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Isaac M. O'Bannon • Feb. 07, 2024



Every year, millions of businesses and other entities have a mini tax season before the real tax season, and many turn to their accounting firm advisors or tax professionals for help. Due to changes in reporting requirements, the 2024 filings became a little more challenging: The years ahead may be even more so.

These companies are required to file a Form 1099-MISC or 1099-NEC for any persons that are considered contractors or vendors to whom they paid \$600 or more in the

previous calendar year. Additionally, payment apps and online marketplaces (like

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As a matter of business operations, filing 1099 forms falls into the accounts payable arena, while W2 forms would generally be managed by the payroll team. As such, these functions are quite different, and don't necessarily align with the expertise of traditional business income tax specialists, either.

## The Challenges for Filing in 2024

In 2024 (for tax year 2023), a new mandate began that required any organization filing ten or more of any combination of varieties of Form 1099 to file these forms electronically. Previously, the threshold for mandatory e-filing was 250 forms, so many businesses with fewer were accustomed to filing paper-based forms. The new requirement includes filing penalties for those who submitted forms on paper, but waivers and extensions may be given. In order to submit 1099 forms electronically, filers also had to request a new IR-TCC code from the IRS, which can take up to 45 days.

The new filing requirements for 2024 caught many businesses off-guard, and they may not even realize it yet. Any business or accounting firm that filed using paper methods but should have filed electronically may receive fines, so it is essential to [contact the IRS](#), their accountant, or their 1099 service provider.

The 1099 team at [Avalara](#), one of the largest business tax technologies service providers, saw a notable increase in questions from businesses and accounting firms. "Most companies and firms are on top of the 1099-K rule not changing until next year," said Kael Kelly, general manager for 1099 & W-2 at Avalara. "However, many wanted to make sure there were not changes to other forms, especially common ones like 1099-NEC and 1099-MISC. So, our partner firms are doing a lot of reassurance that there were no key changes to those common forms."

Kelly also noted that firms are getting many questions from clients about whether

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accounting systems, with forms automatically generated or populated using simple client organizer portals. Users can also easily make corrections update values, save it, and Avalara will re-file the information forms with the IRS. They also manage the process of sending copies to 1099 recipients.

## **2025 and Beyond**

Starting in 2025 (for tax year 2024), the IRS plans to lower the reporting threshold for form 1099-K from \$20,000 in payments and more than 200 transactions, to all receiving \$5,000 or more, and possibly as low as \$600 in the coming years. This will dramatically increase the number of 1099s that many businesses are required to file for payments to sellers on marketplaces such as Amazon, PayPal, Venmo, many gig workers and others.

## **Prepare for Next Year**

If your 1099 filing season did not go as smoothly as expected, either due to the e-filing requirements or the cumbersome nature of data collection and form preparation, Kelly recommends that businesses and firms consider using an automated system that helps you establish a process for proactive W-9 collection, ultimately creating a stress-free 1099 season next year. This lets a business keep up with information all year, collecting W-9s via your website and/or vendor portal, so the process of transferring W-9/TIN/SSN data to 1099 forms is seamless.

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