W-9 AND 1099

1. W-9

[Form W-9](https://www.irs.gov/pub/irs-pdf/fw9.pdf) is an Internal Revenue Service form [used to verify and certify that you are working with a legitimate business that is paying its taxes](https://www.irs.gov/uac/about-form-w9).

The basic information on a W-9 includes;

* Vendor’s business name (or personal name if a sole proprietor).
* Type of business.
* Business employer identification number (EIN) or social security number.
* A signature.

IRS Form W-9 is most commonly used by individuals when they are working as a freelancer or independent contractor. If you ever find yourself filling out a Form W-9, it generally means that a business or person who is paying you money needs your Social Security number so it can notify the IRS of the amount.

You have a responsibility to obtain the W-9 from the contractor and retain a copy of it; however, it’s not necessary to send it to the IRS.

A W-9 form is not required for all business transactions. For example, if you go into a store and spend money, you don’t need to get a W-9 from the store to ensure they are paying their taxes. In general, W-9s are required only for [business-to-business relationships](https://due.com/blog/5-ways-receive-make-b2b-payments/) where more than $600 is paid in the calendar year. The $600 rule applies to labor and services.

Some examples

1. Buying or repairs to crowns, etc.by an individual.
2. Buying thrones made by an individual.
3. Paying for a site that is privately owned by an individual instead of a business.

When it comes time to report all payments you make to the independent contractor on a 1099 form, you will need the information on the W-9.

If anyone refuses to fill out a W-9, you have two options.

1. Don’t do business with them
2. Or you can withhold 28% of the money as taxes that you would then send to the IRS at the end of the year.
3. What is a 1099?

For example, if you hire someone to repair the Crowns they hired themselves out to your company on a contract basis The income they receive from each job should be reported to them on Form 1099-MISC if you paid them $600 or more.

1. The problem we have is that a lot of the times a particular branch might only pay someone less than $600, but the individual did work for multiple groups, which when added up is over the $600 threshold. We need a way to capture this information somehow, besides what shows up on the financial reports.