



PROGRAM MATERIALS

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1099 and W-9 Update - Complying with IRS Information Reporting

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**1099 and W-9 Update -
Complying with IRS
Information Reporting**

Speaker: Justin Muscolino



Justin Muscolino

Justin brings over 20 years of wide-ranging experience in compliance training and regulations. He previously led the compliance training function for JPMorgan Chase Macquarie Group, UBS, Bank of China, and GRC Solutions. Justin also runs his own compliance training company focusing on US & International regulations providing real-life training.

Justin also worked for FINRA, a US regulator, where he created Examiner University to train examiners on how to perform their function. He also serves as an advisor for the Global Compliance Institute (GCI) and instructs at the Barret School of Business and various compliance training providers.



Agenda

- Overview of 1099 reporting and W-9 collection requirements
- Latest 2025 IRS updates and electronic filing changes
- Handling TIN matching, mismatches, and backup withholding issues
- Best practices, common errors, and correction processes explained
- Preparing for IRS audits, inquiries, and compliance readiness



Introduction

- IRS prioritizing stricter information reporting compliance rules 1099 and W-9 critical for accurate taxpayer reporting
- Errors lead to penalties, audits, and reputational risks
- Compliance must be proactive, not just year-end task
- This session prepares you to meet IRS expectations

Why Compliance Matters

- IRS penalties for errors increasing every filing year
- Small mistakes can trigger expensive withholding obligations
- Compliance protects organizations from audits and fines
- Vendors expect professional and consistent reporting processes
- Strong compliance builds trust with regulators and partners



Learning Objectives

- Understand 1099 reporting obligations and requirements
- Learn proper W-9 collection and storage practices
- Apply IRS 2025 updates to daily processes
- Respond effectively to mismatches and notices
- Build compliance workflows that withstand IRS audits



W-2 Reporting: Employer Responsibilities & Common Pitfalls

- Purpose of Form W-2: Reports employee wages, tips, and tax withholdings to the IRS, SSA, and employees.
- Employer Reporting Obligations: Issue W-2s to employees by January 31 and file with the SSA accurately and on time.
- Key Data Elements: Wages, federal/state withholding, Social Security, Medicare, and benefits must match payroll records.
- Common W-2 Errors: Incorrect wages, SSNs, tax amounts, benefit reporting, or late/missing forms.
- Corrections & Compliance Risk: Use Form W-2c to correct errors; late or inaccurate filings can trigger penalties and employee disputes.



Form 1099 Basics

- Used for payments to nonemployees and vendors
- Includes rents, royalties, dividends, interest, and services
- Reportable thresholds vary by payment type annually
- Multiple 1099 series forms cover unique categories
- Filing deadlines must be carefully tracked and met



Common Types of Form 1099

- 1099-MISC: rents, prizes, and miscellaneous payments
- 1099-NEC: independent contractor and freelancer compensation
- 1099-INT: interest income from accounts and loans
- 1099-DIV: dividends and distributions from investments
- 1099-R: retirement and pension distribution reporting requirements



Form W-9 Overview

- Collects payee name, address, and TIN information
- Required before making most reportable vendor payments
- Prevents IRS mismatches by ensuring accurate reporting
- Updated W-9 required when vendor details change
- Must be securely stored for IRS review



Importance of Accurate W-9 Collection

- Incorrect forms cause mismatches and compliance risks
- Missing signatures invalidate vendor tax certification
- Vendors may refuse to update outdated W-9sSecure collection processes reduce fraud and errors
- Audit trail protects company against IRS challenges

2025 IRS Reporting Updates

- Lower electronic filing thresholds require e-filing sooner
- IRS Information Returns Intake System (IRIS) required tool
- Expanded penalties for late or incorrect submissions
- More strict enforcement of backup withholding obligations
- Mandatory corrections process outlined in IRS guidance

Electronic Filing Requirements

- IRS reducing paper filing allowance significantly in 2025
Companies with 10+ returns must file electronically
- IRIS portal simplifies electronic submission and tracking
- Failure to e-file may trigger immediate penalties
- Plan ahead to ensure technology readiness

IRS IRIS System

- Central hub for submitting information returns electronically
- User-friendly interface simplifies bulk 1099 filings
- Allows corrections for previously submitted forms quickly
- Reduces dependence on legacy FIRE filing system
- Required for most businesses beginning with 2025 returns

TIN Matching Process

- Compares payee-provided TIN with IRS records
- Helps prevent mismatches before issuing reportable payments
- Reduces chance of receiving CP2100 mismatch notices
- Should be performed before payment release whenever possible
- Keep verification records for compliance defense



Handling Name/TIN Mismatches

- IRS CP2100 notices alert mismatched payee data
- Vendors must be contacted to correct information
- Corrections should be documented and securely filed
- Repeated mismatches may require backup withholding
- Timely response prevents escalation of IRS penalties

Backup Withholding Basics

- Required when vendor fails to provide valid TIN
- Current backup withholding rate is set at 24%
- Must be remitted to IRS along with filings
- Applies to reportable payments under multiple 1099 categories
- Proper notice must be given to affected payees



Administering Backup Withholding

- Begin withholding once IRS requires corrective action
- Notify vendor of withholding applied to payments
- Maintain records of withheld and remitted funds
- Stop withholding once corrected W-9 is received
- Train staff on proper withholding administration steps



Common Compliance Errors

- Paying vendors before collecting required W-9 form
- Failing to validate TIN through IRS systems
- Filing 1099s late or missing submission deadlines
- Misclassifying employees as independent contractors incorrectly
- Ignoring CP2100 notices or IRS penalty letters



Best Practices for W-9 Collection

- Require W-9 before releasing first vendor payment
- Use secure digital portals for form collection
- Establish process to update outdated or incorrect forms
- Restrict access to sensitive taxpayer information
- Review annually to ensure continued accuracy and compliance

Vendor Management for 1099 Filing

- Centralize vendor onboarding with tax documentation included
- Track vendor status and updates in secure database
- Provide vendors clear instructions on completing W-9s
- Establish escalation process for non-responsive vendors
- Outsourced vendors must still meet compliance requirements



Correction Processes

- Errors corrected using amended 1099 filings quickly
- File corrections electronically through IRIS portal
- Provide corrected copies to affected vendors immediately
- Keep audit trail of original and corrected filings
- Reduces penalties and maintains regulatory trust

Preparing for an IRS Audit

- Maintain organized records of W-9s and filings
- Keep TIN matching logs and backup withholding records
- Document all communication with vendors regarding corrections
- Internal controls must be tested regularly for compliance
- Readiness reduces stress during official IRS examinations



Internal Controls & Compliance Culture

- Establish written policies for 1099/W-9 processes
- Assign ownership across tax and finance departments
- Train staff regularly on reporting updates and rules
- Monitor compliance with periodic internal audits
- Strong culture reduces risk of costly mistakes



Key Takeaways

- 1099 and W-9 compliance essential for organizations
- 2025 brings stricter e-filing and withholding rules
- Proactive controls reduce mismatches, penalties, and fines
- Vendor management critical for accurate reporting processes
- Strong compliance framework ensures audit readiness always

THANK YOU

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