gov/Form1099NEC	Department of the Treasury - Internal Revenue Service



1. Gather the Required Information: Before completing and submitting a 1099 form, ensure you have the following details for each independent contractor:

Total amount paid during the tax year.

Legal name.

Address.

Taxpayer identification number (usually their Social Security Number, unless they're a Non-Resident or Resident Alien). The standard procedure to obtain this information is to have each contractor fill out a Form W-9. It's advisable to maintain a W-9 on file for each contractor, ideally completed soon after engaging their services. Check your bookkeeping records to confirm total payments made to each contractor during the tax year. Once you have all necessary information, proceed to fill out Form 1099-NEC.

2. Submit Copy A to the IRS:

Copy A of Form 1099-NEC must be submitted to the IRS by January 31, regardless of whether you choose electronic filing or mail submission. Note that for physical submission of Form 1099-NEC, you cannot download and submit a printed version of Copy A from the IRS website. Instead, obtain a physical Form 1099-NEC, complete Copy A, and mail it to the IRS.

3. Submit Copy B to the Independent Contractor:

Upon completion of Form 1099-NEC, promptly send Copy B to all independent contractors no later than January 31. You can download and print Copy B from the IRS website for distribution to your independent contractors. Ensure timely delivery to comply with IRS regulations and facilitate accurate tax reporting for contractors.



Consequences of missing the 1099 filing deadline:

Failure to meet the deadline incurs IRS penalties:

\$50 for filing within 30 days.

\$100 for filing over 30 days late but before August 1.

\$260 for filing on or after August 1. Intentional non-filing may result in a minimum penalty of \$570 per statement, with no maximum. Extensions can be requested using IRS Form 8809, but this does not extend the January 31 deadline for providing copies of the 1099 to independent contractors.

