

WHITEPAPER

Stop Paying to File 1099s You Never Owed

Most agencies file more 1099s than the IRS requires. Every extra form costs filing fees and staff hours, and it still does not stop the January phone calls. Here is who you actually owe one, what changed for 2026, and how to set it up once.

WHAT THIS COVERS

- The threshold moved from \$600 to \$2,000 for payments made in 2026
- Why most incorporated resources should never have been on your list
- The one box on the W-9 that decides every case
- Why card and processor payments come off your list entirely

Every January it starts. An incorporated reporter emails asking where their 1099 is. Someone in accounting is not sure, so they file one to be safe. Multiply that across a few hundred resources and you have a week of staff time, a stack of filing fees, and a pile of forms the IRS never asked for.

Filing when you did not have to is not just wasted paperwork. You pay per form, and you pay for the hours. The rules themselves are not complicated. They are just never written down anywhere in the office.

Start with the W-9, not the payment

Almost every 1099 question is actually a W-9 question. The W-9 has a box where the payee tells you their federal tax classification: individual or sole proprietor, C corporation, S corporation, partnership, trust, or LLC with a letter indicating how the LLC is taxed. That box is your answer.

If you do not have a signed W-9 on file for every resource before you pay them, that is the actual problem to fix. Everything downstream gets easier once that is a condition of getting paid rather than something you chase in January.

Who gets one

- Individuals and sole proprietors
- Partnerships
- Single-member LLCs that are disregarded entities, which are treated as the individual owner. On the form, the owner's name goes on the first line and the LLC name on the second
- LLCs taxed as partnerships

Who does not

- S corporations
- C corporations
- LLCs that have elected to be taxed as an S corp or C corp
- Anyone you paid by credit card or through a third-party processor, regardless of their entity type
- Anyone you paid less than the threshold across the full year

That fourth one surprises people. If you paid a resource by credit card or through a payment processor, the processor reports those payments on a 1099-K. You do not report them at all. Including them on a 1099-NEC double-reports the income and creates a problem for the recipient, not just paperwork for you.

The threshold changed

For payments made through tax year 2025, the threshold was \$600. For payments made starting in 2026, it is \$2,000, and it will be adjusted for inflation after that.

For most agencies, this is a real reduction in volume and cost. Every resource you paid between \$600 and \$2,000 across the year, which is a large group in this industry, comes off the list entirely for the forms you file in early 2027. Pull last year's numbers against the new threshold, and you will see what you are about to stop paying for.

The exception everyone cites

Payments for legal services are the famous exception. If you pay an attorney or a law firm for legal services, you report it even if they are incorporated. That catches your own outside counsel, not the firms you bill. For a reporting agency, this usually applies to a short list of vendors rather than anything in your resource pay workflow, but it is worth knowing so nobody applies the corporation exemption where it does not belong.

Build it once

The fix is not a January fix. It is four things in your onboarding and payment workflow:

- No W-9, no payment. Make it part of resource onboarding rather than a January scramble
- Record the tax classification in your system as a field, not as a PDF somebody has to open

- Flag which resources are paid by card or processor so they are excluded automatically
- Write a short explanation your accounting team can send when an incorporated resource asks. The same email, every time

Done properly, your January goes from a week of sorting to running a report. You file fewer forms, you pay for fewer forms, and the calls mostly stop because the people who used to ask already got the explanation when they onboarded.

The DuRoss Group provides operational consulting to court reporting agencies and legal services companies. This is general information about reporting requirements, not tax advice. We are not tax professionals. Confirm your own situation with your CPA, and check the current IRS instructions for Forms 1099-MISC and 1099-NEC before filing.

Stop adding it to the bottom of the list.

Book a complimentary 30-minute discovery call. We'll talk through where you are, what's not working, and whether the DuRoss Group is the right fit. If we're not, we'll say so.

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