GUIDE

Form 1099-NEC, the 2026 rules

Form 1099-NEC reports what a business paid a non-employee for services, such as a contractor or freelancer. For payments made in 2026, you send one to each person or unincorporated business you paid $2,000 or more, up from $600. Copies go to the contractor and the IRS by February 1, 2027, because January 31 falls on a Sunday.

QUICK FACTS

- **Threshold.** $2,000 or more paid in 2026 for services, up from $600
- **Due date.** To the contractor and the IRS, since January 31, 2027 is a Sunday
- **E-filing.** E-file if you have 10 or more information returns in total, through IRIS or software

Who gets a Form 1099-NEC?

Anyone you paid $2,000 or more during 2026, in the course of your business, for services, who isn't your employee. That includes:

- Independent contractors and freelancers
- Partnerships and LLCs taxed as sole proprietors or partnerships
- Attorneys, for legal fees, even if the firm is a corporation

You don't send one to most corporations (C or S), for personal payments, for payments for goods only, or for payments made by credit card or through PayPal and similar apps, which the platform reports on Form 1099-K. The W-9 tells you the contractor's tax status.

What goes in each box?

- Box 1: nonemployee compensation, the total you paid for services
- Box 2: a checkbox for direct sales of $5,000 or more of consumer products for resale
- Box 4: federal income tax withheld, usually 24% backup withholding when no TIN was given
- Boxes 5 to 7: state tax withheld, state ID and state income

Expenses you reimbursed the contractor for usually go in box 1 with the fee.

When is it due?

For 2026 payments, by February 1, 2027 to the contractor and to the IRS, whether you file on paper or electronically. There is no automatic extension for Form 1099-NEC. If you file 10 or more information

General information, not tax advice for your situation.

returns of any kind, counting W-2s, you must e-file. The IRS IRIS portal is free. Some states want their own copy too.

What are the penalties?

A penalty per form for filing late, rising the later you file, with a separate penalty for not sending the contractor's copy. Intentional disregard costs much more. Wrong names or TINs also count as errors, which is why a W-9 before the first payment matters.

How do I track it through the year?

Record each contractor with a W-9 the first time you pay them, and keep payments by check or ACH separate from card payments. Our 1099 contractor tracker does this, and the 1099 filing checklist walks through January.

Is my worker really a contractor?

That depends on control: who sets the hours, provides the tools and directs the work. Getting it wrong means back payroll taxes and penalties. Our 1099 vs W-2 guide explains the tests.

Common questions

What is the 1099-NEC threshold for 2026?
$2,000 for payments made in 2026. It was $600 for 2025 and earlier, and will adjust for inflation after 2026.

Is Form 1099-NEC due January 31 or February 1, 2027?
February 1, 2027, because January 31 is a Sunday and the deadline moves to the next business day.

Do I send a 1099-NEC to an LLC?
Usually yes, unless the LLC is taxed as a corporation. Check box 3 of its W-9.

What if I paid a contractor through PayPal?
Don't include those payments. PayPal and card processors report them on Form 1099-K.

Want payroll handled?

We set it up, run it and file the returns. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

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