

2026 PAYMENTS • TO BE FILED JANUARY 2027

1099 Cheat Sheet for Small Businesses

General educational guidance, not tax advice for a specific situation. Check with your accountant on your own facts.

THE 60-SECOND VERSION

If your business pays an **unincorporated** vendor **\$2,000 or more in a year for services**, you probably owe them a **Form 1099-NEC** by **January 31**. Collect a **W-9** before you pay anyone new, and you'll have everything you need at year-end.

New threshold: \$2,000. For payments made on or after January 1, 2026, the reporting threshold for 1099-NEC and 1099-MISC rose from \$600 to \$2,000 (One Big Beautiful Bill Act, P.L. 119-21). The amount is indexed for inflation for years after 2026.

Practical effect: fewer forms, but the same paperwork discipline. Vendor totals move throughout the year, so track every vendor and collect every W-9 as if they will cross the line.

WHICH FORM?

- **1099-NEC (Nonemployee Compensation):** the common one. Payments for **services** to contractors, freelancers, consultants, subcontractors, board members. Threshold: **\$2,000**.
- **1099-MISC:** **rent** paid to a landlord, prizes/awards, other income, and **gross proceeds paid to an attorney** (settlements). Royalties have a low **\$10** threshold; most other boxes are **\$2,000**.

WHO GETS A 1099 (AND WHO DOESN'T)

Issue one to (when paid in the course of your business, over the threshold):

- Individuals, sole proprietors, partnerships, and **LLCs taxed as sole prop/partnership**
- **Attorneys / law firms**, even if incorporated (legal services → 1099-NEC; settlement gross proceeds → 1099-MISC box 10)
- Medical & health-care providers, even if incorporated

Usually skip (no 1099 needed):

- **C-corporations and S-corporations** (except the attorney/medical exceptions above)
- Payments for **merchandise, inventory, freight, storage, or rent to a real estate agent/property manager**
- Employees (they get a **W-2**, not a 1099)

THE CREDIT-CARD / APP RULE (AVOID DOUBLE-REPORTING)

If you paid a vendor by **credit/debit card or a third-party app** (PayPal, Venmo business, Stripe, etc.), **do NOT** put it on a 1099-NEC. The payment processor already reports those on a **1099-K**. Only report amounts you paid by **cash, check, or ACH/bank transfer**.

GET THE W-9 UP FRONT

Before the first payment to a new vendor, collect a **Form W-9**. It gives you their:

- Legal name and business name
- **Taxpayer ID** (SSN or EIN)
- **Entity type** (tells you whether a 1099 is even required)
- Address

No W-9 / no TIN? You may owe **24% backup withholding** on their payments, so make the W-9 a condition of getting paid. Collect one from every new vendor, including those you expect to stay under \$2,000.

DEADLINES & FILING

- **1099-NEC:** to the recipient **and** the IRS by **January 31**. For 2026 payments that is **Monday, February 1, 2027** (January 31 falls on a Sunday).
- **1099-MISC:** to the recipient by **Jan 31** (some boxes Feb 15); to the IRS by **Feb 28** (paper) / **March 31** (e-file). For 2026 payments: **Feb 1, 2027** to recipients, **March 1, 2027** paper, **March 31, 2027** e-file.
- **E-file requirement:** if you file **10 or more** information returns total (all types combined) for the year, you **must e-file** (IRS **IRIS** portal or a payroll/filing provider).
- Late/missing forms carry **per-form penalties** that grow the longer you wait, so keep W-9s and totals organized all year.
- **State rules may differ.** Some states still require reporting below the federal threshold, so confirm before you drop a vendor from the list.

YEAR-END CHECKLIST

1. Pull a **vendor payment report** for the year (by vendor).
2. Filter out corporations, merchandise, and card/app payments.
3. Confirm a **W-9 on file** for every remaining vendor over **\$2,000**.
4. Confirm **cash/check/ACH totals** meet the threshold.
5. Prepare and send **1099-NEC/MISC** by the deadline; keep copies.

COMMON CHAMBER-MEMBER EXAMPLES

YOU PAID...	1099?	FORM
A subcontractor / handyman (sole prop), \$3,000 by check	Yes	1099-NEC
Your bookkeeper (LLC, not an S-corp), \$2,400 by ACH	Yes	1099-NEC
A graphic designer (sole prop), \$1,500 by check	No (under \$2,000)	None
A web designer you paid via PayPal	No (processor files 1099-K)	None
Your landlord , \$18,000 rent	Yes	1099-MISC (rent)
Your attorney (incorporated), \$5,000 legal fees	Yes (attorney exception)	1099-NEC
An S-corp IT company, \$9,000	No (corporation)	None
An employee's wages	No	W-2

Questions on your own vendor list? Primary Care Financial handles bookkeeping and 1099 prep for founder-led businesses across metro Detroit. Head to www.pcfdetroit.com to book an appointment.