

# 1099 REPORTING GUIDE (2025)

## THE IRS DOESN'T MESS AROUND

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If you pay independent contractors, attorneys, or vendors, you're also in the business of paperwork—specifically, 1099s.

The IRS is cracking down on businesses that skip filings or fail to collect W-9s, so let's make sure you're not on their radar. **Here's your guide to getting it right.**

### WHEN YOU MUST FILE A 1099

If you made payments as part of your business in 2025, you might owe the IRS some forms.

You'll need to file a **Form 1099** if you paid:

- **\$600 or more\*** to a contractor for services (Form **1099-NEC**).
- **Prizes, awards, or miscellaneous payments** (Form **1099-MISC**, Box 3).
- **Rent payments** (Form **1099-MISC**, Box 1).
- **Royalties** (Form **1099-MISC**, Box 2).
- **Attorney fees** of \$600 or more—even if they're a corporation (Form **1099-MISC**, Box 10).
- **Interest payments** on business debts (Form **1099-INT**).
- **Dividends or distributions** to shareholders (Form **1099-DIV**).
- **Distributions** from retirement plans or insurance contracts (Form **1099-R**).
- **Payments processed through a third-party network** (Form **1099-K**).

\* Per the OBBB, this goes up to \$2,000 for tax year 2026

### WHEN YOU CAN SKIP IT (LEGALLY)

You don't need to file a 1099 for every payment under the sun. The IRS gives you a few passes:

- **Corporations and S corps:** Payments to them are exempt — except attorney fees and medical or healthcare payments.
- **LLCs taxed as corporations:** Also exempt. Check the W-9 to confirm how the LLC is classified.
- **Credit cards and PayPal:** Payments through third-party processors are already reported via Form 1099-K.
- **Personal Venmo:** Counts as a payment.
- **Business Venmo:** Already reported, so you're off the hook.

## ALWAYS COLLECT A W-9 (BEFORE YOU PAY ANYONE)

We'll say it louder for the folks in the back: **Get a W-9 before you cut the first check.**

Here's why it matters:

- The W-9 tells you if the contractor's a corporation, LLC, or individual—which determines whether you owe a 1099.
- It provides the taxpayer identification number (TIN) you need for accurate filing.
- If you pay someone more than \$600 and don't have their TIN, you're required to withhold federal income tax on all future payments (AKA backup withholding).

**Pro tip:** Make "Send me your W-9" part of your onboarding workflow instead of a January emergency.

## WHAT HAPPENS IF YOU DON'T FILE

Skipping your 1099s might seem harmless—until the IRS fines you faster than you can say "intentional disregard."

Here's how penalties stack up for small businesses (under \$5 million in average annual revenue):

FILING TIME	PENALTY/FORM	MAX ANNUAL PENALTY
Within 30 days of due date	\$60	\$210,000
After 30 days but before Aug 1	\$120	\$610,000
After Aug 1 or not at all	\$290	\$1,220,500
Intentional disregard	\$580	No maximum

## HOW TO STAY AHEAD OF THE IRS

Here's your simple formula for a stress-free 1099 season (for 2025 payments filed in January 2026):

- **Collect W-9s early.** Do it before the first payment — not before the first deadline reminder.
- **Track payments year-round.** Your bookkeeping or AP system should automatically flag vendors hitting the \$600 threshold for 2024 and 2025.
- **File by January 31.** This deadline applies to both recipients and the IRS.
- **Use e-file if possible.** It's faster, cleaner, and less prone to errors.
- **Skip duplicate reporting.** Don't issue 1099s for payments made through credit cards, PayPal Business, or Venmo Business — those are covered under Form 1099-K rules.
- **Keep records for at least four years.** That's your audit safety net.

## LOOKING AHEAD: 2026 COMPLIANCE CHANGES

Starting in 2026 (for forms filed in early 2027), one key update will take effect:

### HIGHER 1099 THRESHOLDS

The 1099-NEC and 1099-MISC **limits rise from \$600 to \$2,000** under the One Big Beautiful Bill Act. Update your accounting systems in January 2026 so those reporting triggers adjust automatically—no surprises next time you file.

## FINAL WORD

At Tannery Company, **we make 1099 filing painless by collecting, tracking, and submitting everything on time** so you can stay focused on what actually makes you money.

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