

WHITEPAPER

# Your W-9s Are Telling You More Than You Think

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A W-9 tells you whether a resource gets a 1099, who the check should be made payable to, and which name belongs on the form. Most of that gets missed because nobody is taught to read one. Here is what to look at and how to store it so you can report on it.

#### WHAT THIS COVERS

- What line 1 and line 2 are each actually for
- How to know who the check should be made payable to
- The LLC box that is almost always filled in wrong, and the two-number mistake
- How to store the data when your operating system has no field for it

W-9s get processed. Somebody opens them, enters what is there, and files the PDF. That part usually happens fine. What almost never happens is anyone being taught how to read the form, because it is not a thing anyone trains for. So, a W-9 that is wrong in a specific way gets entered exactly as written, and nothing looks off.

The result is rarely dramatic. It is usually a 1099 going out under the wrong name, a check made out to someone who cannot deposit it, a resource calling about a form they should not have received, or a form that never went to someone who should have gotten one. Occasionally it is an IRS notice about a name and number that do not match. Mostly it is just a steady, invisible amount of rework.

All of it is avoidable in about ten seconds per form.

## Start with the question that comes up every week: who do I make the check out to?

This is the one people actually ask, and the W-9 answers it, but only if you understand what the two name lines are doing.

Line 1 is the legal entity that owns this income and reports it on a tax return. That is the name that goes on the 1099, full stop. Line 2 is a business name or DBA, and it only exists when it is different from line 1.

So you can have a reporter whose 1099 correctly says Jane Smith while the check she can actually deposit has to say Smith Reporting Services, because that is the name on her business bank account. Those are two different questions, and the form only definitively answers one of them.

The practical rule: the 1099 follows line 1 and the taxpayer number. The check should be payable to a name the payee can deposit, which is usually line 1, sometimes line 2, and is worth confirming once at onboarding rather than discovering when a check comes back. Add it as a field. One short question at setup saves reissuing checks later.

## Line 1 and line 2 are not interchangeable

Line 1 is the name on the tax return that reports this income. For a sole proprietor that is their own legal name. For an S corp or C corp it is the company, because the company files its own return.

Line 2 is the DBA or disregarded entity name, only when it differs from line 1.

What you will see constantly is a sole proprietor who put their business name on line 1 and left line 2 blank. The name and the taxpayer number no longer belong to the same person. The form looks completely fine to anyone not looking for it, and you will not find out until something downstream does not line up.

## One number, never two

Part I has a box for a Social Security number and a box for an EIN. The form takes one or the other. People fill in both, usually trying to be helpful.

Send it back. Which one belongs there depends on how the business is set up, and guessing is how you end up with a mismatch. A sole proprietor with an EIN can generally use either, but the one they use has to be the one associated with the name on line 1.

## The LLC box

If someone checks the LLC box, there is a space next to it for a letter indicating how the LLC is taxed: C, S, or P. A checked LLC box with no letter is incomplete, and you cannot determine from it whether a 1099 is required.

There is a subtler version. A single-member LLC that has not elected corporate taxation is a disregarded entity, and the IRS instructions say it should check individual or sole proprietor, put the owner's name on line 1 and the LLC name on line 2. People check the LLC box instead because it feels more accurate. It is the most common wrong answer on the form.

## The other quick checks

- Is it signed and dated? An unsigned W-9 is not a W-9
- Is the classification box checked at all? Blank is not an answer
- Is it a current version of the form? Old revisions are missing fields
- Does the address match where you are sending the 1099?

## Now the real problem: where does the data live?

Here is what nobody tells you. Most operating systems in this industry have nowhere good to put this information. There is a place to attach the PDF, maybe a notes field, and that is it. A scanned W-9 sitting in a document folder is not data. You cannot report on it, you cannot filter by it, and come January somebody opens three hundred PDFs one at a time.

So, you get creative. The specifics depend on your system, but the principle is the same everywhere.

- Find a field you can actually report on. Not a notes field. Notes fields are usually the one thing that will not come out in an export, which is exactly where people put this
- Repurpose a field you are not using. Most systems have a category, group, type, or custom field sitting empty. Give it a defined set of values and use it for tax classification
- If there is genuinely nothing, build a separate tracker keyed to the resource ID in your system. A spreadsheet is fine. What matters is that it is one source, it is maintained at onboarding, and it joins back to your pay report cleanly
- Track payment method alongside classification. Resources paid by card or processor are excluded regardless of entity type, and that has to be a field too or you will be sorting it by hand
- Store the PDFs in a secure folder with restricted access. These forms have Social Security numbers on them, and they should not be sitting in a shared drive everyone can open
- Use a naming convention so the file is findable without opening it. Something like ResourceID\_LastName\_W9\_Year. Whatever you pick, use it every single time
- Whatever you choose, write down the rule. The next person needs to know what the field means and what the values are

The test is simple. Can you produce a list of every resource you paid last year, with their classification and payment method, in under five minutes? If not, the work in January is going to be done manually no matter how good your W-9 file is.

## Train the person entering them

This is the actual fix, and it costs nothing. The person processing W-9s is usually careful and competent. They have just never been shown what line 1 is supposed to contain, or that an LLC box without a letter is incomplete, or that two taxpayer numbers mean the form goes back. Twenty minutes and a one-page checklist taped next to the monitor eliminates most of it permanently.

## Make it a condition, not a chase

None of this works if W-9s arrive whenever. Make a complete, checked W-9 a requirement before the first payment goes out. It is a much easier conversation at onboarding than in January, and it is the only version of this that holds.

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The DuRoss Group provides operational consulting to court reporting agencies and legal services companies. This is general information about information reporting, not tax advice, and we are not tax professionals. Confirm your own situation with your CPA and check the current IRS instructions for Form W-9.

## 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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