2024 EDITION

Everything You Need to Know About 1099 Filing This Tax Season

Get the inside scoop for new 1099 requirements and how world-class finance teams are using automation to simplify and expedite the 1099 filing season.

Wingspan

Contents

Finance, accounting, and HR teams are under increasing pressure as the January deadline for 1099-NEC filing approaches. For companies that run on independent contractors, January is often a race against the clock to create, file, and deliver 1099-NEC forms on time.

Failure to issue Form 1099-NEC by January 31 can result in significant costs, with the IRS imposing penalties ranging from $60 to $310 per form in 2024.[1] Intentional disregard of 1099 filing is even more serious, with a minimum penalty of $630 per form.[1] The IRS also charges penalties for each incorrect payee statement regardless of whether it was or wasn't submitted on time.

These fees, alongside the administrative chaos of manual filing, aren't sustainable for businesses with hundreds or thousands of contractors. If your 1099-NEC processes are tedious and inefficient, this guide will give you everything you need to know for the hectic filing season.

> Failure to issue
> 1099-NEC can result in
> minimum pentalies of
> ## $630 per form

1099-NEC

1099-MISC

1099-NEC or 1099-MISC?

Form 1099-NEC is frequently discussed alongside Form 1099-MISC—you'll even see statements that one replaced the other—but they're used for two different scenarios.

In 2020, the 1099-MISC was used for reporting all forms of non-employee compensation until the reintroduction of the 1099-NEC form.[3] The new form took over the non-payroll worker compensation box from the 1099-MISC and narrowed its scope.

Businesses are now required to file Form 1099-MISC solely for reporting miscellaneous payments such as rent, royalties, legal settlements, and reimbursements.

1   IRS. Information return penalties. Irs.gov. https://www.irs.gov/payments/information-return-penalties

2   IRS. Penalty and interest. Irs.gov. https://www.irs.gov/irm/part20/irm_20-001-007r

3   IRS. When to use Forms 1099-MISC and NEC. Irsvideos.gov. https://www.irsvideos.gov/Individual/Resources/WhentouseForms1099MISCandNEC

What does successful 1099-NEC filing look like?

Filing requirements

Form 1099-NEC is used to report compensation to a non-employee who received **at least $600** from the business within the tax year.

You're required to file the 1099-NEC if you've been paying for services from:

- ✓ Someone who is not your employee, including individuals, government agencies, and nonprofit organizations
- ✓ Attorneys, including law firms or other providers of legal services
- ✓ Corporations providing legal services[4]
- ✓ Individuals from whom you have withheld federal income tax under the backup withholding rules

Generally, **you don't have to issue 1099-NEC** forms for:

- ✗ Payments made to C Corporations and S Corporations
- ✗ Payments made via credit card, debit card, or a third-party system, like PayPal, but only if those payments were processed as business transactions

However, even if your situation aligns with these criteria, we strongly advise you to consult a lawyer to ensure compliance.

1099-NEC filing process

Businesses must file 1099-NEC forms for each independent contractor by January 31 of the following year to avoid information return penalties. While 1099 forms can be submitted both online and on paper, the IRS encourages payers to switch to electronic filing—new regulations[5] **require payers to e-file 10 or more information returns** beginning in 2024.

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4   IRS. Instructions for forms 1099-NEC and 1099-MISC. Irs.gov. https://www.irs.gov/pub/irs-pdf/i1099mec.pdf

5   IRS. IRS and Treasury issue final regulations on e-file for businesses. Irs.gov. https://www.irs.gov/newsroom/irs-and-treasury-issue-final-regulations-on-e-file-for-businesses

How to handle the 1099-NEC filing process:

Request a completed Form W-9[6] from individual contractors to collect information, such as their legal names, addresses, taxpayer identification numbers (TINs), and federal tax classification.

Verify TINs through the TIN Matching Program[7].

Access payment records to **calculate the full amount of the payment** the non-employee received during the year.

E-file your information returns by filling in 1099-NEC forms for each independent contractor, **manually transferring the data** from your records.

Send Copy A of the form to the IRS and **Copy B** to the respective contractor by January 31.

1099 filed

From reaching out to contractors to manually verifying and entering the data, it takes a significant amount of manual effort to gather and accurately file the required information.

Can a company get 1099-NEC filing extensions?

The IRS highlights that there's **no automatic extension** to file a 1099-NEC. However, a business may request a 30-day filing extension under one of the following hardship conditions:

» A catastrophic event in a federally declared disaster area that made it impossible to resume operations.

» Business operations were disrupted by a fire, casualty, or natural calamity.

» The individual responsible for filing the form was unable to return the information because of death, serious illness, or unavoidable absence.

» The information required for 1099-NEC filing, like Schedule K-1 or Form 1042-S, wasn't provided in time.

» The business is in the first year of establishment.

In case of any of these events, the extension may be granted upon submitting Form 8809[8] **on paper** or e-filing it before the filing due date.

Businesses may request a
30-day extension
if they meet certain hardship conditions

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6   IRS. Form W-9. Irs.gov. https://www.irs.gov/pub/irs-prior/fw9--2018.pdf

7   IRS. Taxpayer Identification Number (TIN) Matching. Irs.gov. https://www.irs.gov/tax-professionals/taxpayer-identification-number-tin-matching

8   IRS. Application for Extension of Time To File Information Returns. Irs.gov. https://www.irs.gov/pub/irs-pdf/f8809.pdf

What are the biggest 1099-NEC filing challenges?

The 1099 filing season is one of the most demanding times for finance teams. Without a streamlined and automated process in place, finance leaders find themselves grappling with a series of formidable challenges from December through February.

Manually driven workflows

The multitude of manual tasks will devour your team members' time. One finance and operations leader told us they have an employee who spends half of her time in January sending –and fixing– 1099s to contractors. This is valuable time that could be spent on other critical tasks like year end close and financial reporting.

Because manual tasks like tracking TIN changes, handling entity changes, and contractor communications consume so much time, it increases the risk of missing the IRS's deadline. Filing by January 31 is quite the feat if you're manually pulling data into spreadsheets and creating, validating, and correcting forms for thousands of contractors.

Disjointed processes

Managing 1099-NEC reporting becomes a black hole when your operations are scattered across disparate systems that don't integrate with each other. Not just processes, but the data itself can get lost in old email chains.

There's no source of truth for 1099 completion or verification, and instead companies with independent contractors often use a collection of tools— like Bill.com for payment processing, DocuSign for W-9 collection, email for communication, and Checkr for background checks.

Keeping contractor information such as legal names and addresses up-to-date is challenging, especially when changes are communicated irregularly or through informal channels.

Data accuracy and fixing errors

With information being submitted manually by contractors and verified by humans, errors are inevitable. Whether it's accidentally adding an extra zero to a contractor's paycheck or incorrect information in W-9 forms, any inconsistency between your records and the data you report to the IRS may lead to a penalty—even if you've submitted your 1099-NEC forms before the deadline.

Engaging with contractors to clarify information can be difficult, especially if contractors are unresponsive or communication channels are inefficient. For instance, if you misplace a comma or dash in the address or submit a wrong TIN in the reported data and don't correct the mistake by August 1, a penalty of $310 per form will apply.[1]

Cost of outsourcing

The alternative to running this process manually is to rely on outsourcing companies to save time and ensure compliance. However, this convenience comes at a steep price. We've spoken with financial leaders who report they spend $30,000 to $40,000 annually with vendors exclusively for 1099 processing.

Oftentimes this approach is paired with W2 payroll software or traditional billpay tools that don't have the information needed to expedite 1099 filing. Instead, they require sinking a ton of time and resources into bending tools for purposes they weren't built for and hoping that other firms have an easier time resolving it than you will.

Businesseses spend up to
$40,000 annually
for 1099 processing

"

It costs us between $30,000 and $40,000 annually to process 1099s with an outside vendor.

CFO of a Customer Service Outsourcing Provider

How Wingspan simplifies 1099-NEC filing

Instead of running manual processes that break down, purpose-built tooling like Wingspan offers a single platform that automates the full contingent work lifecycle, making it easy to bill clients, onboard and pay contractors, and file 1099s.

Wingspan

The first payroll platform purpose-built for 1099s

This is all we do, and finance leaders love us for it. Here's how we can help simplify your 1099 filing: →

Sign Form W-9

Sign here

Kieran Hebden

☑ I certify my W-9 is accurate

Sign and send W-9

File 2023 1099-NECs

Filling entities	Federal, MI, WA
# of 1099s	271
Total compensation	$1,231,000

File 1099s with IRS

1099-NEC Filing   2023 ⌄

Name		Tax ID	Filing Status	1099-NEC
BG	Bernard Garcia	●●● - ●● - 1234	⏱ Submitted	$33,000.3
CC	Carolina Cruz	●●● - ●● - 0084	⏱ Submitted	$9,856.13
SM	Sergio Marta	●●● - ●● - 2291	✓ Accepted	$88,033.7
MP	Matter Park LLC	●●● - ●● - 2932	✓ Accepted	$31,010.11
IS	Issy Solon	●●● - ●● - 9198	✓ Accepted	$51,200.4
DS	Danny Stockwell	●●● - ●● - 1437	❗ Rejected	$17,250.0

Real-time W-9 collection and TIN verification

With Wingspan, you don't need to send endless emails to your contractors to collect W-9 information anymore. Just share each contractor's email once, and our platform will automatically request their W-9s and cross-check their TINs with the IRS database. If verification fails, Wingspan immediately triggers a notification to prompt the member to re-enter an accurate TIN.

The entire process unfolds in real time while contractors go through onboarding, so you won't have to spend time verifying and correcting critical information in a rush to submit your 1099s.

Creates 1099-NEC forms in one click

Our platform auto-calculates payment totals from past transactions and integrates with financial tools to pull imported payments data. With this combined reporting, our platform generates accurate, reliable 1099-NEC forms in one click.

Wingspan also minimizes 1099 compliance risks with automated contractor classification. By detecting which workers are eligible for 1099-NEC forms, our platform helps ensure proper federal tax classification.

Process EOY 1099's
4 tasks automated

✅ Generate 1,748 1099-NEC forms

✅ Reconcile with Quickbooks

✅ Submit to IRS   Delivered: January 17

✅ Deliver to contractors   Post: 626   Email: 1,122

Easy review and correction of 1099-NEC forms

Wingspan keeps contractors in the loop during the 1099 process to make any corrections easy to address. Contractors get a reminder prior to filing to confirm personal information and 1099 delivery format.

After filing, contractors can suggest a correction. Wingspan handles resolving suggestions and re-filing the 1099.

Track the 1099-NEC review process by using Wingspan to:

» Assign contractors to team members

» Set role-based access to documents

» Organize 1099-NEC forms by company divisions or teams

» Review a log of 1099-NEC form changes

Designed for cross-functional collaboration, Wingspan is ideal for organizations managing a network of non-employee contractors.

1099-NEC Filing   2023 ⌄

Name	Tax ID
BG Bernard Garcia	••• - •• - 1234
CC Carolina Cruz	••• - •• - 0084
SM Sergio Marta	••• - •• - 2291
MP Matter Park LLC	••• - •• - 2932
IS Issy Solon	••• - •• - 9198
DS Danny Stockwell	••• - •• - 1437

Files and delivers 1099-NEC forms

Once your 1099-NEC forms are ready, Wingspan delivers them directly to contractors and e-files the documents with the IRS and state agencies.

Our platform delivers 1099-NEC forms to contractors electronically and tracks each document's delivery status for complete transparency. Wingspan also offers a mailing and tracking system for contractors who opt into physical delivery.

Kierra Bator
TIN: ●●-●●-7258
✓ Filed

Wilson Passaquindici
TIN: ●●-●●-8376
✓ Filed

Gretchen Geidt
TIN: ●●-●●-2901
✓ Filed

Samuel Vetrovis
TIN: ●●-●●-4430
✓ Filed

This year's wages
$42,800.00

🔍 View 1099-NEC

Serves as the first line of contractor support

Fielding questions from contractors during the 1099 season is costly, burdensome and time consuming. Let Wingspan help by assisting your contractors with common questions. Our platform will only escalate issues to your team when necessary.

Wingspan support

Martin Rosser
Your member advocate

📞 Call Martin

✉ Email Martin

💬 Chat with Wingspan support

🛟 Help Center ↗

Here's a breakdown of 1099-NEC filing questions from contractors Wingspan can answer:

?   Can you change the address on my 1099-NEC?

?   When will I receive a copy of my 1099-NEC?
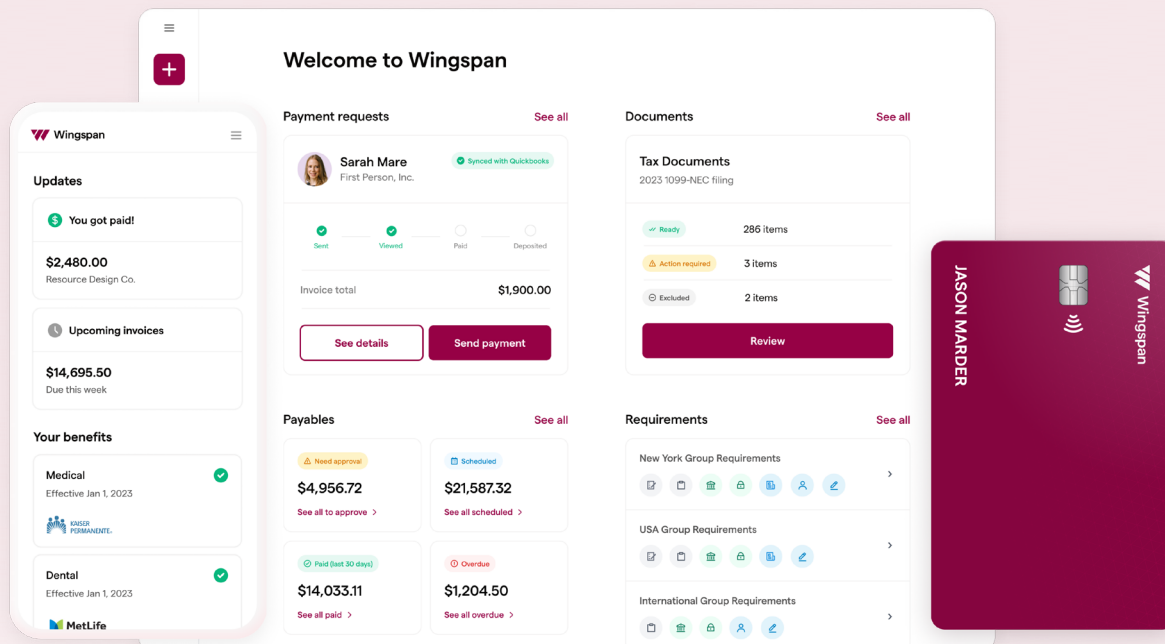
?   How can I check my mileage for tax deduction purposes?

?   Can I update my TIN?

Wingspan offers an intuitive, self-service portal for contractors where they can download their 1099-NEC forms and check their payment amounts. With this feature, you can say goodbye to endlessly answering contractors' questions over email.

Switch to Wingspan before the new year and we'll file your 2023 1099s for free*

The end of the year is fast approaching—which means the dreaded 1099-NEC filing season is right around the corner.

It's time to offload your 1099 processing to Wingspan and let us own compliance on your behalf.

Not only will we automatically generate your 1099 forms, we'll provide your contractors a convenient help desk and take support off your plate.

Why make the switch to Wingspan?

» Cut your 1099 filing time from days to hours

» Ensure full tax compliance and avoid costly penalties

» Save upwards of 70% on 1099 issuance fees

*In order to be eligible, you must complete one payroll run before Dec 31, 2023.

Wingspan

Sign up now →