What every business must collect from contractors before filing

When a business hires independent contractors, the paperwork side can feel less urgent than the work itself. But the information a company gathers at the start determines how smoothly tax season runs. One missing detail on a contractor record can delay filings, trigger penalty notices, or create confusion with the IRS. The key is knowing exactly what to ask for and why.

Contractors are not employees. They provide their own tools, set their own schedules, and are responsible for their own taxes. Yet the business that pays them still has reporting obligations. The IRS requires businesses to report payments of $600 or more to a contractor during the year. That reporting happens on Form 1099-NEC, and the information needed to complete it comes from the contractor, usually through Form W-9.



The form that starts everything: Form W-9

Form W-9 is the standard IRS document used to collect a contractor's taxpayer information. It asks for the person's legal name, business name (if different), address, and taxpayer

identification number. The form also includes a certification that the information is correct and that the person is not subject to backup withholding. Every business that pays a contractor should have a completed W-9 on file before issuing the first payment. Without it, the business cannot be sure it has the correct details for the 1099-NEC.

Collecting the W-9 early prevents last-minute scrambling. A contractor who has already been paid may be slow to respond, and chasing down a missing TIN in January is stressful. Make it a standard part of the onboarding process. Send the form with the contract, and do not release payment until it is returned.

Legal name versus business name

One of the most common mistakes on 1099-NEC forms is using a trade name instead of the legal name. The IRS matches the name and TIN on the form against its records. If the name does not match, the form may be rejected, or the contractor may receive a notice about a mismatch. Form W-9 has separate lines for the individual's or entity's legal name and any business name. The legal name is what appears on the Social Security card or the IRS letter assigning the EIN. The business name, or "doing business as" name, goes on the second line. When preparing the 1099-NEC, the legal name must go in Box 1, and the business name can be included on a second line if needed. Always check the W-9 to see which name the contractor considers official.

Taxpayer identification number

The TIN is the most critical piece of data on the form. For an individual sole proprietor, the TIN is usually a Social Security number. For a partnership, corporation, or LLC, it is an Employer Identification Number. Some contractors may have both, but the W-9 asks for the TIN that will be used for reporting. The IRS uses this number to match the payment to the contractor's tax return. If the TIN is wrong, the contractor may not get credit for the income, and the business may face a penalty for filing an incorrect form. Businesses should verify the TIN by checking the format and comparing it to any documentation the contractor provides, such as an IRS letter. If there is doubt, the safest approach is to ask the contractor to confirm the number in writing, but the W-9 itself serves as that confirmation when properly signed.

Entity type matters

Form W-9 asks the contractor to indicate the type of entity: individual or sole proprietor, C corporation, S corporation, partnership, trust, estate, LLC, or tax-exempt organization. This classification affects how the 1099-NEC is handled. For example, payments to a corporation are generally not reported on Form 1099-NEC unless the payment is for legal services, medical services, or certain other exceptions. An LLC that is taxed as a sole proprietorship is treated as

an individual for reporting purposes. Getting the entity type right helps the business determine whether a 1099-NEC is required at all. It also helps with backup withholding rules. Some entity types are exempt from backup withholding, while others are not. The W-9 includes a section where the contractor can claim exemption if applicable.

Backup withholding status

Backup withholding is a mechanism the IRS uses to ensure tax is collected on certain payments when the contractor has provided an incorrect TIN or has underreported interest or dividends. The current backup withholding rate is a percentage of the payment, and the business must withhold that amount and remit it to the IRS. Form W-9 includes a certification that the contractor is not subject to backup withholding. If the contractor checks the box indicating they are subject, or if the IRS notifies the business that backup withholding applies, the business must begin withholding on all reportable payments. Checking this status at the start saves trouble later. A contractor who is subject to backup withholding may not realize it, and the business could be held responsible for failing to withhold.

Address accuracy

The mailing address on the W-9 may not be the same as the contractor's work location. The IRS uses the address on the 1099-NEC to send a copy to the contractor, so it must be the address where the contractor actually receives mail. If the contractor uses a PO box or a c/o address, that is fine as long as it is current. A returned 1099-NEC means the contractor did not get their copy, and the business may have to issue a corrected form. It is worth confirming the address each year, especially if the business works with the same contractors repeatedly. Address changes happen, and a stale address on file can cause problems.

Collecting W-9s from foreign contractors

Not all contractors are U.S. citizens or residents. If a business pays a foreign individual or entity, the rules change. A foreign contractor may not have a U.S. TIN, and the business may need to use Form W-8BEN or W-8BEN-E instead of a W-9. These forms establish the contractor's foreign status and may exempt the business from reporting on Form 1099-NEC. However, the business still needs to report the payment on other forms in some cases. The key is to ask the contractor about their status early. If the contractor provides a W-8 form, the business should keep it on file and not issue a 1099-NEC unless the contractor later becomes a U.S. person. Getting this wrong can lead to penalties for failing to report or for reporting incorrectly.

Keep records organized and accessible

Collecting the information is only half the job. The business needs a system for storing W-9s and linking them to payments. A digital file for each contractor, with the W-9 and any correspondence about TIN or address changes, makes year-end filing straightforward. Many businesses use accounting software that can store the W-9 and pre-fill the 1099-NEC fields. For those who prefer a dedicated filing solution, the ability to File 1099-NEC Online through a service that validates the data before submission can reduce errors. The process works best when the information is already correct in the vendor records, and the filing service simply transmits what the business has collected.

When a contractor's W-9 is incomplete or unclear, do not guess. Send it back and ask for the missing information. A corrected form is easier to handle than a rejected 1099-NEC later. Some contractors may be hesitant to provide their SSN or EIN, but it is a legal requirement for payments over $600. Explain that the IRS needs the number to report the income, and that the business cannot complete its filing without it.

Review before filing

Before the January 31 deadline, review every contractor record. Check that the name on the 1099-NEC matches the legal name on the W-9. Verify the TIN. Confirm the address. If anything looks off, contact the contractor and request a new W-9. A small error can cause a mismatch notice from the IRS, and correcting it later requires filing a Form 1096 and a corrected 1099-NEC. It is better to catch mistakes early. A service that lets you File 1099-NEC Online may include validation checks that flag common errors, but the business is still responsible for the accuracy of the underlying data.

The information a business collects from contractors is the foundation of its year-end reporting. A complete and accurate W-9, with the correct legal name, TIN, entity type, and address, makes the filing process straightforward. Without it, the business risks penalties, delays, and frustrated contractors. Make the W-9 a standard part of every new contractor relationship, and review it annually for returning contractors. The time spent up front saves far more time in January.