BT & Co. P.A.

Certified Public Accountants

1099 Season is Here: What Employers Need to Know

It's the start of a new year, which means it's time to get your 1099s in order. If you paid any contractors in 2025, paid office rent, or received royalties, there's a good chance you've got some forms to file. The rules aren't complicated once you break them down - but waiting too long can lead to mistakes, missed deadlines, and penalties. So let's walk through the basics of who gets a 1099, which forms to use, and what deadlines you need to meet.

Who gets a 1099, and which form?

There are more than a dozen types of 1099s, but most small businesses deal with just a few. The most common are the 1099-NEC for nonemployee compensation, the 1099-MISC for rent and other miscellaneous payments, and the 1099-K for payments processed through third-party networks.

While the deadline for issuing most 1099s is usually January 31st, that date falls on a weekend, so the deadline has been pushed back to February 2, 2026.

1099-NEC: nonemployee compensation

You'll likely need to issue a 1099-NEC if your business paid $600 or more to a nonemployee, like a freelancer, consultant, contractor, or service provider.

This form applies when:

- The service provider is not your employee,
- The payment was made in exchange for services, and
- The payee is an individual, sole proprietorship, or partnership. If you're unsure how they're taxed, check their W-9 to confirm.

You typically don't issue a 1099-NEC to C or S corporations, but there are some exceptions. For example, if your business paid an attorney or law firm for legal services, you may still need to issue a 1099-NEC, even if they're incorporated.

LLCs can also be tricky. If the contractor's LLC is taxed as a sole proprietorship or partnership and they meet the $600 threshold, you must issue a Form 1099-NEC. If they're taxed as a corporation, you typically do not, unless a rare exception applies.

1099-NEC forms must be delivered to both the recipients and the IRS by February 2, 2026.

1099-MISC: miscellaneous income

You'll use Form 1099-MISC to report certain business payments that don't fall under nonemployee compensation. This typically includes rent payments of $600 or more for office space or equipment leases, royalty payments of $10 or more, and prizes or awards.

Just like with the 1099-NEC, you usually don't need to issue a 1099-MISC to a C or S corporation, but there are important exceptions. One of the most common exceptions is for business-related medical or healthcare payments. For example, if you paid for employee drug testing or occupational health visits, that will probably require a 1099-MISC.

You'll need to provide recipients with their 1099-MISC by February 2, 2026. However, there are different deadlines for filing with the IRS. For paper filing, the deadline is March 2nd; for electronic filing, it's March 31st.

1099-K: Third-party payment processors

If you pay a vendor through a third-party platform such as PayPal, Venmo Business, Square, or a credit card, you generally do not issue a Form 1099 for those payments. Instead, the payment processor is responsible for issuing Form 1099-K.

This avoids double-reporting the same income. Make sure your bookkeeping distinguishes between payments made directly to a vendor and payments made through third-party payment processors so you don't issue duplicate forms by mistake.

Tips for a smoother 1099 season

A successful 1099 season starts with good recordkeeping.

First, make sure you have a current W-9 for every vendor or contractor you've paid in 2025. Pay close attention to how LLCs are taxed on their W-9, because you may not need to issue 1099s for those taxed as corporations.

Second, ensure your vendor records are up-to-date. Confirm business names, mailing addresses, and taxpayer identification numbers. A quick check now can prevent notices and complications later.

Finally, it helps stay organized. Create a checklist of which vendors need 1099s and for which types of payments. This may even help you get a head start on the 2026 tax year.

Next Step

IRS penalties for late or incorrect 1099s can add up quickly, ranging from $60 to $330 per form, depending on how late they are filed.

Avoid the scramble by reviewing your records now, confirming who needs a form, and getting everything in order before February 2, 2026.

If you need help issuing 1099s or reviewing vendor classifications, please contact one of our expert advisors. We're always happy to help.

About BT & Co. CPAs

From our founding in 1913 as a branch of Washington, Henry & Co., Federal Tax Consultants to officially becoming BT&Co. in 1989, a lot has changed – in our firm, our community, and in our profession. At the same time, many things at BT&Co. have stayed the same – our commitment to our community and our passion for helping our clients achieve success in their professional and personal lives.

We love numbers, but they don't fuel us. People are our greatest passion. What we do is serious work, but it doesn't have to be done void of personality and enjoyment- we don't ask our team to leave their uniqueness at the door. Our team redefines CPA daily.

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