



Avalara

Stay ahead of 1099 and
W-9 filing, storage, and
compliance

Disclaimer

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Avalara CRUSH

NOVEMBER 11-14, 2024
FAIRMONT AUSTIN

Our biggest customer event is returning this November in Austin! Avalara CRUSH is designed to take the tax compliance conversation deeper – attendees will learn how to make the most of Avalara solutions, get insights on trends in AI and the global economy, collaborate with peers, and network at fun evening events.

It's more than a conference. It's CRUSH.



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Continuing Professional Education (CPE)



Qualifying for credit

- > Respond to **3 of 4** poll questions
 - Questions display for a limited amount of time
 - Select your answer and click submit
- > Attend the **full duration** of the webinar
 - Attend at least 50-minutes to qualify



Downloading Certificate

- > Download the certificate once you qualify
 - Find the Earn Certification box
 - Click the icon to download
- > Those that qualify will also receive their certificate in a post-event email

Meet our
presenter



Gordon Walsh

1099 Product Solution Consultant

Avalara

POLL QUESTION
#1



**How would you rate
your current W-9 and
1099 compliance
processes?**

Agenda

- 1 > Managing IRS forms is a marathon – not a sprint
- 2 > What are W-9 forms? What are 1099 forms?
- 3 > The challenges associated with W-9 and 1099 forms
- 4 > W-9 and 1099 best practices
- 5 > Avalara 1099 demo & trial offer
- 6 > Questions?

What are W-9 forms? What
are 1099 forms?



"Running a marathon is a war. You don't just show up and run one without paying your dues before hand... You can pay your dues by following a running program that acclimates you to 26.2 miles."

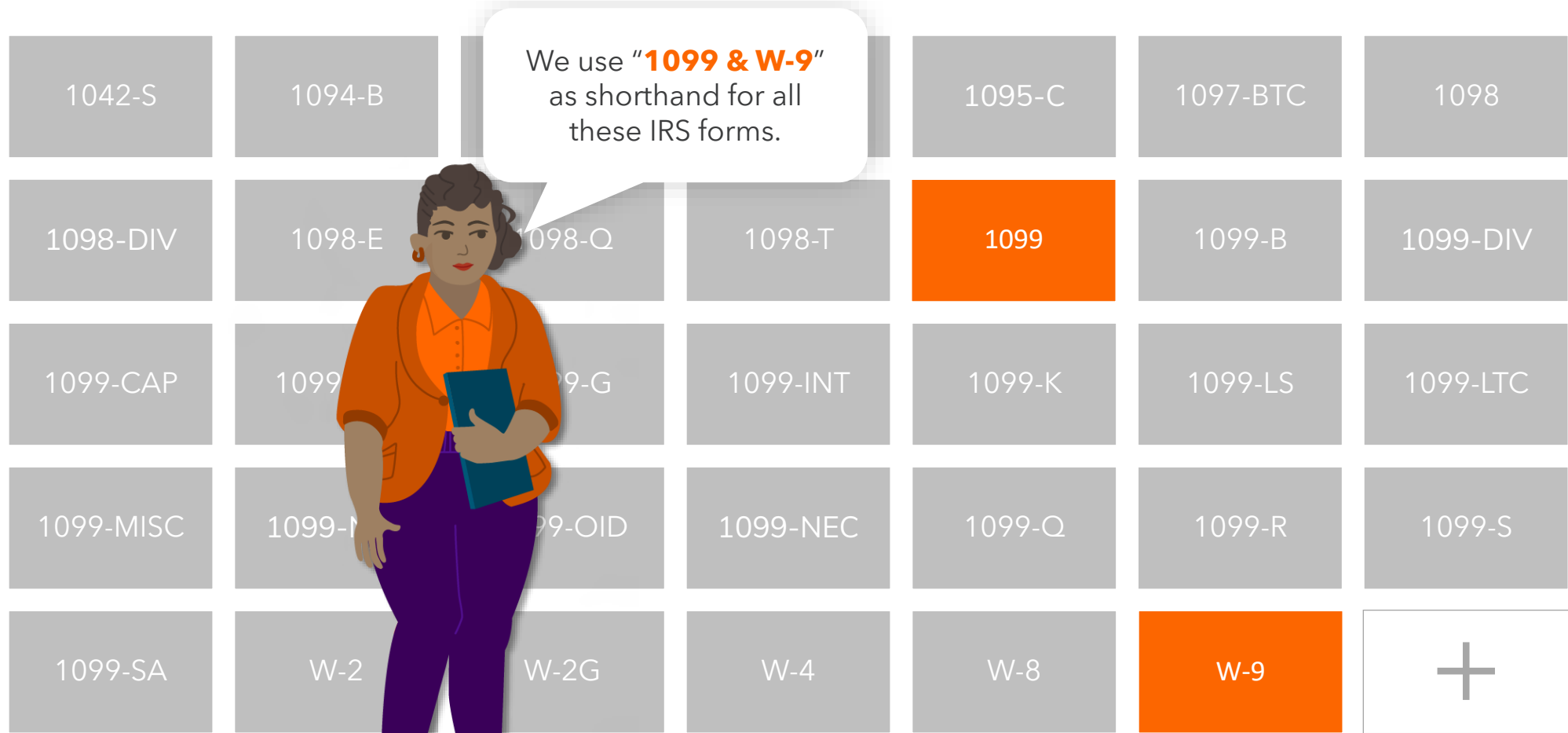
.....
DAVID GOGGINS

Almost every company files 1099s and other information returns because they rely on the work of vendors, contractors, and freelancers. That income needs to be reported to those vendors by January 31st.

Managing IRS forms is a
marathon - not a sprint

There are dozens of IRS form types

However, 2 Forms dominate the field



What is a W-9? What is a 1099?

IRS Form W-9

Used to request the correct Taxpayer Identification Number (TIN) from a vendor, company, or individual for which non-employee income was or will be paid during a calendar year.

IRS Form 1099

Filed annually with the IRS to report non-employee income paid to the vendor and should use the information collected on a W-9. The 1099 is required if the vendor, company, or individual receives payment for services throughout the calendar year.

Form W-9
(Rev. December 2011)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Give Form to the requester. Do not send to the IRS.

Name (as shown on your income tax return)

Business name/disregarded entity name, if different from above

Check appropriate box for federal tax classification:
 Individual/sole proprietor C Corporation S Corporation Partnership Trust/estate
 Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ Exempt payee
 Other (see instructions) ▶

Address (number, street, and apt. or suite no.) Requester's name and address (optional)

City, state, and ZIP code

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 the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.
 Note: If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Social security number

Employer identification number

Part II Certification

VOID CORRECTED

OMB No. 1545-0115

2019

Miscellaneous Income

Form 1099-MISC

Copy 1 For State Tax Department

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents	OMB No. 1545-0115	Miscellaneous Income
		\$	2019	
		2 Royalties		Copy 1 For State Tax Department
		\$	Form 1099-MISC	
PAYER'S TIN	RECIPIENT'S TIN	3 Other income	4 Federal income tax withheld	
		\$	\$	
RECIPIENT'S name		5 Fishing boat proceeds	6 Medical and health care payments	
Street address (including apt. no.)		\$	\$	
City or town, state or province, country, and ZIP or foreign postal code		7 Nonemployee compensation	8 Substitute payments in lieu of dividends or interest	
		\$	\$	
Account number (see instructions)	FATCA filing requirement	9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale ▶ <input type="checkbox"/>	10 Crop insurance proceeds	
	<input type="checkbox"/>	\$	\$	
15a Section 409A deferrals	15b Section 409A income	11	12	
\$	\$			
		13 Excess golden parachute payments	14 Gross proceeds paid to an attorney	
		\$	\$	
16 State tax withheld	17 State/Payer's state no.	18 State income		
\$	\$	\$		

Form 1099-MISC www.irs.gov/Form1099MISC Department of the Treasury - Internal Revenue Service

Because mistakes happen

IRS compliance



If you don't collect a W-9 in the first place:

- You can be fined \$60 to \$630 per missing W-9.
- Some industries feature **A LOT** of W-9s.



If you file a 1099 with an incorrect Tax ID

- You will need rectify it with the vendor, sometimes involving backup withholding (**which is 24%**).
- If you can't rectify, they will be subject to penalties by the IRS.

It's a **time suck!**



If you are storing W-9s yourself

- Please be sure your security is up to par.
- Those W-9s include **VERY** sensitive information such as social security numbers.

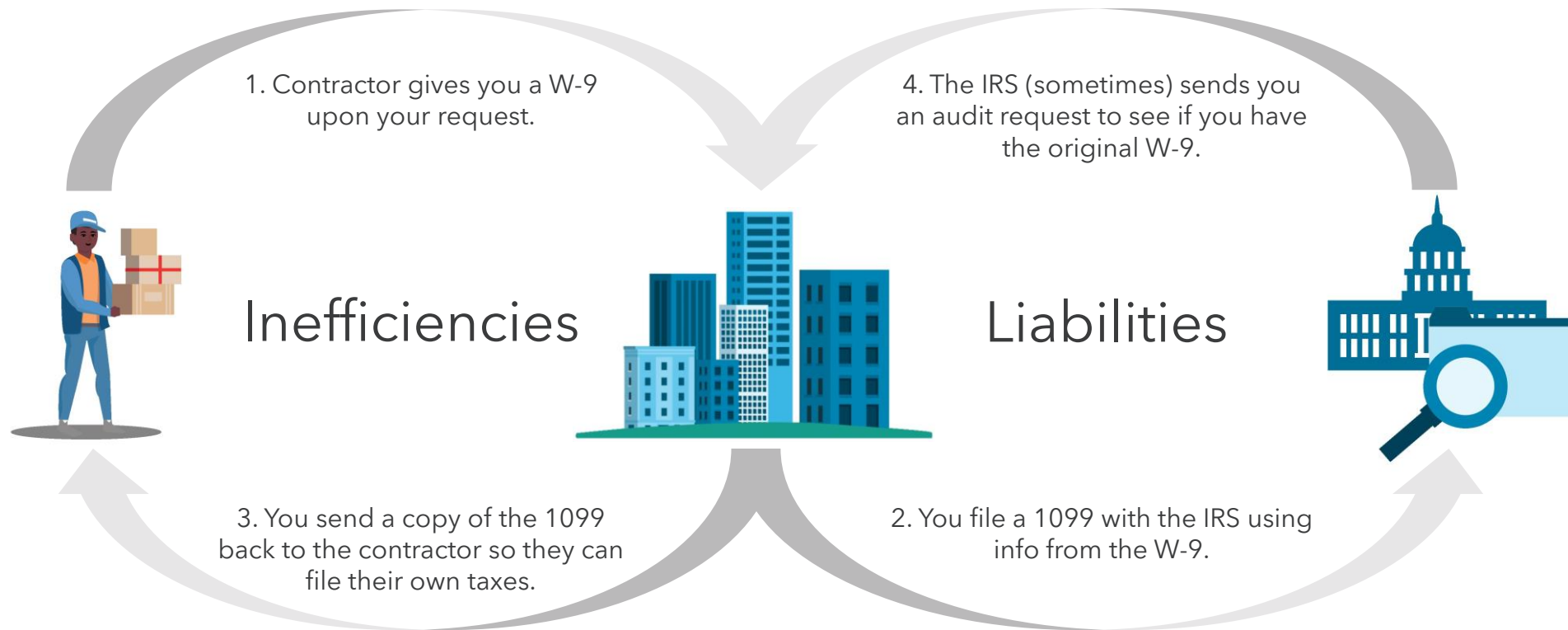
POLL QUESTION
#2

> **What is your company's
most common reason for
missing an IRS deadline?**

The challenges associated
with W-9 & 1099 forms

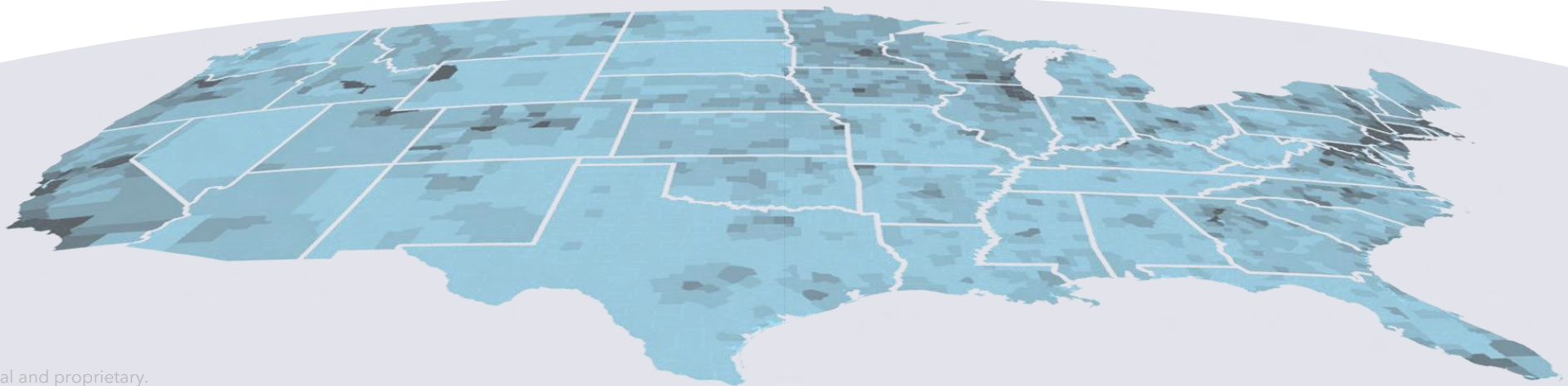
The 1099 and W-9 workflow

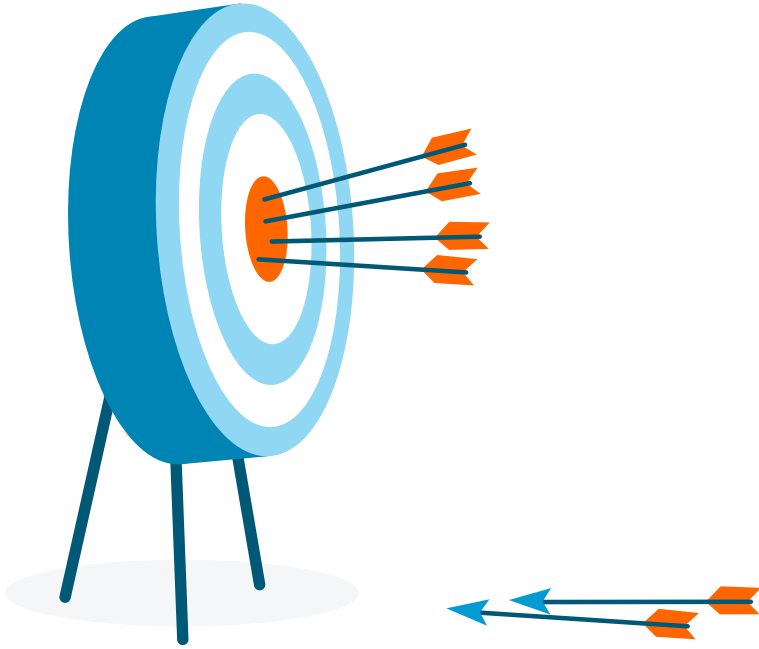
Caught in the middle - between inefficiencies and liabilities



January 31st

Challenge: The IRS deadline for handling 1099s is rigid and late fees can quickly pile up when a company has multiple vendors in its payment system.





CHALLENGE:

IRS requirements are a moving target

The federal and state regulations for compliance are constantly changing and being rewritten.



Example - Starting tax year 2023, the IRS introduced a new rule stating that if you have 10 or more information returns, you must file them electronically.



Example - Ahead of the 2024 filing deadline, the IRS reduced the 1099-K threshold for requiring a 1099 to \$600. This had an enormous impact on marketplace sellers.



Example - Congress introduced legislation called the Red Tape Reduction Act to raise the threshold back to \$10,000. The legislation, however, went nowhere.



Example - But just before the deadline, the IRS delayed the reduction in the 1099-K threshold until tax year 2024.



Example - But what's next? Nobody knows.

CHALLENGE:

Recipient requirements

Your vendors have needs, too.



Pro Tip! You can't send vendors electronic versions of their 1099s unless they opt-in to an e-delivery and they must always have a means to opt-out.



Pro Tip! You don't need to send 1099s to vendors who are incorporated.



CHALLENGE:

Rejected filings

Humans who copy/paste are prone to error

TIN Numbers

Incorrect TIN numbers are the most common reason for rejected IRS filings.

Legal Names

Misspelled or inaccurate names are another source of rejections.

The image shows a Form 1099-NEC for the year 2020. The form is titled "Nonemployee Compensation" and "Copy 1 For State Tax Department". It includes fields for Payer's name, Recipient's name, TINs, address, and various tax amounts. Annotations with orange lines and dots point to specific fields: one points to the Recipient's TIN field, another points to the Recipient's name field, and a third points to the State/Payer's state no. field. The form also includes checkboxes for "VOID" and "CORRECTED", and a FATCA filing requirement checkbox.

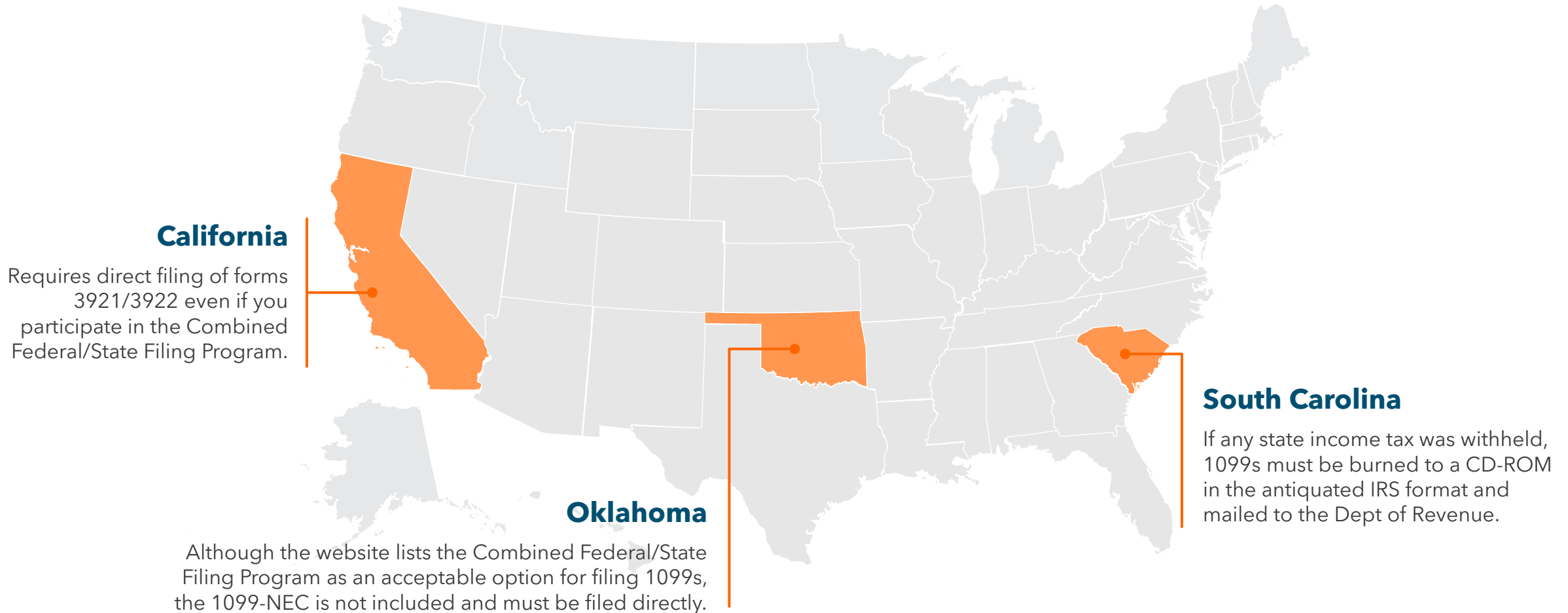
State ID

Some filers forget to enter a state ID.

CHALLENGE:

State requirements

3 examples as of 2023



**POLL
QUESTION #3**



What percent of your team's time is spent fixing errors or resolving vendor questions on W-9 or 1099 forms?

W-9 & 1099
best practices

Recommended timetable of compliance steps



- Transfer data from your W-9s to your 1099s
- Conduct address verification and TIN matching
- E-file 1099s to the IRS
- Obtain permission from your vendors to receive electronic versions of their 1099s
- Send 1099 copies to your vendors before the Jan 31st deadline

← **Get W-9s from new vendors at the point of onboarding** →

- Determine who owns this aspect of compliance
- Determine a method for safe storage of W-9s
- Select an e-filing platform to use

- Check up on legislative updates

- Explore workflow integrations

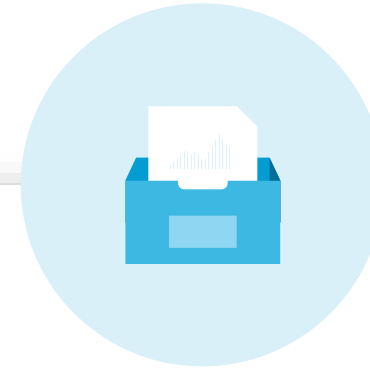
- Confirm every vendor has a W-9 on file
- Carry over data from previous filing year

BEST PRACTICE:

Good W-9 collection



Collecting the W-9s ensures the **accurate** tax ID and legal name for the recipient of the 1099.



Required by the IRS for every non-employee - regardless of whether they hit the threshold.

BEST PRACTICE:

Proactive data validation eliminates fallout from errors



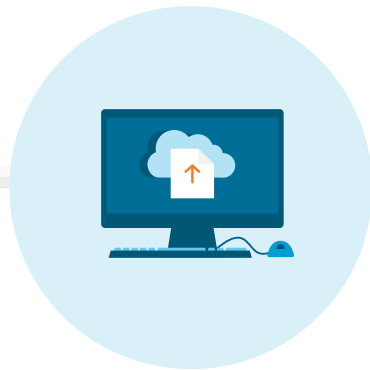
TIN matching to get ahead of B-notices



Address verification to avoid "return to sender"

BEST PRACTICE:

Don't store W-9s on paper, your laptop, or the cloud



Keep them
central



Keep them
secure

**POLL
QUESTION #4**

**> Would you like to speak
to an Avalara sales
representative?**

Avalara 1099 demo

Avalara 1099 trial offer

Avalara 1099 & W-9
Formerly Track1099

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Free W-9 Collection for 2024

Avalara is pleased to offer a special promotion. Create an account now and begin collecting and managing your company's W-9s until December 15, 2024. Additional terms apply; see below for details.

Company Name

Industry

First Name Last Name

Email

Create Password

Who will use this account?
 Only me
 I lead a team

Phone

I have read and accept the [terms](#) and [privacy statements](#).

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Questions

Avalara

Tax compliance done right