



Overview

Form 1099-NEC is used to report payments to individuals who are not your employees. If you pay contractors in cash, check, or direct deposit, you'll need to file 1099s with the IRS and some states.

By understanding who must receive this form, what details are required, and how to file them on time, you can avoid potential penalties. Active record-keeping and verification of data will simplify your year-end workload and enhance your company's overall financial management.

This document provides references for managing your Form 1099-NEC. It outlines the essential steps, responsibilities, and best practices for preparing and filing Form 1099-NEC.

What you'll learn...

- Working with Contractors
- IRS and Arizona Instructions
- Using QuickBooks Online
- Form 1099-K: Recent Changes for Tax Year 2024
- 5 Simple Recordkeeping Habits

Working with Contractors

4 things to complete Form 1099-NEC accurately

1. Recipient's full legal name
2. Recipient's address
3. Recipient's Taxpayer Identification Number (TIN)
4. Total amount of non-employee compensation paid during the year

Obtaining this information early helps you avoid delays and potential penalties for incorrect or late filings.

4 simple practices to streamline the 1099-NEC process

- Collect W-9 forms from contractors before issuing payment
- Verify Taxpayer Identification Numbers (TINs)
- Keep detailed records of all payments
- Set reminders for filing deadlines



IRS and Arizona Instructions

File Form [1099-NEC, Nonemployee Compensation](#), for each person during your business you paid at least \$600 in:

- Services performed by someone who is not your employee (including parts and materials); or
- Payments to an attorney

File Form 1099-NEC or Form 1099-MISC to report sales totaling \$5,000 or more of consumer products to a person on a buy-sell, a deposit-commission, or other commission basis for resale.

See *IRS Pubs Brief: Instructions for Forms 1099-MISC and 1099-NEC (01/2024)* for a summary of the Department of Treasury's latest revisions to [Miscellaneous Information](#) and Nonemployee Compensation tax filing.

Generally, the form is due to recipients by January 31. It must be filed with the IRS by January 31. If the due date falls on a weekend or holiday, the deadline moves to the next business day.

Arizona Department of Revenue (ADOR)

You only submit Form 1099 if you report [Arizona income tax withheld](#).

All federal attachments (including Form 1099-NEC) are due with Arizona reconciliation forms. Arizona reconciliation Form A1-R and Form A1-APR are due January 31 of the calendar year after the wages were paid or payments were made.

Using QuickBooks Online

If you're already using [QuickBooks Online](#), the simplest way to e-file is with [Contractor Payment](#) or QuickBooks Payroll.

You can prepare and [file your Federal and state 1099s](#).

QuickBooks Online can help you prepare your 1099s seamlessly, using the info you already have in your account.

You can [adapt the Chart of Accounts](#) if you have different types of contractors and want to report to different cost centers. You can [set up your contractors](#) quickly.

It's easy to [troubleshoot missing contractors or wrong amounts](#) on 1099s. It's also easy to [correct or change 1099s](#) once you have filed.



Form 1099-K: Recent Changes for Tax Year 2024

A [1099-K is issued by payment settlement entities](#) (such as PayPal, Venmo, or credit card processors) to report certain payment transactions. Historically, this form applied when total transactions exceeded a specific monetary threshold and/or transaction count.

Recent Changes for 2024

1. **Lower Thresholds:**
 - a. The [IRS has been adjusting the reporting thresholds for Form 1099-K](#). Starting with tax year 2024, more small businesses and independent contractors may receive this form due to decreased threshold requirements.
2. **Enhanced Accuracy:**
 - a. Payment platforms may request additional information from users to ensure the correct reporting of transactions. Be prepared to provide any documentation needed to verify your identity or the nature of your transactions.
3. **Reconciling 1099-NEC and 1099-K:**
 - a. It is possible that some income you report on Form 1099-NEC might also appear on Form 1099-K if you were paid through third-party platforms. Always cross-check the amounts to avoid underreporting or double counting.

As these changes roll out, [stay informed through IRS announcements and guidance](#) from your tax professional to ensure you meet all reporting requirements accurately and on time.

5 Simple Recordkeeping Habits

1. **Create a Dedicated System:**
 - a. Use accounting software or a cloud-based spreadsheet to track all incoming and outgoing payments. Keep digital (and/or hardcopy) receipts and invoices systematically labeled for easy reference.
2. **Separate Business and Personal Accounts:**
 - a. Minimizing overlap between personal and business finances reduces confusion and streamlines your end-of-year reporting.
3. **Maintain Vendor and Contractor Details:**
 - a. Keep an updated list of contact details, tax IDs, and payment histories. This will save time when preparing Form 1099-NEC or other similar documents.
4. **Regular Reconciliation:**
 - a. Reconcile your records monthly or quarterly to catch errors early. This practice makes year-end tasks easier and reduces the risk of surprises during tax season.
5. **Backup and Security:**
 - a. Implement routine backups and ensure sensitive data (like TINs and banking details) is protected with passwords, encryption, or other security measures.