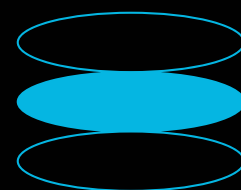


1099 CONTRACTOR READINESS CHECKLIST

SZ Accounting



Section A — For Freelancers / Independent Contractors

- **Confirm Contractor Status:** Ensure you are classified correctly as a contractor, not an employee, using IRS Common Law Rules and behavioral/financial control tests.
- **Obtain/Confirm EIN or SSN:** Secure your Employer Identification Number (EIN) or Social Security Number (SSN) for Form W-9.
- **Complete Form W-9:** Fill out and provide Form W-9 to each client. Retain copies securely for your records.
- **Sign an Independent Contractor Agreement:** This should outline scope, deliverables, payment terms, intellectual property, and confidentiality requirements.
- **Verify Business Registration and Licenses:** Confirm state and local business registrations and any necessary licenses.
- **Track Client Payments:** Note the date, method, and amount of each payment received from clients.
- **Set Aside Taxes:** Allocate approximately 25–30% of your net income for estimated tax payments. Consult a tax professional for personalized advice.
- **Enroll in EFTPS:** Sign up for the Electronic Federal Tax Payment System and mark quarterly estimated tax deadlines on your calendar (April 15, June 15, September 15, January 15).
- **Track Deductible Expenses:** Categorize expenses such as home office, mileage, supplies, software, phone/internet, dues, and insurance.
- **Keep Receipts:** Digital copies are acceptable. Organize them in a cloud folder by month and category.
- **Open Business Accounts:** Consider a dedicated business bank account and possibly a separate tax savings account.
- **Choose a Bookkeeping Method:** Options include QuickBooks, Wave, or a spreadsheet. Reconcile your accounts monthly.
- **Consider Insurance:** Liability insurance and professional errors and omissions coverage might be applicable.
- **Subcontracting:** Collect W-9s from subcontractors and issue a 1099-NEC if you pay them \$600 or more.
- **Review Retirement and Health Options:** Explore options like a Solo 401(k), SEP IRA, or Health Savings Account (HSA) if eligible.
- **Secure Your Data:** Back up files and use a password manager with multi-factor authentication (MFA) for security.

Section B — For Businesses Hiring Contractors

- **Proper Classification:** Use IRS Common Law Rules to confirm contractor status versus employee status. Seek legal counsel if uncertain.
- **Collect Form W-9:** Obtain a completed Form W-9 from contractors before making the first payment.
- **Execute an Independent Contractor Agreement:** This should include scope, deliverables, payment schedule, intellectual property ownership, confidentiality, and termination terms.
- **Request Certificate of Insurance (COI):** Ensure you have any necessary licenses and set reminders for renewal.
- **Set Up Vendors in Accounting:** Standardize payment terms and track 1099-NEC obligations.
- **Track Payments:** Monitor payments by vendor, excluding those made via credit card or third-party networks, which might be reported on a 1099-K.
- **Prepare for 1099-NEC:** Issue Form 1099-NEC by January 31 for vendors paid \$600 or more in non-employee compensation.
- **Store Supporting Documents:** Maintain records of W-9s, contracts, statements of work, COIs, invoices, and approvals.
- **Define Deliverables and Criteria:** Clarify acceptance criteria and change order processes.
- **Secure Data Access:** Establish secure data access methods, limit permissions to necessity, and revoke access at the end of each engagement.
- **Avoid Employee Treatment:** Do not set hours, provide tools, or offer ongoing supervision to avoid misclassification.
- **Create an Offboarding Checklist:** Include final invoices, return of property, removal of access, and NDA/IP confirmations.

Key Dates & Forms

- **Forms:**
 - W-9 (provided by the contractor)
 - 1099-NEC (issued by the business)
 - 1096 (required for paper transmittal if filing by mail)
- **Deadlines:**
 - 1099-NEC must be sent to contractors and the IRS by January 31 (e-filing is recommended).
 - Quarterly Estimated Taxes for individuals are due on April 15, June 15, September 15, and January 15 (adjust for weekends/holidays).