2026 AGFOA Conference

1099s and W-2s Update

July 29, 2026

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Agenda

1. 1099 & W-2 Overview
2. 1099 vs W-2
3. Forms & Due Dates
4. IRIS & FIRE Portal
5. Penalty Structures and Matching Notice
6. Fringe Benefits
7. Independent Contractor Expense Reimbursements

Meet the Presenters

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01

1099 & W-2 Overview

1099 & W-2 Overview
Most Common

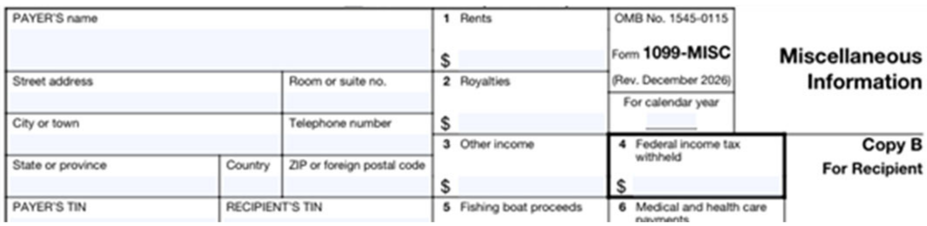
- Form 1099-NEC, Nonemployee Compensation
- Form 1099-MISC, Miscellaneous Information
- Form W-2, Wage and Tax Statement

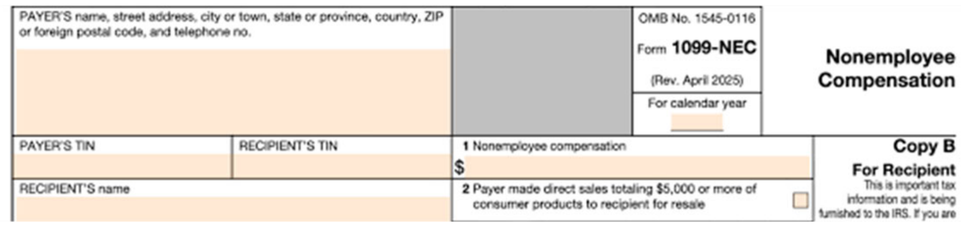
What Is a 1099?
Information Return Basics

- An IRS information return used to report certain payments made to individuals and businesses other than wages paid to employees
- Typically issued to independent contractors, vendors, and other non-employees, reporting income the payer does not withhold taxes on
- Recipients use the form to report the income on their tax return; a copy is also filed with the IRS
- Common variants include 1099-NEC and 1099-MISC

Information Return Overview

IRS – Reporting Requirements


PAYER'S name
Street address | Room or suite no.
City or town | Telephone number
State or province | Country | ZIP or foreign postal code
PAYER'S TIN | RECIPIENT'S TIN
1 Rents $
2 Royalties $
3 Other income $
4 Federal income tax withheld $
5 Fishing boat proceeds
6 Medical and health care payments
OMB No. 1545-0115
Form 1099-MISC (Rev. December 2026)
For calendar year
Miscellaneous Information
Copy B For Recipient


PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.
PAYER'S TIN | RECIPIENT'S TIN
RECIPIENT'S name
1 Nonemployee compensation $
2 Payer made direct sales totaling $5,000 or more of consumer products to recipient for resale
OMB No. 1545-0116
Form 1099-NEC (Rev. April 2025)
For calendar year
Nonemployee Compensation
Copy B For Recipient
This is important tax information and is being furnished to the IRS. If you are

1099-MISC

- Rents (at least $2,000)
- Royalties (at least $10)
- Other Income (at least $2,000)
  - Prizes / Awards
- Gross proceeds paid to attorney (at least $600)
- Medical/healthcare payments (at least $2,000)

1099-NEC

- Non-employee Compensation
- At least $2,000
- Services performed by non-employee
- Payments to an attorney

W-2 Return Overview
What is a W-2?

- Tax Form used by employers to report employee's wages, tax and other inform to the IRS
- You must file if:
    - You withheld any income, social security, or Medicare tax from wages regardless of the amount of wages.
    - You would have had to withhold income tax if the employee had claimed no more than one withholding allowance (for 2019 or earlier Forms W-4) or had not claimed exemption from withholding on Form W-4.
    - You paid $2,000 or more in wages even if you did not withhold any income, social security, or Medicare tax.

1099 & W-2 Overview
IRS – Electronic Filing Requirements

- Applicable for returns required to be filed on / after January 1, 2024
- Reduced form threshold from 250 to 10
- Removal of non-aggregation rule
- Consistent filing methodology for corrections
- Non-compliance penalty imposed per-form basis

Information Return Overview
Special Situations for E-filing

- Partnership with more than 100 partners is required to file electronically, even if it does not exceed the 10-return threshold.
- Religious exemptions will be allowed.
- IRS is aware of issue for non-US filers, but the final regulations do not provide a blanket electronic filing exemption.
- Hardship waiver exemption is allowed to the extent that taxpayer can provide reasonable cause for failure to comply, thus penalty for failure to file will not apply. (Form 8508)
- Extension of Time to File Information Returns – Form 8809

02

1099 vs W-2

Employee or Independent Contractor?

Correctly classifying workers determines your withholding, tax, and reporting obligations.

If the Worker Is an Employee

- Withhold and deposit income tax, Social Security, and Medicare from wages
- Pay the **matching employer share** of Social Security and Medicare
- Pay federal unemployment (FUTA) tax and state unemployment tax (SUTA) on wages
- Report wages on **Form W-2**

If the Worker Is a Contractor

- Generally **no withholding or employment taxes** on payments
- Worker is self-employed and pays self-employment tax
- Report nonemployee compensation on **Form 1099-NEC**
- Worker handles their own tax obligations

Classification drives whether a worker receives a Form W-2 or a Form 1099-NEC.

The Common-Law Rules

Evidence of control and independence falls into three categories.

Category	What It Examines
Behavioral	Does the business control, or have the right to control, what the worker does and how the job is done?
Financial	Are the business aspects controlled by the payer — how the worker is paid, whether expenses are reimbursed, and who provides tools and supplies?
Type of Relationship	Are there written contracts or employee-type benefits (pension, insurance, vacation)? Is the relationship ongoing and the work a key aspect of the business?

No single factor decides — weigh the entire relationship and document every factor used.

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Worker Types & Form SS-8

A worker may fall into one of five categories — and the IRS can settle a close call.

Five Worker Types

- **Independent contractor** — self-employed, controls how the work is done
- **Common-law employee** — payer controls what is done and how
- **Statutory employee**
- **Statutory nonemployee**
- **Government worker**

Resolving Unclear Status

- File **Form SS-8** to have the IRS officially determine worker status
- May be filed by either the business or the worker
- Useful when the same types of workers are hired repeatedly
- A determination may take **at least six months**

A remote worker is your employee under common-law rules whenever you can control what is done and how.

Misclassification & Relief

Getting classification wrong carries tax liability — but relief and voluntary correction paths exist.

Consequences

- Treating an employee as a contractor with **no reasonable basis** can make you liable for that worker's employment taxes
- Liability is set under **IRC Section 3509**
- Misclassified workers can file **Form 8919** to report their uncollected Social Security and Medicare tax

Relief & Voluntary Correction

- **Section 530 relief** — a reasonable basis plus consistent filing can excuse employment tax liability
- Relief covers taxes only — it does not reclassify the worker
- The **Voluntary Classification Settlement Programs** lets eligible employers reclassify workers prospectively with partial tax relief
- Apply to the VCSP by filing **Form 8952**

Source: IRS — Independent contractor (self-employed) or employee? (reviewed 19-May-2026)

03
Forms and Due Dates

Forms and Due Dates
Filing Deadlines 1099 Series

Form	Due Date (Paper Filers)	Due Date (Electronic Filers)
1099-MISC, 1099-INT, 1099-DIV	To IRS: March 1, 2027 To Recipient: February 1, 2027	To IRS: March 31, 2027 To Recipient: February 1, 2027
1099-NEC	To IRS: February 1, 2027 To Recipient: February 1, 2027	To IRS: February 1, 2027 To Recipient: February 1, 2027

Forms and Due Dates
Filing Deadlines W-2

Form	Due Date (Paper Filers)	Due Date (Electronic Filers)
W-2	To IRS: February 1, 2027 To Recipient: February 1, 2027	To IRS: February 1, 2027 To Recipient: February 1, 2027

04
IRIS & FIRE PORTAL

IRIS & FIRE Structure

Information Reporting Intake System (IRIS)

- IRS free 1099 filing portal for all types
- Must register for transmitter control code (TCC), which can take up to 45 days to process. Must apply through IRIS (Pub. 5903)
- Must ID.me account. Login.gov doesn't give you access to IRIS
- No software required
- File up to 100 forms per submission
- Most common forms – 1099-DIV, 1099-INT, 1099-MISC, 1099-NEC
- File corrected 1099 forms

IRIS & FIRE Structure
Information Reporting Intake System (IRIS)

- Additional IRIS benefits in portal information guide (Pub. 5717)
- Ability to hand-key data for minimal form preparation
- CSV uploads for larger numbers of forms
- Rapid filing confirmation (as little as 48 hours)
- Downloadable recipient copies for simplified distribution
- Data retention for streamlined subsequent filing
- Ability to file corrected forms and request certain extensions

IRIS & FIRE Structure

Filing Information Returns Electronically (FIRE)

- Requires TCC
- Requires IRS approved software
- Ability to request extension
- Ability to process forms not available to file with IRIS
-     Form 1042-S, Form 1098s, Form 1094, Form 1095s, etc.
- FIRE will be retiring for tax year 2026/filing season 2027

IRIS & FIRE Structure
Modernized e-File (MeF)

- MeF is an Internet based system that can provide businesses the capability to electronically file information returns.
- The following payroll tax forms can be processed via MeF:
  - Form W-2s
  - Form 940, 941, 943, 944, and 945
- This system is also used to electronically transmit income tax returns.

IRIS & FIRE Structure

Options for E-filing Employment Tax Forms

- Option 1: I want to submit the forms myself
  - QuickBooks
  - Tax1099
  - Avalara 1099 & W-9 (formerly Track1099)
  - Yearli
  - eFile4Biz
- Option 2: I want a tax professional to file for me
  - Find a trusted advisor firm such as Forvis Mazars
  - Use the Authorized IRS e-file Provider Locator Service
    - irs.gov/e-file-providers/authorized-irs-e-file-providers-for-individuals

IRIS & FIRE Structure

IRS Combined Federal / State Filing Program

States		
Alabama	Indiana	Montana
Arizona	Kansas	Nebraska
Arkansas	Louisiana	New Jersey
California	Maine	New Mexico
Colorado	Maryland	North Carolina
Connecticut	Massachusetts	North Dakota
Delaware	Michigan	Ohio
Georgia	Minnesota	Oklahoma
Hawaii	Mississippi	South Carolina
Idaho	Missouri	Wisconsin

IRIS & FIRE Structure

E-File Information Forms

Benefits to E-filing

SAVES YOU TIME

MORE SECURE AND ACCURATE THAN PAPER FILING

ACKNOWLEDGEMENT RECEIVED WITHIN 24 HOURS

05

Penalty Structure & Matching Notice

Penalty Structure
Information Return Reporting Penalties

- Penalties charged on each information return & charged separately for
  - Failure to file correct information return on time
  - Failure to provide correct payee statements

Penalty Structure

Penalties for Failure to File/Furnish Correct Information Returns (2026)

Days Late	Small Business (Gross Receipts <$5m)*	Large Business (Gross Receipts >$5m)*
Not more than 30	$60 per return $241,000 maximum	$60 per return $689,500 maximum
31 days – August 1	$130 per return $689,500 maximum	$130 per return $2,067,000 maximum
After August 1	$340 per return $1,378,500 maximum	$340 per return $4,134,500 maximum
Intentional Disregard	$680 per return No maximum	$680 per return No maximum
* Average annual gross receipts for the most recent three taxable years.		
**These numbers are indexed for inflation		

Matching Notice

IRS Notice CP 2100 – Overview

- Notice CP 2100 or CP2100A alerts withholding agents that payee name/TIN combinations reported on Form 1099 for specified tax year may be incorrect
- **If the TIN is missing or obviously incorrect:**
  - Begin withholding 24% immediately and request the TIN using Form W-9
  - Stop backup withholding within 30 calendar days of receiving the payee's TIN
- **If the name/TIN combination matches your records:**
  - Send a "B" notice within 15 business days, using the individual's legal name (not the DBA)
  - Start withholding within 30 business days; stop 30 calendar days after receiving the information
  - For a Second "B" Notice, verify the TIN (SSA card or IRS Letter 147C/685C/096C)
- **Report & pay:** file Form 945 and keep the notice for three years
- **No action is needed** for your own reporting errors, records already corrected, or an IRS processing error

Matching Notice

Example

Department of the Treasury
Internal Revenue Service
Philadelphia, PA 19255-0833

IRS Notice CP 2100A

019579.602251.203494.19216 1 AB 0.641 693

[redacted]

019579

October 27, 2025

The payee information you reported on Form 1099 for tax year 2024 may be incorrect

Withholding agents such as banks, financial institutions, sole proprietors, and others must withhold 24% of certain reportable payments if payees don't provide a correct TIN. This is required by Internal Revenue Code (IRC) Section 3406(a).

What you need to do

If the TIN is missing or obviously incorrect (not 9 digits or contains one or more letters), you're required to:

1. Immediately begin deducting and withholding 24% from payments made to the payee.
2. Contact the payee to request the TIN. (For certain payments you can't ask for a TIN over the phone.)
3. Send the payee a Form W-9, Request for Taxpayer Identification Number and Certification, or equivalent request.
4. Stop backup withholding no later than 30 calendar days after you receive the payee's TIN.

If our list of incorrect name and TIN combinations matches your records, you must:

- Send a "B" notice to all payees on the attached list **within 15 business days** from the date of this notice. Use the individual's name and not sole proprietor's doing business as (DBA) business name.
  - "B" notices inform the payee that you'll start withholding 24% of their payments for taxes if they don't provide you the information needed. There are two types of "B" Notices: First and Second "B" Notices. Look at the lists we sent you with your previous CP2100A notices. If the payee's name isn't on one of those lists, the notice you'll send them is referred to as a First "B" notice. If the payee's name is on one of those lists, the notice you'll send them is referred to as a Second "B" notice. For more detailed information on "B" notices see IRS.gov/CP2100A.
- If you send the payee a First B Notice, send a Form W-9, Request for Taxpayer Identification Number and Certification, or equivalent request, with that "B" notice.
- If you send the payee a Second B Notice, you must verify the payee's TIN with one of the following:
  - A copy of their Social Security card for SSN
  - IRS Letter 147C for EIN
  - IRS Letter 685C for ITIN
  - IRS Letter 096C for ATIN
- Start backup withholding **within 30 business days** from the date of this notice.
- You must **stop backup withholding within 30 calendar days** after receiving the required payee information.

If you don't collect backup withholding:

You'll be responsible for paying the taxes that you should've withheld.

You don't need to do anything if:

- You made an error in reporting, and the payee's name or TIN on this list isn't what is in your records.
- You already have the payee's TIN but didn't include it on the information return.
- The payee provided updated information to you prior to receiving this notice and you corrected your records.
- The IRS made a processing error and the payee's name or TIN combination on this list is different than what you reported.

How to report and pay backup withholding

You must deposit the amounts you withhold and file Form 945, Annual return of Withheld Federal Income Tax.

- Report the withheld amounts on the line titled "Backup withholding" of Form 945.
- Report the withheld amounts in the box titled "Federal income tax withheld" of the payees Form 1099 for the year in which the payments are withheld.

Additional information

- Visit IRS.gov/Eservices for information on validating TIN and name combinations.
- See Publication 1281, Backup Withholding for Missing and Incorrect Name/TIN(S), and Publication 15, (Circular E) Employer's Tax Guide, for more information.
- Find tax forms and publications by visiting IRS.gov/Forms.
- Call us at 866-455-7438 or +1-304-263-8700 (for international callers) if you can't find what you need online.
- Keep this notice with your records for three years.

Payer TIN: [redacted] **Payer name:** [redacted] **Payee TIN status:** INCORRECT NAME/TIN(S)	**Transmitter control code:** 56772 **Form:** 1099-NEC

Payee information	Payee name and address
ACCT No: [redacted] **Payee TIN:** [redacted] **Sequence No:** 00001	Megan Riekhof 5115 W JB Hunt Dr, Ste 100 Rogers, AR 72715

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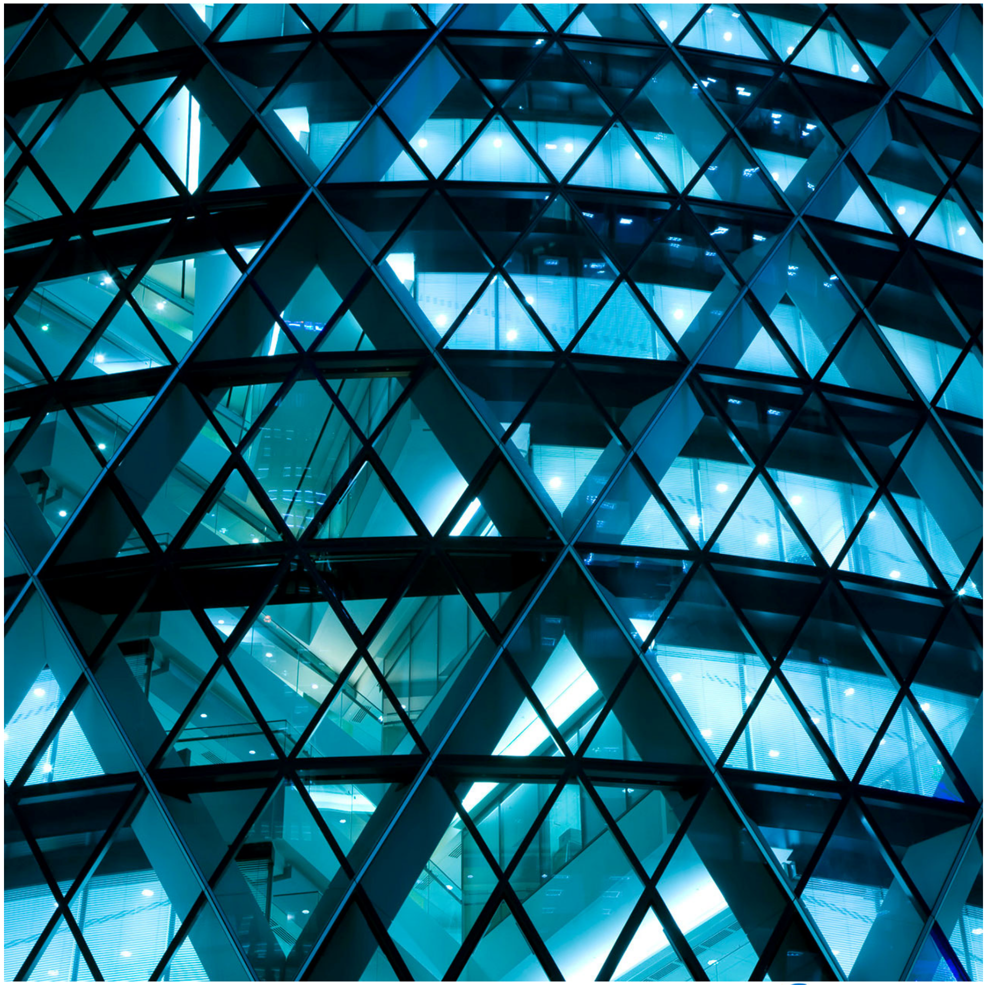
06

Fringe Benefits

Year-End Items for Consideration & Changes for 2026

1. Taxable fringe benefits and W-2 reporting for 2026
2. Non-taxable fringe benefits
3. 2026 fringe benefits changes



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Taxable Fringe Benefits & W-2 Reporting for 2026

Fringe benefits provided to employees are considered taxable unless specifically excluded.

Group-Term Life Insurance

- You can generally exclude the cost of up to $50,000 of group-term life insurance
- Value of coverage in excess of $50,000 is considered wages and subject to all payroll taxes

Personal Use of Company Car

- Multiple options for calculating amount to include in wages
- Value of benefit is considered wages and subject to all payroll taxes

Non-Taxable Fringe Benefits

De Minimis benefits provided to an employee can be excluded from taxable wages

- Coffee and donuts
- Occasional office parties
- Occasional theatre or sporting event tickets (but not season tickets)
- IRS Publication 15-B for additional information

Fringe Benefit Updates for 2026

Educational assistance

- OBBB permanently extends the $5,250 exclusion from income for employer-provided educational assistance for payments made after 2025.

Dependent care assistance

- For the 2026 tax year, the annual dependent care FSA limit was raised from $5,000 to $7,500 ($2,500 to $3,750 for married filing separately

07

Independent Contractor Expense Reimbursements

Independent Contractor Expense Reimbursements

How a reimbursement is treated depends on when and how the contractor substantiates the expense.

The Core Rule

- A company may reimburse an independent contractor for business expenses
- Treatment turns entirely on **when and how the expenses are substantiated**
- Fees for personal services are always nonemployee compensation
- File **Form 1099-NEC** for nonemployee compensation of $2,000 or more per year

Two Substantiation Paths

- **Adequately accounts —** reimbursements excluded from Form 1099-NEC
- **Does not account —** reimbursements included in Form 1099-NEC

Entertainment reimbursements are always reported on Form 1099-NEC — entertainment is never deductible.

When the Contractor Substantiates

Adequate accounting keeps reimbursements off Form 1099-NEC and lets the company deduct them.

Company

- Deducts reimbursements as **business expenses**
- Subject to the **50% business meals disallowance** (Reg. 1.274-2(f)(2)(iv)(C)(2))
- Must keep separate records and copies of documentary evidence (Temp. Reg. 1.274-5T(h))
- Does **not report** substantiated reimbursements on Form 1099-NEC

Contractor

- Provides receipts, canceled checks, and bills
- Keeps an account book or diary entered at or near the time of each expense
- Does **not report** reimbursements as income
- Does **not deduct** the underlying expenses on the personal return

Caution: reimbursed entertainment must be reported as additional income on Form 1099-NEC to be deductible.

Substantiation Changes Everything

Whether the contractor accounts for expenses shifts reporting, the 50% limit, and recordkeeping.

Consideration	Adequate Substantiation	No Substantiation
Company reports on 1099-NEC	Fees only	Fees + reimbursements combined
50% meals limit applies to	Company	Contractor
Recordkeeping responsibility	Company	Contractor
Entertainment reimbursements	Always on 1099-NEC	Included in 1099-NEC total
Per diem allowances	Company subject to 50% limit	Nonemployee comp; 50% at contractor

Source: PPC's Payroll Tax Deskbook, Key Issue 13I (© 2023 Thomson Reuters); Reg. 1.274-2(f)(2)(iv)(C)(1)-(2)

Illustrated Examples: Josh & ABC Corp.

The same consultant relationship produces opposite outcomes based solely on documentation.

Example 1 — Adequately Accounts

- Josh bills ABC Corp. monthly, separately listing fees and expenses
- Provides airline, hotel, and meal receipts for each trip
- ABC reports **only consulting fees** on Form 1099-NEC
- Reimbursements deducted as business expenses (50% meals limit)
- Josh reports no income and takes no personal deduction

Example 2 — Does NOT Account

- Same facts, but Josh only lists expense amounts — no receipts
- ABC reports **fees + reimbursements** as nonemployee compensation on Form 1099-NEC
- Josh reports it all as income; deducts what he can substantiate (50% limit)
- Josh cannot deduct any entertainment expenses

Source: PPC's Payroll Tax Deskbook, Key Issue 13I, Examples 13I-1 and 13I-2 (© 2023 Thomson Reuters)

Questions?

Thank You

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