

# The Complete Guide to 1099 Compliance

A 13-Part Series for QuickBooks Online Users

Tax Ready Bookkeeping Methodology

**By Tax Ready Bookkeeping**

ProjectBits Consulting  
Certified QuickBooks ProAdvisors

2026 Edition

# Table of Contents

---

13 comprehensive chapters covering every aspect of 1099 compliance

**Chapter 1** Why a Written Accounting Policy (and Automation) Is the Secret Weapon for Stress-Free 1099s

---

**Chapter 2** Tax Ready Bookkeeping from Day One: Proper Vendor & Contractor Setup

---

**Chapter 3** W-9s the Tax Ready Bookkeeping Way: Classifying Contractors, LLCs, and Corporations

---

**Chapter 4** 1099-NEC vs 1099-MISC: The Tax Ready Bookkeeping Guide

---

**Chapter 5** Set It Up Right or Fix It Later: Why Tax Ready Setup Beats Painful 1099 Corrections

---

**Chapter 6** Inside the Tax Ready Vendor Policy: Our 9-Step Onboarding Process

---

**Chapter 7** Making QuickBooks Tax Ready: Mapping Accounts and Tracking 1099 Vendors

---

**Chapter 8** Avoid 1099 Penalties: Deadlines, Risks, and Compliance Calendar

---

**Chapter 9** Third-Party Payment Apps and Your 1099s: PayPal, Venmo, Zelle & More

---

**Chapter 10** Never Chase a W-9 Again: Using QuickBooks Custom Fields

---

**Chapter 11** Tax Ready Year-End in QBO Advanced: Spreadsheet Sync

---

**Chapter 12** Multi-State 1099 Filing: What QuickBooks Online Does and Doesn't Support

---

**Chapter 13** Debit Cards, Credit Cards, and Payment Methods: How They Affect 1099 Reporting

# Introduction

If you've ever spent January scrambling to track down W-9s, second-guessing LLC classifications, or wondering why certain contractors aren't appearing in your 1099 wizard, you're not alone. Most small business owners experience this exact panic every year.

**But here's the thing: the real problem isn't 1099 season itself—it's what didn't happen the other eleven months.**

This comprehensive guide brings together 13 essential chapters that will transform how you handle 1099 compliance. Based on the Tax Ready Bookkeeping methodology, you'll learn to build systems that make 1099 season a non-event rather than a nightmare.

## What You'll Learn

- How to create a written accounting policy that eliminates guesswork
- The correct way to set up vendors and contractors in QuickBooks Online
- W-9 classification rules for individuals, LLCs, and corporations
- The difference between 1099-NEC and 1099-MISC (and when to use each)
- QuickBooks Online setup and account mapping for accurate 1099 tracking
- IRS deadlines, penalties, and how to avoid them
- Third-party payment apps (PayPal, Venmo, Zelle) and reporting requirements
- Advanced techniques using custom fields and Spreadsheet Sync
- Multi-state filing requirements and payment method exclusions

## About Tax Ready Bookkeeping

Tax Ready Bookkeeping is a methodology developed by ProjectBits Consulting's team of Certified QuickBooks ProAdvisors. Our approach focuses on setting up your books correctly from day one, so tax time becomes a simple matter of pulling reports rather than reconstructing a year's worth of missing information.

The principles in this guide come from years of experience helping small businesses transform their bookkeeping from a source of stress into a competitive advantage.

# Why a Written Accounting Policy (and Automation) Is the Secret Weapon for Stress-Free 1099s

**If you've ever spent January scrambling to track down W-9s, second-guessing LLC classifications, or wondering why certain contractors aren't appearing in your 1099 wizard, you're not alone.** Most small business owners experience this exact panic every year. But here's the thing: the real problem isn't 1099 season itself—it's what didn't happen the other eleven months.

The secret to stress-free 1099 compliance isn't a better January. It's a better policy the rest of the year. And if you're looking for a practical place to start leveraging AI and automation in your business, 1099 compliance is one of the best candidates.

## The Problem: Ad-Hoc Decisions Create Messy 1099s

---

Most small businesses “wing it” when it comes to vendor setup and 1099 decisions. A new contractor gets added to QuickBooks, someone checks a box (or doesn't), a W-9 gets requested via email (maybe), and life moves on.

Fast forward to January, and the consequences become clear:

- **Missing W-9s** buried in email threads or never collected at all
- **Inconsistent LLC treatment**—some marked for 1099, others not, with no clear logic
- **Contractors not appearing** in the 1099 wizard because of incorrect setup or account mapping
- **Corrections and amended returns** that cost time, money, and reputation

The IRS doesn't care about your January scramble. They care about accurate, timely filings—and they have penalty structures that reflect that priority.

## What an Accounting Policy Actually Is (and Isn't)

---

A **vendor/contractor and 1099 accounting policy** is simply a written document that answers the questions your team asks every day:

- **Who must provide a W-9, and when?** (Answer: Before the first payment, always)

- **How do we classify entities?** (Individual, sole proprietor, single-member LLC, LLC taxed as S-Corp, LLC taxed as partnership, corporation)
- **When do we mark “Track payments for 1099”?** (Based on the W-9 classification, not a guess)
- **Which accounts are mapped to 1099 boxes?** (Contract labor, professional services—not materials or reimbursements)
- **How do we handle different payment methods?** (Credit card payments are excluded; checks and ACH are included)

A good accounting policy **removes guesswork** for you, your staff, your bookkeeper, and your future self. It doesn't have to be complicated—it just has to be written down and followed consistently.

This is exactly what we do in our Tax Ready Bookkeeping framework: establish clear rules at the start so that compliance happens automatically throughout the year.

## Where AI and Automation Fit In

---

**Looking for a practical place to start with AI in your business? 1099s are one of the best candidates.**

The rules around W-9s, vendor classification, payment methods, and filing thresholds are predictable and repeatable, which makes them ideal for checklists, policy engines, and AI-assisted reviews. Instead of a person manually cross-checking every contractor, an AI-supported workflow can:

- **Scan your vendor list** for missing or inconsistent W-9 data
- **Flag LLCs** whose 1099 settings don't match their tax classification
- **Review transactions by payment method** (check vs. PayPal vs. Zelle) and highlight anything that shouldn't be included in 1099-NEC totals
- **Summarize exceptions** for you to make the final call

That's the heart of Tax Ready Bookkeeping: you define the policy once, then let automation and AI help enforce it consistently, so year-end 1099 filing becomes review and approval—not a last-minute rebuild.

## How This Sets Up Painless Year-End 1099 Processing

---

When every vendor onboarding and payment is handled by the same policy (with optional workflow enforcement), the results are dramatic:

- **Your contractor list is already clean.** No duplicates, no mystery vendors, no incomplete profiles.
- **W-9s are already collected and attached.** You requested them before the first payment—not in a January panic.
- **Entity types and 1099 flags are consistent.** An LLC-S is always treated the same way, every time.
- **1099-eligible payments are already in the right accounts.** Your account mapping works because the transactions were coded correctly from day one.

By January, 1099 preparation becomes:

1. Run the reports
2. Spot-check a few edge cases
3. File

That's it. No scramble. No corrections. No penalties.

## What's Coming in This Series

---

The rest of this series breaks the policy into actionable pieces—W-9s, LLC classification, third-party payment apps, QuickBooks account mapping—and shows exactly how we implement Tax Ready Bookkeeping so 1099s become a non-event.

Here's what we'll cover:

- **Vendor and contractor setup** that makes 1099 tracking automatic
- **W-9 classification rules** that eliminate guesswork about who gets a 1099
- **1099-NEC vs. 1099-MISC** differences that actually matter
- **QuickBooks Online configuration** including account mapping and custom fields
- **Third-party payment apps** (PayPal, Venmo, Zelle) and how they affect your 1099 reporting
- **Deadlines, penalties, and multi-state requirements** you need to know

- **Advanced techniques** using QBO Advanced and Spreadsheet Sync

## Key Takeaways

---

- **The real fix for 1099 chaos isn't a better January—it's a better policy the rest of the year.**
- **A written accounting policy removes guesswork** and creates consistency for vendors, contractors, and 1099 decisions.
- **1099 compliance is an ideal starting point for AI and automation** because the rules are structured, repeatable, and high-stakes.
- **When policy is followed year-round, January becomes review and approval**—not a last-minute rebuild.

Ready to stop the January scramble? Follow along with this series, and by next year, your 1099s will be a non-event.

---

## Are You Ready to Take Control of Your Business Finances?

---

Hidden QuickBooks issues can quietly erode profits, distort decision-making, and create headaches when tax time arrives. At ProjectBits Consulting, our Tax Ready Bookkeeping service gives you expert-level oversight from certified QuickBooks ProAdvisors who know exactly where to look—and how to fix what they find. We help uncover problems early, restore confidence in your financial data, and ensure your books stay accurate and tax-ready all year long.

**Don't wait until tax season to find costly surprises.** Get proactive with a professional bookkeeping assessment that identifies gaps before they become risks. [Apply now for your Tax Ready Assessment](#) or explore the practical strategies in our book, *Ready to Take Control of Your Business Finances*, to learn how to keep your numbers working for you.

Get in Touch



**INTUIT**  
ProConnect™ Tax

Microsoft  
Partner



# Tax Ready Bookkeeping from Day One: Proper Vendor & Contractor Setup

**What if you could make 1099 season completely boring?** Not stressful, not confusing, not a frantic January scramble—just a routine review of data you’ve already organized. That’s exactly what proper vendor and contractor setup from day one delivers.

The Tax Ready Bookkeeping philosophy is simple: year-round structure beats year-end scramble every time. And nowhere is this more true than in how you set up vendors and contractors in QuickBooks Online.

## Before You Begin

---

To properly set up vendors and contractors for 1099 tracking, you’ll need:

- **QuickBooks Online access** (any subscription level works)
- **Completed W-9** from each contractor (before the first payment)
- **Contractor’s legal business name, address, and Tax ID** (SSN or EIN)
- **Understanding of their entity type** (sole proprietor, LLC, corporation, etc.)

**Pro Tip:** QuickBooks Online lets you invite contractors to submit their W-9 information directly. This is the cleanest way to collect accurate data and creates a documentation trail.

## Step-by-Step: Setting Up a Vendor for 1099 Tracking

---

### Step 1: Navigate to the Vendors Area

1. **Click** “Expenses” in the left navigation menu
2. **Select** “Vendors” from the submenu
3. **Click** the green “New vendor” button in the top right

### Step 2: Enter Basic Vendor Information

1. **Enter** the vendor’s legal name as shown on their W-9 (not a DBA or “doing business as” name)
2. **Fill in** the complete mailing address—this is required for 1099 forms

3. **Add** their email address (optional but recommended for W-9 invites)
4. **Add** their phone number (optional)

**Warning:** The name and address on the vendor record must exactly match what will appear on the 1099. Errors here cause IRS matching problems and potential penalties.

### Step 3: Enter Tax Information

1. **Scroll down** to the “Additional info” section
2. **Enter** the Tax ID from the W-9 in the “Tax ID” field (SSN for individuals, EIN for businesses)
3. **Check** the box for “Track payments for 1099”

**Pro Tip:** Only check “Track payments for 1099” for vendors who actually need to receive one. See the decision matrix below.

### Step 4: Save and Verify

1. **Click** “Save” to create the vendor
2. **Reopen** the vendor profile and verify all fields are saved correctly
3. **Upload** the W-9 to the vendor’s Documents section for your records

## The Decision Matrix: Who Gets Tracked for 1099?

Not everyone you pay needs a 1099. Use this decision matrix based on the W-9 classification:

Entity Type (from W-9)	Track for 1099?	Notes
Individual / Sole Proprietor	✓ Yes	Always reportable
Single-Member LLC (SM-LLC)	✓ Yes	Treated as sole prop for 1099
LLC taxed as Partnership (LLC-P)	✓ Yes	Partnerships are reportable
LLC taxed as S-Corp (LLC-S)	✗ No	Corporations are exempt*
LLC taxed as C-Corp (LLC-C)	✗ No	Corporations are exempt*

Entity Type (from W-9)	Track for 1099?	Notes
S-Corporation	✗ No	Corporations are exempt*
C-Corporation	✗ No	Corporations are exempt*

\*Exception: Attorneys and medical/healthcare providers receive 1099s regardless of entity type.

## Alternative: Invite Contractors to Submit W-9 Info Directly

---

QuickBooks Online offers a cleaner workflow where contractors can enter their own tax information:

1. **Go to** Payroll → Contractors (or Expenses → Contractors)
2. **Click** “Add a contractor”
3. **Enter** the contractor’s name and email address
4. **Check** the box to email this contractor so they can enter their own tax info
5. **Click** “Add contractor”

The contractor receives an email link, creates an Intuit account if needed, and completes an online W-9 with digital signature. The completed W-9 is then stored in their Documents tab automatically.

**Pro Tip:** Use the “Manage contractor and vendor W-9 invites” page to see invite status and send bulk reminders to contractors who haven’t submitted their information.

## Common Mistakes to Avoid

---

- **Waiting until payment time to collect the W-9.** Get it before the first payment—always. Chasing W-9s in January is painful and often unsuccessful.
- **Using a “doing business as” name instead of legal name.** The W-9 shows the legal name; use that in QuickBooks.
- **Marking corporations for 1099.** Unless they’re attorneys or medical providers, corporations don’t get 1099s.

- **Forgetting to check “Track payments for 1099.”** This is the field that tells QuickBooks to include them in reports.
- **Not uploading the W-9.** Store it in the vendor’s Documents section for your audit trail.

## Troubleshooting: Why Isn’t My Vendor Showing in the 1099 Wizard?

---

If a vendor you expect to see in the 1099 wizard isn’t appearing, check these items in order:

1. **Is “Track payments for 1099” checked?** Edit the vendor and verify this box is selected.
2. **Are name, address, and Tax ID complete?** Incomplete profiles may not appear.
3. **Are payments coded to mapped accounts?** If you paid them from an account not mapped to a 1099 box, they won’t show.
4. **Were payments made by credit card?** Credit card payments are excluded from 1099-NEC totals.
5. **Did they reach the \$600 threshold?** Try showing “all vendors” in the wizard to confirm they’re in the system.

## Summary: Your Tax Ready Vendor Setup Checklist

---

Before every new vendor or contractor relationship:

- Collect W-9 **before** the first payment
- Enter legal name exactly as shown on W-9
- Enter complete mailing address
- Enter Tax ID (SSN or EIN)
- Apply the decision matrix to determine if “Track payments for 1099” should be checked
- Upload the W-9 to the vendor’s Documents section

Do this consistently from day one, and by January, your 1099 preparation becomes a simple review—not a scramble.

**Next in the series:** We’ll dive deep into reading W-9s and understanding how to classify LLCs, sole proprietors, and corporations correctly.

---

## Are You Ready to Take Control of Your Business Finances?

---

Hidden QuickBooks issues can quietly erode profits, distort decision-making, and create headaches when tax time arrives. At ProjectBits Consulting, our Tax Ready Bookkeeping service gives you expert-level oversight from certified QuickBooks ProAdvisors who know exactly where to look—and how to fix what they find. We help uncover problems early, restore confidence in your financial data, and ensure your books stay accurate and tax-ready all year long.

**Don't wait until tax season to find costly surprises.** Get proactive with a professional bookkeeping assessment that identifies gaps before they become risks. [Apply now for your Tax Ready Assessment](#) or explore the practical strategies in our book, *Ready to Take Control of Your Business Finances*, to learn how to keep your numbers working for you.

Get in Touch



**INTUIT**  
ProConnect™ Tax

Microsoft  
Partner



# W-9s the Tax Ready Bookkeeping Way: Classifying Contractors, LLCs, and Corporations

**One of the most common questions small business owners ask is: “Do I need to send a 1099 to this LLC?”** The answer isn’t simply yes or no—it depends entirely on how that LLC is taxed. And the only way to know that is to read their W-9 correctly.

This post breaks down W-9 classification in plain language so you can make confident 1099 decisions without second-guessing yourself.

## The Critical Insight: For LLCs, Tax Classification Determines 1099 Treatment

---

Here’s what trips most people up: **the fact that a business is an “LLC” tells you almost nothing about whether they need a 1099.** What matters is how that LLC is taxed.

An LLC can choose to be taxed as:

- **Disregarded entity (sole proprietor)** – Gets a 1099
- **Partnership** – Gets a 1099
- **S-Corporation** – Does NOT get a 1099\*
- **C-Corporation** – Does NOT get a 1099\*

\*Except for attorneys and medical/healthcare providers, who get 1099s regardless of entity type.

## How to Read a W-9: The Key Lines

---

When you receive a W-9 from a vendor, focus on these critical elements:

### Line 1: Legal Name

This is the name that must appear on the 1099. Use it exactly as written—not a DBA or “doing business as” name.

### Line 3: Federal Tax Classification

This is where 1099 decisions are made. The vendor checks one of these boxes:

- **Individual/sole proprietor or single-member LLC** → Issue 1099
- **C Corporation** → No 1099 (except attorneys/medical)
- **S Corporation** → No 1099 (except attorneys/medical)
- **Partnership** → Issue 1099
- **Limited liability company** → Look at the letter in the box (C, S, or P)

### The LLC Box: Watch for the Classification Letter

When a vendor checks “Limited liability company,” they should also enter a letter indicating how they’re taxed:

- **C** = Taxed as C-Corporation → No 1099
- **S** = Taxed as S-Corporation → No 1099
- **P** = Taxed as Partnership → Issue 1099
- **No letter/Blank** = Single-member LLC (disregarded) → Issue 1099

**Important:** If an LLC’s W-9 shows “LLC” but doesn’t specify C, S, or P, and the space is blank, treat it as a single-member LLC (disregarded entity) and issue a 1099. However, it’s best practice to request a corrected W-9 for clarity.

### The Complete W-9 Classification Decision Matrix

W-9 Line 3 Selection	Issue 1099-NEC?	Track in QuickBooks?
Individual/sole proprietor	✓ Yes	Yes
Single-member LLC (no letter)	✓ Yes	Yes
Partnership	✓ Yes	Yes
LLC – P (partnership-taxed)	✓ Yes	Yes
LLC – S (S-corp taxed)	✗ No*	No

W-9 Line 3 Selection	Issue 1099-NEC?	Track in QuickBooks?
LLC – C (C-corp taxed)	✗ No*	No
S Corporation	✗ No*	No
C Corporation	✗ No*	No

\*Exception: Attorneys and medical/healthcare providers receive 1099s regardless of corporate status.

## The Two Important Exceptions: Attorneys and Medical Providers

---

The IRS requires 1099 reporting for certain payment types regardless of the payee’s entity structure:

### 1. Legal Services (Attorneys)

Payments of \$600 or more for legal services must be reported on a 1099-NEC, even if the attorney operates as an S-Corporation or C-Corporation.

### 2. Medical and Healthcare Payments

Certain payments of \$600 or more to healthcare providers go on 1099-MISC (Box 6), regardless of corporate status. This includes payments for medical services, but there are nuances based on who is paying (individual patients vs. business entities).

**Pro Tip:** If you pay a law firm or medical practice, always track them for 1099—even if their W-9 shows “S-Corporation” or “C-Corporation.”

## What to Do with Incomplete or Unclear W-9s

---

Sometimes you’ll receive a W-9 that’s ambiguous or incomplete. Here’s how to handle common issues:

## LLC Box Checked but No Letter

If a vendor checks “Limited liability company” but doesn’t specify C, S, or P:

1. Request a corrected W-9 with the tax classification specified
2. In the meantime, treat as a single-member LLC and plan to issue a 1099

## Missing Tax ID

Never make a payment without a Tax ID on file. Without it:

- You can’t file an accurate 1099
- You may face backup withholding requirements (24%)

## Name Doesn’t Match Business Type

If a personal name appears but “Corporation” is checked, or vice versa, request clarification. The W-9 must be internally consistent.

## How This Flows into QuickBooks

---

Once you’ve classified a vendor based on their W-9, translate that into QuickBooks:

1. **Open the vendor profile** in QuickBooks Online
2. **Enter the Tax ID** exactly as shown on the W-9
3. **Check “Track payments for 1099”** only for:
  - Individuals and sole proprietors
  - Single-member LLCs (no letter or blank)
  - Partnerships and LLCs taxed as partnerships (LLC-P)
  - Attorneys (regardless of entity type)
  - Medical providers (regardless of entity type)
4. **Do NOT check “Track payments for 1099”** for:
  - Corporations (C or S)
  - LLCs taxed as S-Corp (LLC-S)
  - LLCs taxed as C-Corp (LLC-C)
5. **Upload the W-9** to the vendor’s Documents tab for your records

## Creating an Audit Trail: Best Practice

---

For QuickBooks Online Advanced users, consider adding a custom field called “W-9 Tax Entity Type” with these options:

- Individual
- Sole Proprietor
- Single-Member LLC
- Partnership
- LLC-Partnership (LLC-P)
- LLC-S-Corp (LLC-S)
- LLC-C-Corp (LLC-C)
- S-Corporation
- C-Corporation

This lets you run reports to audit your 1099 tracking: “Show me all vendors marked LLC-S that are also marked Track for 1099”—which should return zero results (except attorneys/medical).

## Key Takeaways

---

- **For LLCs, the tax classification matters more than the LLC status itself.** Look for the C, S, or P letter on line 3.
- **Issue 1099s to:** Individuals, sole proprietors, single-member LLCs, partnerships, and LLC-Ps.
- **Do NOT issue 1099s to:** Corporations, LLC-S, and LLC-C entities—unless they’re attorneys or medical providers.
- **When in doubt, request a corrected W-9** with complete classification information.
- **Document your decisions** by uploading W-9s and using custom fields for entity type tracking.

**Next in the series:** We’ll explore the differences between 1099-NEC and 1099-MISC, including when to use each form and the most common traps business owners fall into.

---

## Are You Ready to Take Control of Your Business Finances?

---

Hidden QuickBooks issues can quietly erode profits, distort decision-making, and create headaches when tax time arrives. At ProjectBits Consulting, our Tax Ready Bookkeeping service gives you expert-level oversight from certified QuickBooks ProAdvisors who know exactly where to look—and how to fix what they find. We help uncover problems early, restore confidence in your financial data, and ensure your books stay accurate and tax-ready all year long.

**Don't wait until tax season to find costly surprises.** Get proactive with a professional bookkeeping assessment that identifies gaps before they become risks. [Apply now for your Tax Ready Assessment](#) or explore the practical strategies in our book, *Ready to Take Control of Your Business Finances*, to learn how to keep your numbers working for you.

Get in Touch



**INTUIT**  
ProConnect™ Tax

Microsoft  
Partner



# 1099-NEC vs 1099-MISC: The Tax Ready Bookkeeping Guide

**“Should this go on a 1099-NEC or a 1099-MISC?”** This is one of the most common questions small business owners ask their bookkeepers. And getting it wrong can mean IRS notices, penalties, and corrected filings.

The good news? Once you understand the core rules, the distinction is straightforward. This post breaks it down in plain language.

## The Quick Answer: Services vs. Everything Else

---

Here’s the essential distinction:

- **1099-NEC** = Payments for **services** (nonemployee compensation)
- **1099-MISC** = **Other payments** like rent, royalties, prizes, and certain healthcare payments

If you paid someone to do something for your business (consulting, design, repairs, legal work), that’s typically a 1099-NEC. If you paid for the use of something (rent) or received income from other sources (royalties), that’s typically 1099-MISC.

## 1099-NEC: Nonemployee Compensation

---

Form 1099-NEC is used to report payments for services performed by someone who is not your employee. You generally must issue a 1099-NEC when **ALL** of the following are true:

1. **You paid at least \$600** in the calendar year
2. The payment was for **services performed for your business** (not personal)
3. The recipient was **not your employee** (independent contractor, freelancer, consultant)
4. The payee is an **individual, partnership, or LLC** (not a corporation, with exceptions)
5. You paid them by **check, ACH, or cash**—not entirely by credit card or third-party network

### Common 1099-NEC Payments

- Fees to independent contractors and freelancers
- Professional service fees (consulting, design, marketing, bookkeeping)
- Directors’ fees and board compensation
- Commissions to non-employee sales agents

- Attorney's fees for services (even to corporations)

## 1099-NEC Deadline

**February 1** (or the next business day if it falls on a weekend) for both:

- Furnishing copies to recipients
- Filing with the IRS

Note: 1099-NEC has a single, hard deadline—there's no extended March deadline for e-filing like 1099-MISC.

## 1099-MISC: Other Types of Income

Form 1099-MISC covers payments that don't fit into the "nonemployee compensation" category. Common boxes include:

Box	Payment Type	Threshold
1	Rents (office space, equipment, etc.)	\$600+
2	Royalties	\$10+
3	Other income (prizes, awards, etc.)	\$600+
6	Medical and healthcare payments	\$600+
10	Gross proceeds paid to attorneys	\$600+

## 1099-MISC Deadlines

- **Furnish to recipients:** February 1 (or next business day)
- **File with IRS (paper):** February 28
- **File with IRS (electronic):** March 31

## The Decision Flowchart

---

Use this mental checklist when deciding which form to use:

1. **Did they perform services for your business?**

- Yes → Likely 1099-NEC
- No → Continue to step 2

2. **Is it rent, royalties, or prizes?**

- Yes → 1099-MISC
- No → Continue to step 3

3. **Is it a medical/healthcare payment to a corporation?**

- Yes → 1099-MISC Box 6
- No → Continue to step 4

4. **Is it gross proceeds to an attorney (settlements)?**

- Yes → 1099-MISC Box 10
- No → 1099-NEC (if services) or no form required

## Common Traps and Mistakes

---

### Trap 1: Putting Services on 1099-MISC

Since 2020, nonemployee compensation (services) goes on **1099-NEC, not 1099-MISC**. This is the most common error—filing contractor payments on the wrong form.

### Trap 2: Confusing Attorney Boxes

- **Attorney's fees for services** → 1099-NEC Box 1
- **Gross proceeds to attorneys** (like settlement payments) → 1099-MISC Box 10

### Trap 3: Forgetting Medical Payments to Corporations

Most corporations don't get 1099s. But **medical and healthcare payments** of \$600+ go on 1099-MISC Box 6 regardless of corporate status.

## Trap 4: Credit Card Payments

Payments made entirely by credit card, debit card, or third-party networks (PayPal, Venmo for business) are **not reported on 1099-NEC or 1099-MISC**—they're reported by the payment processor on 1099-K.

## How QuickBooks Online Handles This

---

When you set up 1099 account mapping in QuickBooks Online:

1. Go to **Taxes** → **1099 filings** → **Prepare 1099s**
2. In the **Map accounts** step, select your expense accounts
3. Assign each account to the correct form and box:
  - Contract Labor → **1099-NEC Box 1**
  - Professional Services → **1099-NEC Box 1**
  - Rent Expense → **1099-MISC Box 1**

QuickBooks will automatically place the correct amounts on the correct forms based on your mapping.

## Penalty Structure (For Both Forms)

---

Late or incorrect filings carry the same penalties for both 1099-NEC and 1099-MISC:

When Filed	Penalty Per Form
Within 30 days of deadline	~\$60
After 30 days but by August 1	~\$130
After August 1 or not filed	~\$330-340
Intentional disregard	\$660+ or 10% of amount (no cap)

Penalties apply separately for failing to file with the IRS and failing to furnish recipient copies—so a single missed form can effectively incur two penalties.

## Key Takeaways

---

- **1099-NEC** is for services (nonemployee compensation)
- **1099-MISC** is for rent, royalties, prizes, and certain healthcare/legal payments
- **\$600 threshold** applies to most payment types (royalties are \$10+)
- **Credit card payments** are excluded—they go on 1099-K from the processor
- **Attorney services** go on 1099-NEC; **attorney settlements** go on 1099-MISC Box 10
- **Medical payments to corporations** still require 1099-MISC Box 6

**Next in the series:** We'll show you a before/after story of what happens when vendor setup goes wrong—and how the Tax Ready Bookkeeping approach prevents painful corrections.

---

## Are You Ready to Take Control of Your Business Finances?

---

Hidden QuickBooks issues can quietly erode profits, distort decision-making, and create headaches when tax time arrives. At ProjectBits Consulting, our Tax Ready Bookkeeping service gives you expert-level oversight from certified QuickBooks ProAdvisors who know exactly where to look—and how to fix what they find. We help uncover problems early, restore confidence in your financial data, and ensure your books stay accurate and tax-ready all year long.

**Don't wait until tax season to find costly surprises.** Get proactive with a professional bookkeeping assessment that identifies gaps before they become risks. [Apply now for your Tax Ready Assessment](#) or explore the practical strategies in our book, *Ready to Take Control of Your Business Finances*, to learn how to keep your numbers working for you.

Get in Touch



**INTUIT**  
ProConnect™ Tax

Microsoft  
Partner



# Set It Up Right or Fix It Later: Why Tax Ready Setup Beats Painful 1099 Corrections

**Maria stared at the IRS letter in her hands, her stomach sinking.** “B-Notice: TIN/Name Mismatch.” Fourteen of them. Fourteen corrections she’d need to file, and the January 31 deadline was in two weeks.

How had this happened?

## Where It All Went Wrong

---

Maria ran a successful marketing agency. Twenty-two contractors. Graphic designers, copywriters, web developers—all the talent that made her clients’ campaigns shine.

But when it came to bookkeeping, Maria had a confession: she’d been winging it.

Every time a new contractor came on board, she’d add them to QuickBooks. Name? Check. Email? Check. Pay them, move on to the next project. W-9? “I’ll get to that.”

She never did.

## The January Scramble

---

When January arrived, Maria opened QuickBooks to run her 1099s. That’s when the problems started.

**Problem 1:** Half her contractors weren’t marked for 1099 tracking. She’d never checked that box.

**Problem 2:** The contractors who were tracked had no Tax IDs. She’d never collected W-9s.

**Problem 3:** Three vendors were LLCs, but she had no idea how they were taxed. S-Corp? Partnership? She’d just guessed.

Maria spent the next two weeks in crisis mode. Chasing W-9s. Getting incomplete forms back. Making educated guesses when contractors ghosted her.

She filed. She thought she was done.

Then the B-Notices arrived.

## The Cost of “I’ll Fix It Later”

---

Those fourteen TIN mismatches weren’t just paperwork. They were:

- **Hours of detective work** tracking down correct information
- **Corrected 1099s** that cost extra filing fees
- **Potential penalties** for incorrect filings
- **A damaged reputation** with contractors who received wrong forms
- **Audit risk** from a pattern of inconsistent reporting

Maria calculated the total cost: nearly \$2,400 in fees, corrections, and lost billable hours.

All because she hadn’t collected W-9s upfront.

## A Different Approach: Meet Sarah

---

Sarah runs a similar agency—same size, same contractor-heavy model. But when January arrives, Sarah spends about thirty minutes on 1099s.

That’s it.

No scramble. No corrections. No B-Notices.

What’s her secret? Sarah implemented what her bookkeeper called a “Tax Ready” approach:

**Before the first payment:** Every contractor submits a W-9 through QuickBooks Online. No exceptions. No payments go out until the W-9 is on file.

**At setup:** Sarah’s bookkeeper reviews each W-9, marks the correct 1099 tracking option based on entity type, and uploads the W-9 to the vendor record.

**Throughout the year:** Nothing special. The system is already set up right.

**In January:** Sarah runs the 1099 wizard. Reviews the summary. Files. Done.

## The True Cost Comparison

---

Task	Maria's Approach	Sarah's Approach
W-9 collection	January scramble: 8+ hours	At onboarding: 5 mins each
1099 preparation	Full weekend of work	30 minutes
Corrections needed	14 corrected 1099s	0
Filing fees	\$400+ (original + corrections)	~\$100
Stress level	Crisis mode	Non-event

## The Lesson Maria Learned

---

After that painful January, Maria reached out to a QuickBooks ProAdvisor from Tax Ready Bookkeeping. The advice was simple but transformative:

“The time to set up a vendor correctly is before the first payment. Everything after that is damage control.”

Maria implemented three changes:

1. **No W-9, no payment.** Period. Non-negotiable.
2. **Review W-9s immediately.** Entity type determines 1099 tracking—decide once, at setup.
3. **Document everything.** Upload the W-9 to the vendor record in QuickBooks.

The next January? Zero corrections. Zero B-Notices. Maria spent her January weekend with her family instead of chasing contractors.

## The Wisdom of Prevention

---

As Benjamin Franklin famously said:

“An ounce of prevention is worth a pound of cure.”

In 1099 compliance, this couldn't be more true. Every hour spent on proper vendor setup saves ten hours of January scramble. Every W-9 collected upfront prevents a potential B-Notice later.

The question isn't whether you'll spend time on 1099 compliance. The question is when—and whether that time will be proactive or reactive.

## Your Tax Ready Setup Checklist

---

Want to be more like Sarah and less like Maria? Here's where to start:

- Implement a “no W-9, no payment” policy starting today
- Review all current vendors—who's missing W-9s?
- For each vendor, verify the “Track payments for 1099” setting matches their W-9
- Upload all W-9s to vendor records in QuickBooks
- Create a new vendor checklist for your team

Set it up right once. Never fix it later.

**Next in the series:** We'll share our complete 9-step vendor onboarding process—the exact policy you can adapt for your own business.

---

## Are You Ready to Take Control of Your Business Finances?

---

Hidden QuickBooks issues can quietly erode profits, distort decision-making, and create headaches when tax time arrives. At ProjectBits Consulting, our Tax Ready Bookkeeping service gives you expert-level oversight from certified QuickBooks ProAdvisors who know exactly where to look—and how to fix what they find. We help uncover problems early, restore confidence in your financial data, and ensure your books stay accurate and tax-ready all year long.

**Don't wait until tax season to find costly surprises.** Get proactive with a professional bookkeeping assessment that identifies gaps before they become risks. [Apply now for your Tax Ready Assessment](#) or explore the practical strategies in our book, *Ready to Take Control of Your Business Finances*, to learn how to keep your numbers working for you.

[Get in Touch](#)



**INTUIT**  
ProConnect™ Tax

Microsoft  
Partner



# Inside the Tax Ready Vendor Policy: Our 9-Step Onboarding Process

**Want to know the exact process we use to onboard vendors and contractors so 1099 season is a non-event?** Here it is—our complete 9-step vendor onboarding policy that you can adapt for your own business.

This isn't theory. It's the actual workflow we follow with clients at Tax Ready Bookkeeping.

## The Tax Ready Vendor Onboarding Policy

---

Every new vendor or contractor relationship follows these nine steps. No exceptions.

### Step 1: Collect W-9 Before First Payment

**Rule:** No payment is processed until a complete W-9 is on file.

**How we do it:**

- Send W-9 request via QuickBooks Online contractor invite (preferred)
- Alternative: email blank W-9 with clear return deadline
- Follow up at 3 days, 7 days, and 14 days if not received

### Step 2: Validate W-9 Completeness

**Rule:** Every W-9 is checked for required fields before processing.

**Required fields checklist:**

- Legal name (Line 1) – not a DBA
- Address (Lines 5-6) – complete mailing address
- Tax classification (Line 3) – box checked with LLC letter if applicable
- Tax ID (Part I) – SSN or EIN
- Signature and date (Part II)

### Step 3: Determine Entity Type

**Rule:** The W-9 classification determines 1099 treatment.

### Classification from W-9 Line 3:

- Individual/Sole Proprietor → **Track for 1099**
- Single-member LLC (no letter) → **Track for 1099**
- Partnership or LLC-P → **Track for 1099**
- LLC-S or LLC-C → **Do NOT track** (unless attorney/medical)
- S-Corporation or C-Corporation → **Do NOT track** (unless attorney/medical)

### Step 4: Create Vendor in QuickBooks

**Rule:** Enter vendor information exactly as shown on W-9.

#### Required fields in QBO:

- Company/Legal Name → from W-9 Line 1
- Display name → can include DBA for easier identification
- Address → from W-9 Lines 5-6
- Tax ID → from W-9 Part I
- Email → for digital communications

### Step 5: Set 1099 Tracking Based on Entity Type

**Rule:** Check “Track payments for 1099” only when the entity type requires it.

#### Based on Step 3:

- If entity type = Individual, Sole Prop, SM-LLC, Partnership, or LLC-P → Check the box
- If entity type = Corporation, LLC-S, or LLC-C → Leave unchecked
- Exception: Attorneys and medical providers → Always check the box

### Step 6: Upload W-9 to Vendor Record

**Rule:** Every vendor record includes the source W-9 document.

#### How:

1. Open vendor profile in QuickBooks
2. Go to Documents/Attachments section
3. Upload PDF of signed W-9
4. Name file consistently: “W9\_VendorName\_YYYY.pdf”

## Step 7: Assign Default Expense Account

**Rule:** Set a default account that's mapped to the correct 1099 box.

### Common assignments:

- Contractors → Contract Labor (mapped to 1099-NEC Box 1)
- Professional Services → Professional Fees (mapped to 1099-NEC Box 1)
- Landlords → Rent Expense (mapped to 1099-MISC Box 1)

## Step 8: Document Special Circumstances

**Rule:** Note any exceptions or special handling in vendor notes.

### Examples:

- "Attorney – Track for 1099 despite S-Corp status"
- "Healthcare provider – Use 1099-MISC Box 6"
- "Foreign vendor – Requires W-8BEN, not W-9"
- "Paid only via credit card – No 1099 required from us"

## Step 9: Verify Setup Before First Payment

**Rule:** Final review before any payment is released.

### Pre-payment checklist:

- W-9 on file and uploaded
- Entity type documented
- 1099 tracking matches entity type
- Tax ID entered correctly
- Default account assigned
- Approved for payment processing

## Why Each Step Matters

Step	What It Prevents
W-9 before payment	January scramble, missing contractors

Step	What It Prevents
Validate completeness	B-Notices, TIN mismatches
Entity determination	Wrong 1099 decisions, overcounting
Exact data entry	Name/TIN mismatches with IRS
Proper tracking flag	Missing vendors in 1099 wizard
W-9 upload	Audit trail gaps, lost documentation
Default account	Unmapped accounts, missing 1099 totals
Special notes	Exception handling failures
Final verification	All of the above

## Implementing This in Your Business

You don't need fancy software. You need consistency.

1. **Write it down.** Create your own version of this policy.
2. **Train your team.** Everyone who touches vendor setup follows the same steps.
3. **Make it non-negotiable.** No shortcuts, no exceptions to the W-9 rule.
4. **Review quarterly.** Check new vendors against the policy at least once a quarter.

## Key Takeaways

- **Consistency is everything.** Every vendor goes through the same nine steps.
- **W-9 before payment** is the most important rule.
- **Entity type drives 1099 treatment**—determine it once, at setup.
- **Document everything**—upload W-9s and note exceptions.
- **Verify before releasing payment**—catch issues early.

**Next in the series:** We'll show you exactly how to map your QuickBooks accounts to 1099 boxes so your year-end reports are accurate from the start.

---

## Are You Ready to Take Control of Your Business Finances?

---

Hidden QuickBooks issues can quietly erode profits, distort decision-making, and create headaches when tax time arrives. At ProjectBits Consulting, our Tax Ready Bookkeeping service gives you expert-level oversight from certified QuickBooks ProAdvisors who know exactly where to look—and how to fix what they find. We help uncover problems early, restore confidence in your financial data, and ensure your books stay accurate and tax-ready all year long.

**Don't wait until tax season to find costly surprises.** Get proactive with a professional bookkeeping assessment that identifies gaps before they become risks. [Apply now for your Tax Ready Assessment](#) or explore the practical strategies in our book, *Ready to Take Control of Your Business Finances*, to learn how to keep your numbers working for you.

Get in Touch



**INTUIT**  
ProConnect™ Tax

Microsoft  
Partner



# Making QuickBooks Tax Ready: Mapping Accounts and Tracking 1099 Vendors

**You've set up your vendors correctly. You've collected W-9s. But if your expense accounts aren't mapped to the right 1099 boxes, your year-end reports will be wrong.**

Account mapping is the bridge between your bookkeeping and your 1099s. Get it right, and QuickBooks does the heavy lifting. Get it wrong, and you'll spend January manually calculating contractor totals.

## This Post Is Part of the Tax Ready Bookkeeping 1099 Series

---

Posts 1-6 covered: Introduction, Vendor Setup, W-9 Classification, NEC vs MISC, Setup vs Corrections, and our 9-Step Policy.

## What Is 1099 Account Mapping?

---

When you run the 1099 wizard in QuickBooks Online, it needs to know which payments should appear on which 1099 forms. Account mapping tells QuickBooks:

- **Which expense accounts** contain 1099-reportable payments
- **Which form and box** those payments should appear on

## Step-by-Step: Mapping Your Accounts

---

### Step 1: Navigate to 1099 Settings

1. Go to **Taxes** → **1099 filings**
2. Click **Prepare 1099s**
3. Select the tax year
4. Navigate to the **Categorize payments** or **Map accounts** step

## Step 2: Select Your Expense Accounts

QuickBooks shows a list of expense accounts. Check the ones you use for contractor and vendor payments:

- Contract Labor
- Professional Services / Fees
- Subcontractors
- Consulting
- Rent Expense
- Legal Fees

## Step 3: Assign Each Account to a 1099 Box

Account	Map To
Contract Labor	1099-NEC Box 1
Professional Services	1099-NEC Box 1
Subcontractors	1099-NEC Box 1
Rent Expense	1099-MISC Box 1
Royalties	1099-MISC Box 2

## Accounts You Should NOT Map

---

Not everything is 1099-reportable. Leave these accounts unmapped:

- **Reimbursements** – Not compensation, not reportable
- **Materials and supplies** – Goods, not services
- **Owner draws/distributions** – Not 1099-NEC
- **Employee payroll** – Goes on W-2, not 1099
- **Utility payments** – Paid to corporations, usually excluded

## Verifying Your Mapping

---

After mapping, run the **1099 Transaction Detail** report:

1. Go to **Reports**
2. Search for “1099” and select **1099 Transaction Detail**
3. Filter by the tax year
4. Review each vendor’s transactions

Ask yourself:

- Do the totals match what I expect for each contractor?
- Are there vendors showing that shouldn’t be (corporations)?
- Are there missing vendors who should appear?

## Common Mapping Mistakes

---

- **Mapping reimbursement accounts** – Inflates 1099 totals
- **Missing a contractor account** – Contractors don’t appear in wizard
- **Using wrong form** – Services on MISC instead of NEC
- **Not reviewing after mapping** – Errors go unnoticed until filing

## Key Takeaways

---

- **Map expense accounts** to the correct 1099 form and box
- **Don’t map reimbursements** or material purchases
- **Run the 1099 Transaction Detail report** to verify totals
- **Review before filing** – mapping determines what QuickBooks reports

**Next in the series:** Deadlines, penalties, and a year-round compliance calendar to keep you on track.

---

## Are You Ready to Take Control of Your Business Finances?

---

Hidden QuickBooks issues can quietly erode profits, distort decision-making, and create headaches when tax time arrives. At ProjectBits Consulting, our Tax Ready Bookkeeping service gives you expert-level oversight from certified QuickBooks ProAdvisors who know exactly where to look—and how to fix what they find. We help uncover problems early, restore confidence in your financial data, and ensure your books stay accurate and tax-ready all year long.

**Don't wait until tax season to find costly surprises.** Get proactive with a professional bookkeeping assessment that identifies gaps before they become risks. [Apply now for your Tax Ready Assessment](#) or explore the practical strategies in our book, *Ready to Take Control of Your Business Finances*, to learn how to keep your numbers working for you.

Get in Touch



**INTUIT**  
ProConnect™ Tax

Microsoft  
Partner



# Avoid 1099 Penalties: Deadlines, Risks, and Compliance Calendar

**Missing a 1099 deadline isn't just inconvenient—it's expensive.** IRS penalties for late or incorrect 1099s can add up quickly, especially if you have multiple contractors.

Here's what you need to know about deadlines, penalty tiers, and a simple quarterly calendar to stay compliant year-round.

## Key 1099 Deadlines

### 1099-NEC Deadlines

- **January 31:** Furnish copies to recipients AND file with IRS
- No extension available for 1099-NEC—this is a hard deadline

### 1099-MISC Deadlines

- **January 31:** Furnish copies to recipients
- **February 28:** File with IRS (paper)
- **March 31:** File with IRS (electronic)

## Penalty Structure (2025 Tax Year)

When Filed	Penalty Per Form
Within 30 days of deadline	\$60
31 days late through August 1	\$130
After August 1 or not filed	\$330
Intentional disregard	\$660+ (no cap)

**Important:** Penalties can apply separately for failing to file with IRS and failing to furnish recipient copies—so a single missed form can trigger two penalties.

# The Tax Ready Quarterly Calendar

---

## Q1 (January-March)

- **January 31:** File and distribute all 1099-NEC and 1099-MISC forms
- Review any new vendors added in Q4

## Q2 (April-June)

- Quarterly vendor audit: check new vendors for W-9 compliance
- Verify 1099 tracking flags are set correctly

## Q3 (July-September)

- Mid-year review: identify contractors approaching \$600 threshold
- Request updated W-9s if vendor information changed

## Q4 (October-December)

- **October:** Run preliminary 1099 reports
- **November:** Chase missing W-9s for new vendors
- **December:** Final verification of all 1099 vendors and totals

## Key Takeaways

---

- **1099-NEC deadline is January 31** with no extension
- **Penalties scale** from \$60 to \$330+ per form
- **Quarterly reviews** prevent year-end scrambles
- **October is the time** to start preparing, not January

**Next in the series:** How third-party payment apps like PayPal, Venmo, and Zelle affect your 1099 reporting.

---

## Are You Ready to Take Control of Your Business Finances?

---

Hidden QuickBooks issues can quietly erode profits, distort decision-making, and create headaches when tax time arrives. At ProjectBits Consulting, our Tax Ready Bookkeeping service

gives you expert-level oversight from certified QuickBooks ProAdvisors who know exactly where to look—and how to fix what they find. We help uncover problems early, restore confidence in your financial data, and ensure your books stay accurate and tax-ready all year long.

**Don't wait until tax season to find costly surprises.** Get proactive with a professional bookkeeping assessment that identifies gaps before they become risks. [Apply now for your Tax Ready Assessment](#) or explore the practical strategies in our book, *Ready to Take Control of Your Business Finances*, to learn how to keep your numbers working for you.

Get in Touch



**INTUIT**  
ProConnect™ Tax

Microsoft  
Partner



# Third-Party Payment Apps and Your 1099s: PayPal, Venmo, Zelle & More

**PayPal. Venmo. Zelle. Cash App.** These payment apps have made paying contractors easier than ever. But they've also created confusion about 1099 reporting.

When do YOU issue a 1099-NEC? When does the platform issue a 1099-K? Here's how to sort it out.

## The Basic Rule

**Payments made through third-party settlement organizations (TPSOs) are NOT reported on 1099-NEC by you.** The payment processor issues a 1099-K to the recipient instead.

This includes:

- PayPal (business payments)
- Venmo (business profile)
- Credit card payments
- Debit card payments
- Other payment apps with TPSO status

## The Exception: Zelle

**Zelle is different.** Zelle is a bank-to-bank transfer network, not a third-party settlement organization. This means:

- Zelle does NOT issue 1099-Ks
- Payments made via Zelle ARE reportable on 1099-NEC (if they meet the \$600 threshold)

## How This Affects Your 1099 Reporting

Payment Method	You Issue 1099-NEC?	Platform Issues 1099-K?
Check	Yes, if \$600+	No

Payment Method	You Issue 1099-NEC?	Platform Issues 1099-K?
ACH/Wire	Yes, if \$600+	No
Zelle	Yes, if \$600+	No
Cash	Yes, if \$600+	No
PayPal Business	No	Yes (if thresholds met)
Venmo Business	No	Yes (if thresholds met)
Credit Card	No	Yes (if thresholds met)
Debit Card	No	Yes (if thresholds met)

## QuickBooks and Payment Methods

---

QuickBooks Online automatically excludes credit card payments from 1099 calculations when you mark payments with the correct payment method. Make sure your transactions are coded correctly.

## Key Takeaways

---

- **Credit cards, debit cards, PayPal, Venmo** = No 1099-NEC from you
- **Zelle, checks, ACH, cash** = 1099-NEC if \$600+ to non-corporate payee
- **Mark payment methods correctly** in QuickBooks for accurate reports
- **Track both** if you pay a contractor multiple ways

**Next in the series:** Using QuickBooks custom fields to track W-9 status and never chase a W-9 again.

---

## Are You Ready to Take Control of Your Business Finances?

---

Hidden QuickBooks issues can quietly erode profits, distort decision-making, and create headaches when tax time arrives. At ProjectBits Consulting, our Tax Ready Bookkeeping service

gives you expert-level oversight from certified QuickBooks ProAdvisors who know exactly where to look—and how to fix what they find. We help uncover problems early, restore confidence in your financial data, and ensure your books stay accurate and tax-ready all year long.

**Don't wait until tax season to find costly surprises.** Get proactive with a professional bookkeeping assessment that identifies gaps before they become risks. [Apply now for your Tax Ready Assessment](#) or explore the practical strategies in our book, *Ready to Take Control of Your Business Finances*, to learn how to keep your numbers working for you.

Get in Touch



**INTUIT**  
ProConnect™ Tax

Microsoft  
Partner



# Never Chase a W-9 Again: Using QuickBooks Custom Fields

**Tired of chasing W-9s every January?** QuickBooks Online Advanced offers a powerful solution: vendor-level custom fields that let you track W-9 status and missing information year-round.

## Why Custom Fields for W-9 Tracking?

---

QuickBooks doesn't have a native "W-9 on file" field. You can upload W-9s to vendor attachments, but you can't report on which vendors are missing them.

Custom fields solve this by making W-9 status a reportable, filterable field.

## Setting Up W-9 Custom Fields

---

### Step 1: Create the Custom Field

1. Go to **Settings** → **Custom Fields**
2. Click **Add field**
3. Select **Vendors** as the data type
4. Name it: "W-9 Status"
5. Field type: **Dropdown list**
6. Add options: Requested, Received, Expired, Not Required

### Step 2: Add Entity Type Field (Optional)

1. Create another custom field: "W-9 Tax Entity Type"
2. Options: Individual, Sole Prop, SM-LLC, Partnership, LLC-P, LLC-S, LLC-C, S-Corp, C-Corp

## Using Custom Fields to Find Missing W-9s

---

1. Go to **Reports** → **Vendor Contact List**
2. Customize the report to add columns for your custom fields
3. Filter: W-9 Status = Requested (or NOT equal to Received)
4. Filter: Track 1099 = Yes

This shows you exactly which 1099 vendors are missing W-9s—in October, not January.

## Key Takeaways

---

- **Custom fields** make W-9 status reportable
- **Set W-9 Status** when you onboard each vendor
- **Run quarterly reports** to find missing W-9s early
- **Entity type field** creates audit trail for 1099 decisions

**Next in the series:** Advanced year-end workflows using QuickBooks Online Advanced Spreadsheet Sync.

---

## Are You Ready to Take Control of Your Business Finances?

---

Hidden QuickBooks issues can quietly erode profits, distort decision-making, and create headaches when tax time arrives. At ProjectBits Consulting, our Tax Ready Bookkeeping service gives you expert-level oversight from certified QuickBooks ProAdvisors who know exactly where to look—and how to fix what they find. We help uncover problems early, restore confidence in your financial data, and ensure your books stay accurate and tax-ready all year long.

**Don't wait until tax season to find costly surprises.** Get proactive with a professional bookkeeping assessment that identifies gaps before they become risks. [Apply now for your Tax Ready Assessment](#) or explore the practical strategies in our book, *Ready to Take Control of Your Business Finances*, to learn how to keep your numbers working for you.

Get in Touch



**INTUIT**  
ProConnect™ Tax

Microsoft  
Partner



# Tax Ready Year-End in QBO Advanced: Spreadsheet Sync

If you're using QuickBooks Online Advanced, you have access to a powerful year-end tool: **Spreadsheet Sync**. This feature connects your QuickBooks data directly to Excel, making bulk vendor cleanup and 1099 review much easier.

## What Is Spreadsheet Sync?

---

Spreadsheet Sync is a QBO Advanced feature that creates a live two-way connection between QuickBooks and Excel. You can:

- **Pull vendor lists** with all custom fields into Excel
- **Review and edit** vendor information in bulk
- **Push changes back** to QuickBooks with one click
- **Create reusable workbooks** for year-end 1099 review

## Year-End 1099 Workflow with Spreadsheet Sync

---

### Step 1: Pull Vendor Data

1. Open Excel with Spreadsheet Sync add-in
2. Create a new Sync query for Vendors
3. Include fields: Name, Tax ID, Track 1099, W-9 Status (custom), Entity Type (custom)
4. Sync to pull current data

### Step 2: Review and Clean Up

In Excel, filter and sort to find issues:

- Vendors with Track 1099 = Yes but W-9 Status ≠ Received
- Vendors with inconsistent entity types
- Missing Tax IDs

### Step 3: Push Corrections Back

Make corrections in Excel, then sync back to QuickBooks. Changes update immediately.

## Key Benefits

---

- **Bulk review** is faster in Excel than clicking through vendor profiles
- **Filtering and sorting** lets you find issues quickly
- **Reusable templates** save time year after year
- **Two-way sync** means no double data entry

**Next in the series:** Multi-state 1099 filing and what QuickBooks does (and doesn't) support.

---

## Are You Ready to Take Control of Your Business Finances?

---

Hidden QuickBooks issues can quietly erode profits, distort decision-making, and create headaches when tax time arrives. At ProjectBits Consulting, our Tax Ready Bookkeeping service gives you expert-level oversight from certified QuickBooks ProAdvisors who know exactly where to look—and how to fix what they find. We help uncover problems early, restore confidence in your financial data, and ensure your books stay accurate and tax-ready all year long.

**Don't wait until tax season to find costly surprises.** Get proactive with a professional bookkeeping assessment that identifies gaps before they become risks. [Apply now for your Tax Ready Assessment](#) or explore the practical strategies in our book, *Ready to Take Control of Your Business Finances*, to learn how to keep your numbers working for you.

Get in Touch



**INTUIT**  
ProConnect™ Tax

Microsoft  
Partner



# Multi-State 1099 Filing: What QuickBooks Online Does and Doesn't Support

**Do you have contractors in multiple states?** Some states require separate 1099 filings in addition to the federal forms. Here's what QuickBooks Online supports—and what it doesn't.

## State 1099 Filing Requirements

---

Not all states require 1099 filings. States fall into three categories:

1. **Combined Federal/State Filing (CF/SF):** IRS shares your federal filing with participating states automatically
2. **Direct State Filing:** You must file separately with the state
3. **No State Filing Required:** State has no 1099 requirement

## What QuickBooks Online Supports

---

QuickBooks Online's built-in 1099 e-filing supports:

- **Federal filing** with the IRS
- **CF/SF participating states** (automatically forwarded by IRS)

QBO does NOT directly file with states that require direct filing.

## States Requiring Direct Filing

---

If you have contractors in these states, you may need to file separately or use a third-party 1099 service:

- California (has specific requirements)
- Massachusetts
- Wisconsin
- And others depending on payment amounts

## Options for Multi-State Compliance

---

1. **Use QBO + manual state filing** for states not covered
2. **Use a dedicated 1099 service** (Tax1099, Track1099, TaxBandits) that handles both federal and state
3. **Consult a tax professional** for complex multi-state situations

## Key Takeaways

---

- **Check your contractor locations** against state requirements
- **QBO handles CF/SF states** automatically through federal filing
- **Direct-filing states** require additional tools or manual filing
- **Consider a dedicated service** if you have significant multi-state exposure

**Next in the series:** How debit cards, credit cards, and payment methods affect your 1099 reporting.

---

## Are You Ready to Take Control of Your Business Finances?

---

Hidden QuickBooks issues can quietly erode profits, distort decision-making, and create headaches when tax time arrives. At ProjectBits Consulting, our Tax Ready Bookkeeping service gives you expert-level oversight from certified QuickBooks ProAdvisors who know exactly where to look—and how to fix what they find. We help uncover problems early, restore confidence in your financial data, and ensure your books stay accurate and tax-ready all year long.

**Don't wait until tax season to find costly surprises.** Get proactive with a professional bookkeeping assessment that identifies gaps before they become risks. [Apply now for your Tax Ready Assessment](#) or explore the practical strategies in our book, *Ready to Take Control of Your Business Finances*, to learn how to keep your numbers working for you.

Get in Touch



**INTUIT**  
ProConnect™ Tax

Microsoft  
Partner



# Debit Cards, Credit Cards, and Payment Methods: How They Affect 1099 Reporting

The way you pay a contractor determines whether you issue a 1099—and QuickBooks handles different payment methods differently. This post explains exactly how debit cards, credit cards, ACH, checks, and other methods affect your 1099 reporting.

## The Core Rule: TPSOs vs. Direct Payments

The IRS divides payment methods into two categories:

1. **Third-Party Settlement Organization (TPSO) payments:** Reported on 1099-K by the processor—NOT by you
2. **Direct payments:** Reported on 1099-NEC by you

## Payment Method Quick Reference

Payment Method	Type	You Report on 1099-NEC?
Check	Direct	Yes
ACH/Wire Transfer	Direct	Yes
Zelle	Direct (bank-to-bank)	Yes
Cash	Direct	Yes
Credit Card	TPSO	No
Debit Card	TPSO	No
PayPal Business	TPSO	No
Venmo Business	TPSO	No

## How QuickBooks Handles Payment Methods

---

When you record a payment in QuickBooks, you can specify the payment method. QBO uses this to determine what goes into 1099 calculations:

- **Check, ACH, Cash:** Included in 1099-NEC totals
- **Credit Card, Debit Card:** Excluded from 1099-NEC totals

**Critical:** Make sure payment methods are recorded correctly. If you pay a contractor by credit card but don't mark it as such, QuickBooks may include it in your 1099 totals—resulting in double-reporting.

## Mixed Payment Methods

---

If you pay a contractor using multiple methods:

- \$3,000 by check
- \$2,000 by credit card

You report only the \$3,000 (check) on 1099-NEC. The \$2,000 (credit card) is reported by the card processor on 1099-K.

## Key Takeaways

---

- **Credit/debit cards and payment apps** = No 1099-NEC from you
- **Checks, ACH, Zelle, cash** = You report on 1099-NEC
- **Record payment methods accurately** in QuickBooks
- **Mixed payments** = Only report the direct payment portion

## Series Conclusion

---

Congratulations! You've completed the Tax Ready Bookkeeping 1099 Series. You now have a complete framework for:

- Setting up vendors and contractors correctly from day one
- Classifying entities based on W-9s
- Mapping accounts and tracking 1099 vendors in QuickBooks

- Understanding penalties, deadlines, and payment method rules
- Using advanced features like custom fields and Spreadsheet Sync

**The key to stress-free 1099 compliance?** Set it up right from day one, follow a consistent policy year-round, and January becomes a non-event.

---

## Are You Ready to Take Control of Your Business Finances?

---

Hidden QuickBooks issues can quietly erode profits, distort decision-making, and create headaches when tax time arrives. At ProjectBits Consulting, our Tax Ready Bookkeeping service gives you expert-level oversight from certified QuickBooks ProAdvisors who know exactly where to look—and how to fix what they find. We help uncover problems early, restore confidence in your financial data, and ensure your books stay accurate and tax-ready all year long.

**Don't wait until tax season to find costly surprises.** Get proactive with a professional bookkeeping assessment that identifies gaps before they become risks. [Apply now for your Tax Ready Assessment](#) or explore the practical strategies in our book, *Ready to Take Control of Your Business Finances*, to learn how to keep your numbers working for you.

Get in Touch



**INTUIT**  
ProConnect™ Tax

Microsoft  
Partner



# Your Next Steps

Congratulations on completing this comprehensive guide to 1099 compliance! You now have the knowledge to transform your approach to vendor management and tax reporting.

## Key Takeaways

---

- **Policy First:** A written accounting policy is your foundation for consistent, accurate 1099 reporting
- **Set It Up Right:** Proper vendor setup from day one prevents January scrambles
- **W-9 Before Payment:** Never pay a contractor without a W-9 on file
- **Know Your Forms:** 1099-NEC for services, 1099-MISC for rents and other payments
- **Map Your Accounts:** Ensure QuickBooks tracks the right payments for 1099 reporting
- **Mind the Deadlines:** January 31 is critical—plan ahead
- **Payment Methods Matter:** Credit card payments are excluded; checks and ACH are included

## Ready to Get Tax Ready?

---

If you'd like help implementing these practices in your business, the Tax Ready Bookkeeping team at ProjectBits Consulting is here to help. As Certified QuickBooks ProAdvisors, we specialize in setting up systems that make compliance automatic.

### Get Started Today

Visit [projectbits.com](https://projectbits.com) to learn more about our bookkeeping services, download additional resources, and schedule a consultation.

© 2026 ProjectBits Consulting. All rights reserved.  
Tax Ready Bookkeeping is a service of ProjectBits Consulting.