

What's New with Form 1099 and 1042-S: 2025 Forms

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1099-NEC/MISC

What's New

Excess golden parachute payments. Excess golden parachute payments are no longer reported on Form 1099-MISC. You can now report these payments on Form 1099-NEC, box 3. See [Excess Golden Parachute Payments](#), later, for more information.

E-filing returns. The Taxpayer First Act of 2019 authorized the Department of the Treasury and the IRS to issue regulations that reduce the 250-return e-file threshold. T.D. 9972, published February 23, 2023, lowered the e-file threshold to 10 (calculated by aggregating all information returns), effective for information returns required to be filed on or after January 1, 2024. Go to [IRS.gov/infoReturn](https://www.irs.gov/infoReturn) for e-file options.

\$600 Reporting Threshold

- \$600 threshold is finally changing ... but not for 2025 forms
- One Big Beautiful Bill (OBBB) changes to \$2,000 starting with 2026 forms (forms you'll issue in 2027)
- This amount will be indexed for inflation, so will increase with each passing year
- Trivia: the \$600 threshold was set in **1954** and was never indexed for inflation – this is why it never changed (until now)

Thresholds

- How do you know if you have crossed the reporting threshold?
 - \$600 for most items on 1099-NEC and 1099-MISC
 - \$10 for royalties
- As with everything tax-related, it's not always as easy as you might think



This is ChatGPT's imagining of your presenter crossing the Delaware like George Washington. We are dramatically crossing the \$600 threshold.

Cash Method Reporting



Use cash-method and calendar year



What does this mean?

Look at what was actually paid during the calendar year

- January 1 – December 31
- Regardless of the method of accounting your business uses
- Regardless of the fiscal year your business uses

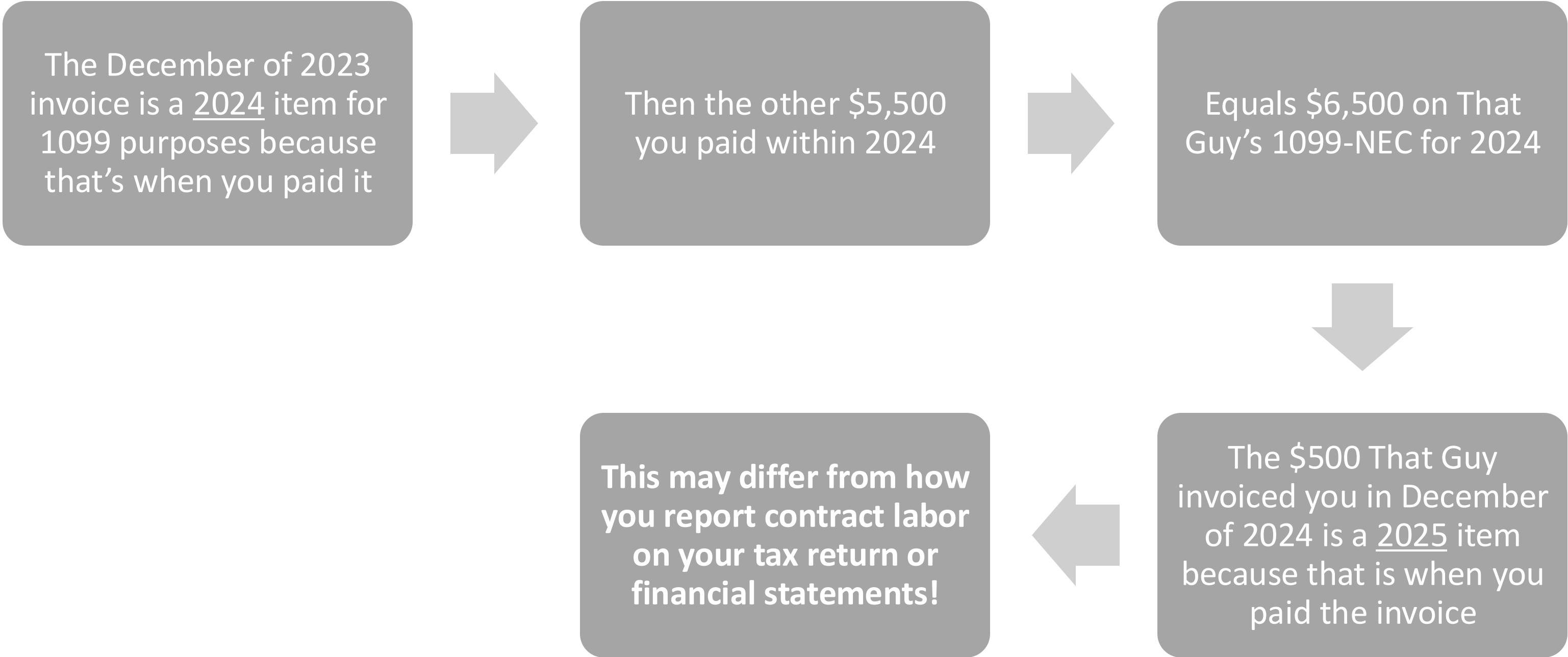


Yes, this means the reporting on a 1099 may differ from what you put on your tax return

Example

Date	Invoice	Status
December 2023	\$1,000	That Guy sent you an invoice but you haven't paid it yet as of December 31, 2023
January 2024	\$1,000	You pay That Guy's invoice from December of 2023
January-December 2024	\$5,500	Amounts you paid, during 2024, to That Guy for his services in 2024
December 2024	\$500	That Guy sent you an invoice but you haven't paid it yet as of December 31, 2024 – you pay it in 2025

Example



FIRE System

- The IRS says the FIRE system is tentatively scheduled to be shut down in December of 2026
- Not official, but they've said it in writing several times in 2025, that their target date is December of 2026
- Right now, the IRS maintains 2 systems for e-filing of information forms:
 - IRIS
 - FIRE
- After FIRE is shut down, you'll only be able to use IRIS

FIRE System

- If you have a login to the FIRE system, you'll need a new login – and new TCC code – for IRIS
- Or, partner with a vendor for e-filing of your information forms
 - Several are in the exhibit hall here at this conference
- The IRS says IRIS has been updated for 2025 forms:
 - It will now accept Form 1042-S
- Problem with no solution yet: Form 1042
 - Uses the IRS MeF system
 - Not every vendor has a connection with MeF....

Form W-9 Draft

Just a draft as of now – don't change your systems!

- On September 17, the IRS posted a draft of a proposed new W-9: <https://www.irs.gov/pub/irs-dft/fw9--dft.pdf>
- Two changes:
 - Addition of a box relating to certain brokers of digital assets – probably doesn't affect anyone in this audience
 - Change to the TIN requirements for sole proprietors – affects pretty much everyone in this audience

Form W-9 Draft

- Proposed TIN change: sole proprietors, and LLCs taxed as sole proprietors, would no longer be able to give an EIN on the W-9 – only a Social Security Number
- Much confusion around LLCs and how to fill out the W-9
- An LLC with one owner who is a human, is taxed as a sole proprietor – meaning, the human bears the tax responsibilities of everything with that LLC
 - So, the 1099 should be issued to the HUMAN as a sole proprietor, and not the LLC
 - **This is how it's always been**
 - **BUT:** how often do you get a W-9 in this situation where you've been given the LLC's name and/or LLC's EIN? **Probably many times.**

Crash Course in LLCs

- For issuing 1099s, we care about how the other party is taxed
- LLCs have fluid taxation -- **LLCs are not corporations (limited liability company)**
 - They “might” be corporations but they could be **ANYTHING**

An accountant saying “okay guys, let’s talk about LLCs” is how you know the party is really getting cranked up



LLCs

LLCs are
tricky

- The LLC exists
- Can probably find it on the Secretary of State website
- The invoices are probably in the LLC name
- You're probably writing checks to the LLC
- Or sending ACH payments to an LLC bank account
- **But you might ignore the LLC for 1099 purposes!**

Taxation of LLCs

LLC – number of owners	Taxation	W-9
1 owner	“Disregarded entity” by default – takes on the tax status of its owner	If an individual, need info about that person, including their SSN If some other entity which owns the LLC, need info about that entity
2+ owners	Partnership by default	Need info about the LLC, including the LLC’s EIN
Any size (even 1 owner)	Can elect to be taxed as a corporation	Need info about the LLC, including the LLC’s EIN

Disregarded Entities – Sole Proprietor

Form W-9 (Rev. March 2024) Department of the Treasury Internal Revenue Service	Request for Taxpayer Identification Number and Certification Go to www.irs.gov/FormW9 for instructions and the latest information.	Give form to the requester. Do not send to the IRS.
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Before you begin. For guidance related to the purpose of Form W-9, see *Purpose of Form*, below.

Print or type. See Specific Instructions on page 3.	1 Name of entity/individual. An entry is required. (For a sole proprietor or disregarded entity, enter the owner's name on line 1, and enter the business/disregarded entity's name on line 2.) Jason Dinesen	
	2 Business name/disregarded entity name, if different from above. Jason Dinesen, LLC	
	3a Check the appropriate box for federal tax classification of the entity/individual whose name is entered on line 1. Check only one of the following seven boxes. <input checked="" type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C corporation <input type="checkbox"/> S corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> LLC. Enter the tax classification (C = C corporation, S = S corporation, P = Partnership) Note: Check the "LLC" box above and, in the entry space, enter the appropriate code (C, S, or P) for the tax classification of the LLC, unless it is a disregarded entity. A disregarded entity should instead check the appropriate box for the tax classification of its owner. <input type="checkbox"/> Other (see instructions)	4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3): Exempt payee code (if any) Exemption from Foreign Account Tax Compliance Act (FATCA) reporting code (if any)
	3b If on line 3a you checked "Partnership" or "Trust/estate," or checked "LLC" and entered "P" as its tax classification, and you are providing this form to a partnership, trust, or estate in which you have an ownership interest, check this box if you have any foreign partners, owners, or beneficiaries. See instructions <input type="checkbox"/>	(Applies to accounts maintained outside the United States.)
	5 Address (number, street, and apt. or suite no.). See instructions. 123 Main St	Requester's name and address (optional)
	6 City, state, and ZIP code Etc, ET 1234	
	7 List account number(s) here (optional)	

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

Note: If the account is in more than one name, see the instructions for line 1. See also *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number									
9	9	9	-	9	9	-	9	9	9
or									
Employer identification number									

Individual's name on line 1
 LLC name on line 2
Use the individual's SSN!
(Or the individual's EIN if the EIN is in their name personally)
 You would NOT see the LLC's EIN

Form W-9 Draft

- Back to the draft of the W-9
- The proposed draft would prohibit any sole proprietor (whether an LLC is involved or not) from using an EIN
- They would be required to give their SSN
- Remember: individuals can have EINs
- Under current rules, an individual can give you an EIN, as long as it's in their name personally

Form W-9 Draft

- This is just a draft – don't change your systems yet
- We don't know when or if the IRS will release this for real (they have "January 2026" printed on the form but that doesn't necessarily mean anything)
 - The current version of the W-9, released in March of 2024, had October 2023 printed on it while it was in draft status
- When the IRS released that March 2024 update, they never said anything about it
 - Aside from paying attention to IOFM, how will you know when or if this version of the W-9 is released? See next slide.

Form W-9

What your presenter recommends:

- Bookmark the W-9 page on the IRS website: <https://www.irs.gov/forms-pubs/about-form-w-9>
 - Once in a while, go there and click on the form: <https://www.irs.gov/pub/irs-pdf/fw9.pdf>
- The IRS said nothing in March of 2024 (or anytime after that) so don't rely on them to publicize it

Form 1042-S

New box 7d. A new checkbox has been added to indicate a Form 1042-S is being filed to revise an amount subject to withholding in a withholding rate pool to report to a specific recipient. See [Box 7d](#), later, for more information.

New chapter 3 status code 40. A new chapter 3 status code was added for any partnership that is, or has a branch that is, a qualified derivatives dealer (QDD) for use when reporting allocations to its partners with respect to QDD items. All other allocations by the partnership to its partners should be reported using status code 8, 9, or 38, as applicable. **When the partnership is transacting in its QDD capacity, it should use status code 35.** In addition, status code 40 should not be used for reporting payments to a QDD.

New Chapter 3 status code 41. A new chapter 3 status code was added for a U.S. government entity or tax exempt entity (other than a section 501(c) entity) such as a college or university.

Note. This code is only applicable for providing the chapter 3 status of the withholding agent on box 12b.

Form 1042-S

New income codes 59, 60, and 61. New income codes were added for consent fees, loan syndication fees, and settlement payments. These income codes are optional for 2025.

New process for requesting extension of time to furnish recipient statements. The instructions have been updated to include a new process for requesting an extension of time to furnish copies of Form 1042-S to recipients using [Form 15397, Application for Extension of Time to Furnish Recipient Statements](#).

Country codes. “US” is now a valid country code entry in box 12f (withholding agent) or 13b (recipient).

Note. Current instructions only require that a chapter 3 exemption code be reported when there is no tax withheld due to an exemption pursuant to the Code or an income tax treaty. The IRS intends to update the instructions for calendar year 2026 to require that a chapter 3 exemption code (or code for a reduced withholding tax rate) be provided in all cases where the tax withheld is less than 30%.

Form 1042-S

- The IRS allowed exemptions from e-filing 2023 and 2024 versions of Form 1042-S
 - In other words, you didn't have to e-file 1042-S, even if you were required to e-file other information forms
- No such exemptions exist for 2025
- IRIS has been updated to accommodate Form 1042-S
- So, if you've never e-filed the form before, you will get to now – how exciting!

Paying the IRS

- An executive order earlier in 2025 had said that the IRS would no longer accept paper checks after September 30, 2025 – all payments to the IRS (and refunds paid by the IRS) would need to be made electronically
- The IRS now says it is not fully implementing this yet
- They will start by phasing out issuing paper checks for refunds on individual tax returns
- Then other aspects will be phased in or out (such as requiring electronic payment from businesses)
- What this means for 1099s and 1042-S: backup withholding can still be paid with a check (if your annual total is less than \$2,500)
 - But it would behoove you to investigate electronic methods of paying, because an end to paper checks is coming sooner rather than later
 - EFTPS, IRS Direct Pay

Form 1099-K

- The reporting thresholds for Form 1099-K have moved around a lot in recent years, as it relates to Third Party Settlement Organizations (TPSOs)
- Think: PayPal, Venmo (among many others)
- 1099-K was created in the Affordable Care Act (another trivia note you can keep in your pocket if you're ever on Jeopardy or playing Trivial Pursuit – make sure to thank your presenter)
 - ACA thresholds for TPSOs to issue a 1099-K were: both more than 200 transactions and more than \$20,000 received
- American Rescue Plan Act in 2021 (aka the 3rd COVID stimulus bill) called for a change to this threshold to \$600 starting in 2022
 - People got worked up about this, and the IRS was not prepared for a massive influx of forms right away, so they delayed this several times
 - Old thresholds applied in 2022 and 2023
 - \$5,000 in 2024
 - \$2,500 in 2025
 - Now OBBB has changed this

Form 1099-K

- OBBB: the 1099-K threshold for TPSOs is put back at the ACA levels of 200 transactions and \$20,000 processed
- The IRS says it received around 12 million forms in 2023 under these ACA levels
 - They projected that they would receive more than 33 million forms if the threshold was changed to \$600

Form 1099-K

Most of your clients probably aren't a merchant processor of credit card transactions, or a payment app ... but this is still important

- For transactions which “could” be subject to 1099-K reporting, 1099-K wins the tiebreaker
 - Meaning, you DON'T issue a 1099 for that transaction
 - It doesn't matter if a 1099-K “will” be issued, it matters that the payment “could” be subject to 1099-K reporting

Form 1099-K

Transactions subject to 1099-K:

- Any payment made with a credit card or debit card
- Payments for goods and services made through a TPSO
 - Example: paying a contractor on Venmo
 - But not always; “it depends” because of course it does
 - Need to be paying through the contractor’s business profile on the app, or mark “goods and services”
 - The exact thing you do will vary from app to app

Payment Methods

- The prior slide is an example of why consolidating your payment methods is so important
 - **It makes your life easier at 1099 time!**
 - Also fewer platforms where you need to track changes

Systems

Example of why you need a system set up (more on next slide):

Month	You Pay That Guy for Contract Labor	1099 Implication
April	\$1,000 by check (or ACH)	You issue a 1099-NEC
July	\$1,000 by Venmo, and you mark “goods and services” while making the payment	You do NOT issue a 1099-NEC; Venmo has the reporting obligation

Payment Methods

You will issue the 1099 for the April payment, but not the July payment; you need to be able to separate this out when you pull 1099 reports.

- The 1099-NEC will show \$1,000 (the April payment)
- No reporting obligation on the July payment

Payment Methods

This is another spot where your head can hurt:

- You have paid \$2,000 of contract labor – the business tax return and financial statements will properly show \$2,000 as the deduction for contract labor
 - But you'll issue a 1099-NEC for \$1,000

Form 1099-K

- One more mind-bending situation
- Your company pays That Guy \$2,000 for the year. \$500 was from a check you wrote in in March. The remainder was paid via credit card.
 - While you're responsible for the March payment ... you don't need to issue anything at all
 - The amount you paid that was not subject to 1099-K reporting is less than the \$600 threshold

Just Issue a 1099?

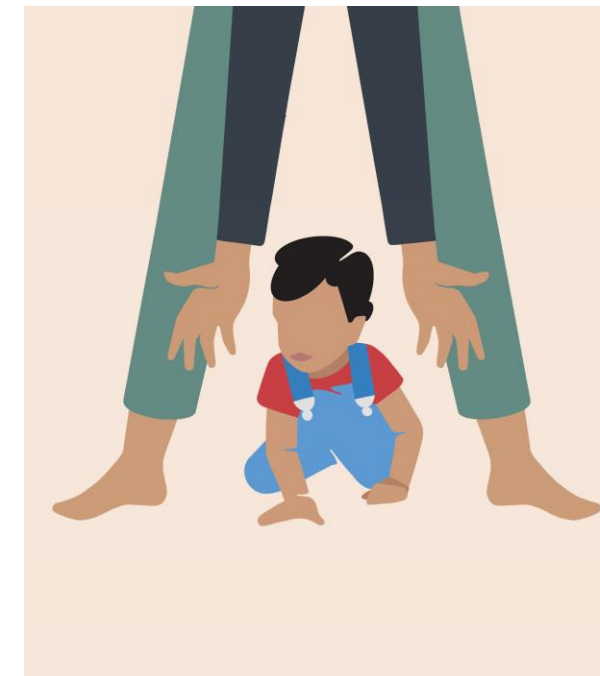
- With all this confusing stuff about 1099-K, should you just go ahead and issue a 1099-NEC for the full amount you paid?
 - NO
- This is very different from the issue of issuing a 1099 to a corporation
 - You don't "have to" send a 1099 to a corporation, but there's no prohibition on doing so
- There IS a prohibition (in the regulations under Sections 6041 and 6041A) on sending a 1099 when the Form 1099-K rules apply.

Form 1099-DA

New addition to the 1099 family: Form 1099-DA

- Used by brokers to report information relating to the sale of digital assets (i.e. things such as Bitcoin)
- Most people in the audience probably won't be issuing this form unless you happen to be a brokerage that handles cryptocurrency
- New for 2025 (will be filed in 2026)
 - February 17, 2026, deadline for issuing to recipients
 - March 31, 2026, deadline for e-filing with the IRS

This is what Powerpoint came up with from its free ClipArt for an image of a newborn....



Form 15397

- New version of Form 15397 released in March
- Use this to request a 1-time, 30-day extension for providing forms to recipients
- Do not use for extending time to file with the IRS – this is done via IRIS or FIRE for most forms
 - But not the 1042-S: use Form 8809

Actionable Takeaways

1. \$600 threshold is changing but not for 2025 – will be \$2,000 in 2026, and indexed for inflation after that (will need to consider how to adjust your systems to the yearly increases starting with 2027 reporting year).
2. FIRE is going away – if you have a login to it, you'll need to start using IRIS or partner with a vendor.
3. A draft of a new W-9 is lurking – be prepared for when it releases (don't count on the IRS to tell you).

Please tell us what you think!

- Please scan this QR code using your mobile to access a short feedback survey →
- Also accessible via the mobile app



QUESTIONS?

{Last Slide - Speaker contact details }

REMINDER!

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