



## Field Note: When Do I Get a W-9?

An IRS Form W-9 collects essential details, including a taxpayer's legal name, business name (if applicable), address, TIN, and the type of entity they represent (e.g., individual, sole proprietorship, corporation, partnership, etc.). It is commonly used in situations when a person or business is hired as an independent contractor, receives certain types of income, opens a bank account, or participates in financial transactions that require tax reporting. W-9 information is used to prepare and issue Form 1099-MISC or other appropriate tax forms to report payments made to the taxpayer at the end of the year. Here are some guidelines around obtaining a W-9 from an individual or business:

- Attorneys – **ALWAYS** obtain a W-9 for an ATTORNEY. An attorney or law firm always gets a 1099-MISC if they make more than \$600 in a year **REGARDLESS of their business type**.
- Rent of office space (not equipment – i.e. copier, postage meter, storage unit) – obtain a W-9 unless you can clearly see that the Landlord is incorporated (i.e. Jim Smith's Properties, Inc.). If it's Jim Smith's Properties – get a W-9 to see what type of entity they are. Issue a 1099 if payment is greater than \$600 for the year **and** they are a Sole Proprietor/Single Member LLC or a Partnership or Multi-Member LLC taxed as a Partnership.
- Non-employee Compensation – service providers whose W-9 has the Box Individual/Sole Proprietor, Single Member LLC, or Partnership checked must have their income reported to the IRS and are issued a 1099-NEC if they receive payments greater than \$600 in a calendar year. These vendors are usually coded to one of the following type of accounts (list is not exhaustive):
  - i. Contract Labor or Contractors
  - ii. Repairs & Maintenance
  - iii. Commissions & Referral Fees (non-employee)
  - iv. Professional Fees
  - v. OR, client specific expense accounts related to contract labor such as Coaches, Instructors, etc.
- Vendors with Inc. or P.A. or LTD in their name – These are considered corporations and **do not need** 1099s (unless Attorney, see first bullet point above).

***How Lillyfield keeps on top of this for you*** – each month the bookkeeper scans the monthly transactions for any potential new 1099 vendors. If one is discovered, they will email you a blank W-9 asking you to obtain it from the vendor, or they may ask if they can reach out to the vendor themselves for the information. During each monthly review, the manager on your account also looks for any possible new 1099 vendors that the bookkeeper did not catch. All 1099 vendors are documented in your account files, so once we have the information on hand, we won't ask for it again. Attempts at getting the W-9 are also documented.

**REMEMBER!** Obtaining W-9s from 1099 vendors is ultimately the responsibility of the BUSINESS OWNER. Lillyfield does everything we can to facilitate the process. ***Best practice is to always get the W-9 prior to making the first payment to the vendor.***

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