Tax Ready Bookkeeping

1099 Compliance Checklist

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Overview

This checklist helps ensure you correctly identify, track, and report payments requiring Form 1099-NEC (Non-Employee Compensation) and other 1099 forms.

Key Deadlines

Form	To Recipients	To IRS
1099-NEC	January 31	January 31
1099-MISC	January 31	February 28 (paper) / March 31 (e-file)
1099-INT	January 31	February 28 (paper) / March 31 (e-file)
1099-DIV	January 31	February 28 (paper) / March 31 (e-file)

No Extensions: Form 1099-NEC has NO automatic extension for filing with the IRS.

Part 1: Vendor Review (Year-End)

Step 1: Run Vendor Payment Report

☐ Export all vendor payments for the tax year
☐ Sort by vendor name
☐ Filter for payments $600 or more
☐ Total count of vendors over threshold:

☐ Total dollar amount: $

Step 2: Identify Reportable Vendors

For each vendor with $600+ in payments, determine if 1099-NEC is required:

1099-NEC REQUIRED for payments to: - [ ] Sole proprietors / individuals for services - [ ] Partnerships for services - [ ] LLCs taxed as sole props or partnerships for services - [ ] Attorneys (any amount, regardless of entity type) - [ ] Payments for services over $600

1099-NEC NOT REQUIRED for: - [ ] Corporations (C-Corp or S-Corp) - except attorneys and medical providers - [ ] Payments for merchandise/products only - [ ] Employee wages (reported on W-2) - [ ] Rent (use 1099-MISC instead) - [ ] Personal payments (non-business) - [ ] Credit card / payment processor payments (reported on 1099-K)

Step 3: Entity Type Verification

For each reportable vendor, confirm entity type from W-9:

Vendor Name	W-9 on File?	Entity Type	Exempt?	1099 Required?
	Yes / No		Yes / No	Yes / No
	Yes / No		Yes / No	Yes / No
	Yes / No		Yes / No	Yes / No
	Yes / No		Yes / No	Yes / No
	Yes / No		Yes / No	Yes / No

Part 2: W-9 Collection

Missing W-9 List

Vendor Name	Payment Total	Date Requested	Status
	$		
	$		
	$		
	$		

W-9 Follow-up Actions

- ☐ Send initial W-9 request email (Template 1)
- ☐ Send reminder at 5 business days (Template 2)
- ☐ Send urgent notice at 10 business days (Template 3)
- ☐ Escalate to management if no response after 15 days
- ☐ Document all collection attempts

TIN Verification

- ☐ Verify TINs match vendor names
- ☐ Check for common errors (transposed digits, wrong name format)
- ☐ Consider IRS TIN Matching program for verification
- ☐ Flag vendors with previously rejected TINs

Part 3: Payment Amount Verification

Review Payment Details

For each 1099 vendor, verify: - [ ] Total matches sum of all payments - [ ] No duplicate payments included - [ ] Refunds/credits properly netted - [ ] Only reportable payments included

Exclude from 1099 Total:

- ☐ Payments for products/merchandise
- ☐ Reimbursed expenses (if properly documented)
- ☐ Credit card payments (Visa, MC, AmEx, etc.)
- ☐ PayPal/Venmo business payments (reported on 1099-K)
- ☐ Payments under $600 total for the year

Special Situations:

Situation	Treatment
Mixed services + products	Report service portion only
Payments to attorney trust accounts	Still reportable to attorney
Combined payments (services + reimbursements)	Report gross, let vendor sort
Payments to foreign vendors	May require 1042-S instead

Part 4: Form Preparation

Information Required for Each 1099-NEC:

- ☐ Payer name, address, TIN
- ☐ Recipient name (exactly as shown on W-9)
- ☐ Recipient TIN (from W-9)
- ☐ Recipient address
- ☐ Box 1: Nonemployee compensation amount
- ☐ Box 4: Federal income tax withheld (if applicable)
- ☐ State information (if required)

Common Errors to Avoid:

- ☐ Name doesn't match W-9 exactly
- ☐ Wrong TIN type (EIN vs. SSN)
- ☐ Transposed digits in TIN
- ☐ Wrong amount (double-check totals)
- ☐ Missing state reporting
- ☐ Wrong tax year

Part 5: Filing

Filing Methods:

- ☐ **E-file** (required if 10+ forms) - IRS FIRE system or approved vendor
- ☐ **Paper** (if fewer than 10 forms) - Use official IRS forms only
- ☐ **Third-party service** - QuickBooks, Gusto, Tax1099.com, etc.

E-Filing Requirements:

- ☐ Register with IRS FIRE system (first-time filers)
- ☐ Obtain Transmitter Control Code (TCC)
- ☐ Test file submission before deadline
- ☐ Retain filing confirmation

Filing Checklist:

- ☐ All forms prepared and reviewed
- ☐ Transmittal form (1096) prepared (paper filing only)
- ☐ Copy B sent to recipients by January 31
- ☐ File with IRS by deadline
- ☐ State filing completed (if required)
- ☐ Confirmation received and saved

Part 6: Recipient Distribution

Required Copies to Recipients:

- Copy B: For recipient's records
- Copy 2: For recipient's state tax return (if required)

Distribution Methods:

- ☐ Mail (USPS, allow time for delivery)
- ☐ Electronic delivery (with recipient consent)
- ☐ Portal access (with proper security)

Distribution Tracking:

Vendor Name	Method	Date Sent	Confirmed
	Mail / Electronic		Yes / No
	Mail / Electronic		Yes / No
	Mail / Electronic		Yes / No

Part 7: Record Retention

What to Keep (4+ years minimum):

- ☐ Copies of all 1099 forms issued
- ☐ W-9 forms for all recipients
- ☐ Filing confirmations
- ☐ Transmittal forms (1096)
- ☐ Payment reports used
- ☐ Correspondence regarding W-9 collection

Storage Requirements:

- ☐ Secure location (locked cabinet or encrypted digital)
- ☐ Accessible for audit purposes
- ☐ Backup copies maintained
- ☐ Destruction policy after retention period

Part 8: Penalty Reference

Late Filing Penalties (per form):

Filed Within	Penalty
30 days of due date	$60
By August 1	$130
After August 1	$330
Intentional disregard	$660+

Failure to Furnish to Recipients: Same penalties as above

Incorrect Information: $330 per form (if not corrected)

Small Business Exception:

If gross receipts <= $5 million, maximum penalty is reduced: - 30 days late: $232,500 max - By Aug 1: $582,500 max - After Aug 1: $1,165,000 max

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Year-Round Best Practices

Ongoing Vendor Management:

- ☐ Require W-9 before first payment (always)
- ☐ Enable 1099 tracking in QuickBooks for service vendors
- ☐ Review vendor list quarterly
- ☐ Update W-9s when vendor info changes

Quarterly Review:

- ☐ Q1: Review vendor list setup
- ☐ Q2: Mid-year payment review
- ☐ Q3: Identify potential 1099 vendors approaching threshold
- ☐ Q4: Final review and W-9 collection push

Monthly Tasks:

- ☐ New vendor W-9 collection
- ☐ Payment categorization review
- ☐ Exception handling

Summary Checklist

Pre-Filing (by December 31):

- ☐ Vendor payment report generated
- ☐ Reportable vendors identified
- ☐ W-9 collection complete (or documented)
- ☐ TINs verified
- ☐ Payment amounts confirmed

Filing (by January 31):

- ☐ Forms prepared
- ☐ Forms reviewed for errors
- ☐ Copies sent to recipients
- ☐ Filed with IRS
- ☐ State filings completed
- ☐ Confirmations saved

Post-Filing:

- ☐ Records organized and stored
- ☐ Corrections filed if needed
- ☐ Process improvements documented

Completed By:

Date:

Tax Year:

For more resources: projectbits.com/taxready/ch2

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