

Next Year's 1099 Filing Starts Now: How to Simplify the Process Moving Forward

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With the recent 1099 filing deadline behind us, many businesses are reflecting on the challenges they faced in issuing forms to independent contractors, vendors, and other non-employee service providers. If filing 1099s has been a struggle in the past, you're not alone—issues such as missing information, incorrect details, or confusion about filing requirements are common. Fortunately, there are steps businesses can take to make next year's filing process smoother and more efficient.

Understanding the Basics of 1099 Forms

The 1099 series of forms is used to report income earned by non-employees, including freelancers, contractors, and some service providers. The most common of these forms is the **1099-NEC**, which reports payments made to non-employees for services provided, while the **1099-MISC** is used for other types of income, such as rent, royalties, or payments to attorneys.

Common Struggles with 1099 Filing

1. **Confusion About Filing Requirements:** The threshold for issuing a 1099-

NEC is typically \$600 or more for payments made to a non-employee. But businesses often get confused about who needs a 1099 and who doesn't. For instance, payments to corporations generally don't require 1099 forms, with some exceptions (e.g., legal services).

2. **Incorrect or Missing Information:** It's essential that businesses correctly capture the names, addresses, and Taxpayer Identification Numbers (TINs) of their contractors and vendors. If key details are missing, it can delay the filing process and potentially lead to penalties.
3. **Deadline Pressure:** The filing deadlines for 1099s can vary. The deadline for filing Form 1099-NEC is **January 31st**, whether filed by paper or electronically. In contrast, Form 1099-MISC must be filed with the IRS by **February 28th** if filed by paper, or by **March 31st** if filed electronically. Missing these deadlines can result in significant penalties.

The Shift Toward E-Filing

In an effort to streamline the filing process and reduce errors, the IRS has been encouraging businesses to e-file their 1099 forms rather than submitting paper filings. In fact, as of 2024, the IRS issued a new rule that requires e-filing be done if a company is issuing 10 or more combined information returns (1099s and W-2s). Required or not, e-filing offers several advantages, including:

1. **Faster Processing:** E-filing is typically processed more quickly than paper filing, reducing the likelihood of delays or penalties.
2. **Error Reduction:** Many e-filing platforms provide error-checking features that help businesses ensure that forms are completed correctly before submission.
3. **Convenience and Accessibility:** E-filing allows business to file 1099 forms from anywhere without the need to print and mail paper forms.
4. **Free IRS Filing Service:** The IRS offers a free e-filing option for businesses filing fewer than 100 forms, which can significantly reduce costs.

Tips for a More Seamless 1099 Filing Experience

Filing 1099s accurately and on time is an essential part of year-end tax reporting for businesses. The following practical tips can help make the process smoother, reduce headaches, and avoid potential penalties.

1. **Get Organized Early:** Collect all relevant information well in advance and ensure all information for each recipient —addresses, TINs, and payment details — is correct.
2. **Verify Information:** Double-check the amounts and other details reported on each form. Even minor mistakes can lead to penalties.
3. **Use E-filing Platforms:** Consider using IRS-approved e-filing platforms or your accounting software's integrated features to ensure accuracy and compliance.
4. **Stay Ahead of Deadlines:** Mark the deadlines on the calendar and start preparing 1099 forms well in advance. Remember, missed deadlines could be subject to fines.
5. **Seek Professional Help:** If unsure about the filing requirements or need assistance with complex situations, consider consulting with tax and accounting professionals, like Anchin, that can help ensure filings are accurate and timely.

Conclusion

Filing 1099 forms may seem like a daunting task, but with the right preparation, it doesn't have to be a headache. By staying informed about recent changes to the forms, understanding the filing requirements, and using e-filing options, businesses can streamline the process and ensure compliance. Don't wait until the last minute—take proactive steps now to avoid stress during tax season and ensure accurate and timely 1099 filings.

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