A practical 1099 preparation timeline for small businesses

For small businesses that work with contractors, freelancers, or other non-employees, the start of a new year brings a familiar task: preparing and filing 1099 forms. The process can feel rushed if you wait until the last weeks before the deadline. A clear timeline helps you avoid scrambling for information, missing deadlines, or facing penalties. By breaking the work into manageable phases, you can handle everything from collecting W-9 data to submitting forms electronically with less stress and more accuracy.

Start early: the month after the tax year ends

The best time to begin 1099 preparation is in February, right after the previous tax year closes. At this point, you have a full picture of who you paid during the year. Pull your payment records for all contractors and vendors who received $600 or more. This includes payments for services, rent, prizes, and certain other transactions. Check that each payee has a completed W-9 form on file. If any are missing, request them immediately. The W-9 provides the name, business structure, and Taxpayer Identification Number (TIN) you need for the 1099. Without it, you risk filing with incorrect information, which can lead to rejection by the IRS or penalties.



Verify TINs early to avoid corrections later

Once you have the W-9 forms, verify the TINs before you file. The IRS offers a TIN matching service that checks the name and number combination against their records. Running this check early gives you time to correct any mismatches. A mismatch can cause the IRS to reject the form or send a notice to the recipient, creating extra work for your business. Some filing platforms, including TaxFormHero, include TIN verification as part of their process, which saves you from having to do it separately. Even if you handle verification manually, do it as soon as you have the W-9 data.

Organize your contractor data by mid-January

By mid-January, you should have all W-9 forms collected and TINs verified. Now organize your payment data. For each contractor, total the payments made during the tax year. If you use accounting software, you can often export this data directly. If you track payments manually, double-check your bank statements and invoices for accuracy. Also gather any other amounts that need reporting, such as federal income tax withheld or backup withholding. Having clean, organized data now makes the actual filing much faster.

Choose your filing method: paper vs. electronic

You have two main options for filing 1099 forms: paper or electronic. Paper filing involves printing the forms, mailing them to the IRS, and sending recipient copies by mail. This method works for small numbers of forms, but it comes with downsides. Paper forms can be lost in the mail, and handwriting or misalignment can cause errors. The IRS also charges penalties for paper forms that exceed a certain threshold. Electronic filing, by contrast, lets you submit forms directly to the IRS online. It is faster, reduces errors, and often includes built-in validation checks. For most small businesses, especially those with more than a handful of contractors, electronic 1099 filing is the more practical choice. It also simplifies sending recipient copies, since many e-filing services handle that step automatically.

Know the deadlines and plan for extensions

The IRS sets two key deadlines for 1099 forms. The first is January 31: you must provide recipient copies to contractors by this date. The second is also January 31 for most 1099 forms filed with the IRS (some forms, like 1099-NEC for nonemployee compensation, have a separate due date in late January). If you cannot meet the January 31 deadline for recipient copies, you may need to request an extension from the IRS. Extensions are available for filing with the IRS, but not for providing recipient copies. Missing the recipient copy deadline can result in penalties, so plan to have those copies ready on time. For electronic filing, the IRS offers an automatic extension if you use an approved system, but you still need to file by the extended due date.

File electronically for accuracy and speed

When you are ready to file, electronic submission is the most reliable method. The IRS provides the Filing Information Returns Electronically (FIRE) system, but many businesses prefer using a third-party service that handles the technical details. Such services often include data validation, TIN matching, and the ability to correct errors before submission. They also generate recipient copies and can send them by email or mail. For businesses that file many forms, electronic 1099 filing saves significant time and reduces the risk of penalties. If you use a platform like TaxFormHero, you can upload your data, verify it, and submit everything in one session. The system checks for common errors, such as missing TINs or incorrect amounts, so you catch issues before the IRS does.

Deliver recipient copies on time

By January 31, every contractor you paid must receive their copy of the 1099. If you file electronically, many services offer to email the forms directly to recipients. Email delivery is fast and reduces paper waste. If you mail paper copies, use first-class mail and allow enough

time for delivery. Keep records of when you sent each copy, in case a contractor claims they never received it. Some businesses also provide recipients with a summary of their payments for the year, which can reduce questions later.



Review and correct errors quickly

After filing, check for any notices from the IRS or from recipients. If you made a mistake on a form, you can file a corrected version. The IRS allows corrections to be filed electronically, and doing so quickly limits potential penalties. Common errors include wrong amounts, incorrect TINs, or missing checkboxes. If you catch an error before the filing deadline, simply file a corrected form with the correct information. After the deadline, the process is similar but may require an explanation. Most e-filing services make corrections straightforward, so you can fix issues without starting from scratch.

Keep records for future reference

Once the filing season is over, store your 1099 records securely. The IRS recommends keeping copies of filed forms and related documents for at least four years. This includes W-9 forms, payment records, and any correspondence with recipients. Good record keeping helps if the IRS audits your business or if a contractor disputes the amounts reported. Digital storage is fine, as long as the files are backed up and accessible. Label each year's records clearly so you can find them quickly if needed.

Plan ahead for next year

The end of one filing season is a good time to plan for the next. Consider whether your current process works well or if you need to change it. If you handled everything manually this year, electronic filing might save you time next year. If you used a service, evaluate whether it met your needs. Also think about how you collect W-9 forms. Automating that step, such as by sending a digital W-9 request when you first hire a contractor, can prevent last-minute scrambling. Some platforms, including TaxFormHero, allow you to collect W-9 data and verify TINs throughout the year, so you are ready when January comes. Small improvements now make the next filing season smoother.

Following a practical timeline helps you stay organized, meet deadlines, and avoid common mistakes. By starting early, verifying data, and using electronic 1099 filing, you turn a stressful annual task into a routine process. Your contractors get accurate forms on time, and your business avoids penalties. With a little planning, 1099 preparation becomes just another item on your calendar, not a crisis.