



# Forms and Associated Taxes for Independent Contractors

## Form W-9

If you've made the determination that the person you're paying is an independent contractor, the first step is to have the contractor complete [Form W-9, Request for Taxpayer Identification Number and Certification](#). This form can be used to request the correct name and [Taxpayer Identification Number](#), or TIN, of the payee. The W-9 should be kept in your files for four years for future reference in case of any questions from the worker or the IRS.

## Form 1099-NEC

Beginning with Tax Year 2020, you must use [Form 1099-NEC, Nonemployee Compensation](#), to report payments of nonemployee compensation (NEC) previously reported in box 7 on Form 1099-MISC. The separate instructions for filers/issuers for Form 1099-NEC are available in the [Instructions for Forms 1099-MISC and 1099-NEC](#) [PDF](#).

Payers use Form 1099-NEC to report payments made in the course of a trade or business to others for services.

If you paid someone who is not your employee, such as a subcontractor, attorney or accountant \$600 or more for services provided during the year, a Form 1099-NEC needs to be completed, and a copy of Form 1099-NEC must be provided to the independent contractor by January 31 of the year following payment. You must also send a copy of this form to the IRS by January 31.

Also note that independent contractors may have their own employees or may hire other independent contractors (subcontractors). In either case, they should be aware of their tax responsibilities, including filing and reporting requirements, for

## Related Topics

- [Independent Contractor \(Self-Employed\) or Employee?](#)
- [Reporting Payments to Independent Contractors](#)
- [Am I Required to File a Form 1099 or Other Information Return?](#)
- [Online Ordering for Information Returns and Employer Returns](#)
- [Backup Withholding "B" Program](#)
- [Information Reporting for Form 1042-S](#)
- [Penalties](#)

these workers.

There are certain situations where a Form 1099-NEC is not required. These exceptions are listed in the [Instructions for Forms 1099-MISC and 1099-NEC](#) [PDF](#).

## Backup Withholding and Nonresident Alien Withholding

Withholding may be required on nonemployee compensation. There are two withholding types for non-wage withholding:

- Non-wage withholding pursuant to Internal Revenue Code (IRC) 3406 (Backup Withholding) and 3402.
- Withholding of tax on nonresident aliens pursuant to IRC 1441.

You must withhold 24% (backup withholding rate) from reportable payments of nonemployee compensation to U.S. persons (individuals or entities) if the U.S. person has not provided their taxpayer identification number (TIN) in the manner required, or the IRS notifies you that the TIN furnished by the payee is incorrect and the payee does not certify their TIN as required in the notice. Form 945, Annual Return of Withheld Federal Income Tax, must be filed if the payer is required to deduct backup withholding. For more information on Form 945, see [Topic No. 307, Backup Withholding](#) and [Publication 15, \(Circular E\), Employer's Tax Guide](#).

Independent personal services (a term commonly used in tax treaties) are personal services performed by an independent nonresident alien contractor as contrasted with those performed by an employee. Payments made to these individuals may be subject to 30% withholding (nonresident alien withholding rate) unless a lower rate is provided by tax treaty or the law. If you cannot determine whether the payee is a foreign person or a U.S. person, the presumption rules require you to treat the payee as a non-exempt U.S. person and deduct backup withholding. [Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons](#), must be filed if the payer is required to file Form 1042-S. A Form 1042-S is required even if the tax was not actually withheld. For more information on withholding on payments to nonresident aliens, see [NRA Withholding, Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities](#), and [Publication 901, U.S. Tax Treaties](#).

## Publications

- [Publication 1779, Independent Contractor or Employee](#) [PDF](#)

## E-File Forms 1099 With IRIS

The [Information Returns Intake System \(IRIS\) Taxpayer Portal](#) is a system that provides a no cost online method for you to electronically file Forms 1099. This free electronic filing service is secure, accurate and requires no special software. This may be especially helpful to any small business that currently sends their 1099 forms on paper to the IRS. Through the Taxpayer Portal, you can submit automatic extensions, make corrections and reduce expenses related to paper filing. The Taxpayer Portal allows you to enter data to create Forms 1099 by either keying in the information or uploading a .csv file. For more information see [Publication 5717, IRS Portal User Guide](#) [PDF](#). You may continue to use the Filing Information Returns Electronically (FIRE) system to file your information returns.

## Filing Electronically With FIRE

The [Filing Information Returns Electronically \(FIRE\)](#) system is set up for financial institutions and others to file Information Return Forms 1042-S, 1098, 1099, 5498, 8027 or W-2G. Information Returns can be filed electronically, however, you must have software that can produce the file in the proper format as required by Publication 1220. FIRE does not provide an electronic fill-in form option.

## E-Filing Requirements Will Change Beginning in 2024

The Department of the Treasury and the Internal Revenue Service issued [final regulations](#) [↗](#) amending the rules for filing returns and other documents electronically (e-file). These regulations affect filers of many types of returns including information returns (for example, Forms 1099) and withholding tax returns (for example, Forms 945 and 1042).

For information returns (for example, Form 1099 series) required to be filed on or after January 1, 2024, the final regulations

- reduce the 250-return threshold enacted in prior regulations to generally require electronic filing by filers of 10 or more returns in a calendar year.
- require filers to aggregate almost all information return types covered by the regulation to determine whether a filer meets the 10-return threshold and is required to e-file their information returns.

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