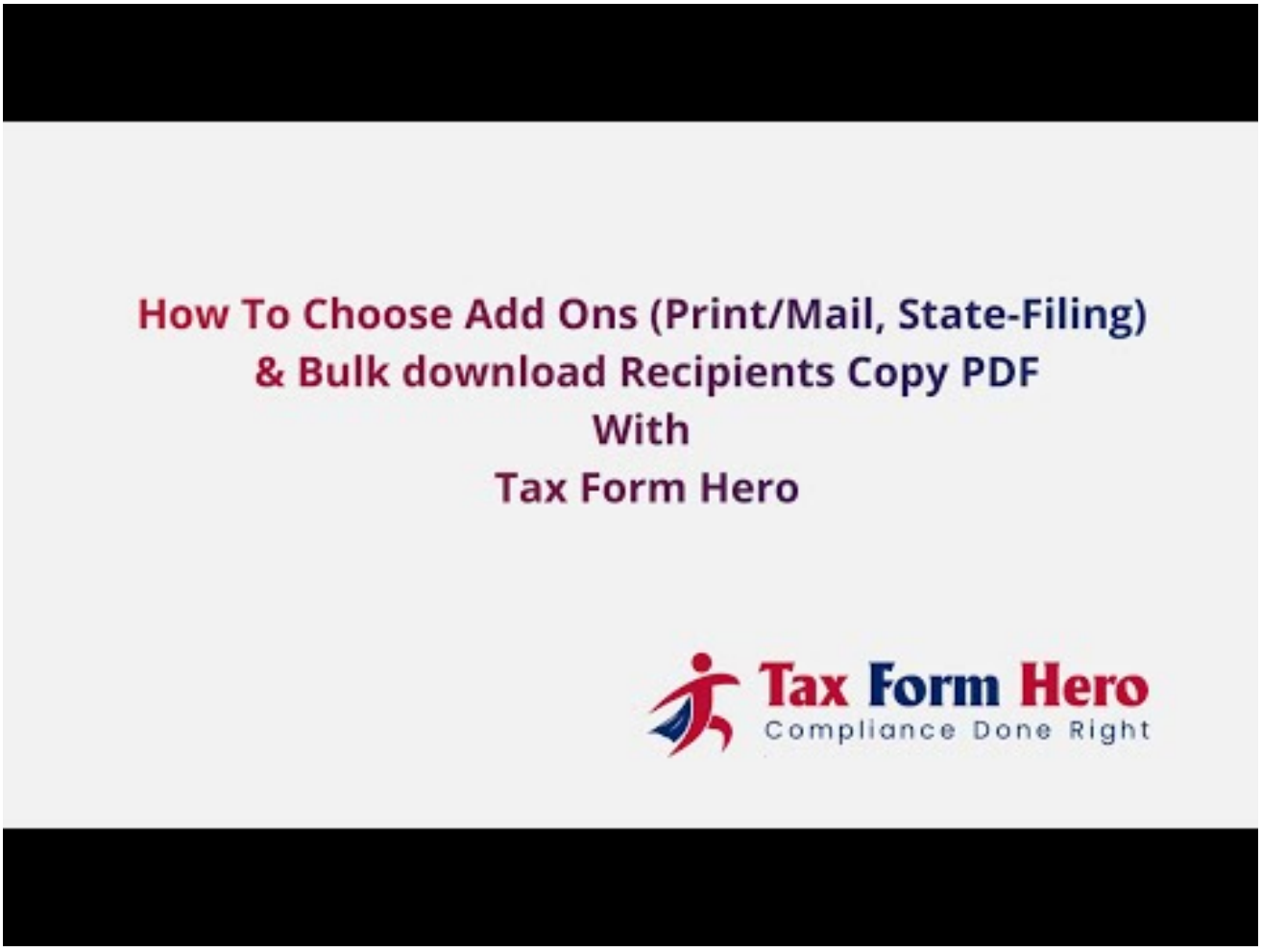
What to check before submitting your annual business tax forms

Why a form-by-form review matters

Annual tax reporting for a business involves more than entering numbers into a template. Each form carries specific rules, deadlines, and consequences if completed incorrectly. A careful review of every form before submission can prevent penalties, reduce the chance of an IRS inquiry, and save time later. This article walks through the key points to verify on the most common business forms, from wage reports to information returns.

Form W-2: wage and tax statement

The W-2 is arguably the most scrutinized form a business files. Employees rely on it to file their personal returns, and the IRS cross-checks it against what employees report. Any mismatch can trigger a notice.



Check the following on each W-2 before sending it to the Social Security Administration:

- **Employee identification.** Verify that the name and Social Security number on the form match the employee's Social Security card exactly. A typo in a name or a transposed digit in the SSN is one of the most common reasons for a mismatch.
- **Wage amounts.** Ensure that box 1 (wages, tips, other compensation) agrees with your payroll records. Do not forget to include taxable fringe benefits, such as personal use of a company car or group-term life insurance over $50,000.
- **Federal income tax withheld.** Confirm that the amount in box 2 matches the total federal tax withheld from paychecks during the year. A discrepancy here often means a missed payroll run or a duplicate entry.
- **Social Security and Medicare wages.** These boxes reflect wages subject to Social Security and Medicare taxes. They may differ from box 1 if the employee contributed to a 401(k) plan or a health savings account. Double-check that the correct limit applies for Social Security wages.
- **State and local information.** If the employee worked in multiple states, each state section must list the correct wages and withholding. Errors in state reporting can lead to penalties from state tax agencies.

Form 1099-NEC and 1099-MISC: nonemployee compensation and other payments

Businesses that pay independent contractors, freelancers, or other nonemployees must file Form 1099-NEC for compensation of $600 or more. Form 1099-MISC covers rent, royalties, prizes, and other payments. These forms are often the source of IRS notices because they involve third-party relationships that are easy to misclassify.

Before filing, review each recipient's information:

- **Correct form type.** Use 1099-NEC for payments to nonemployees for services. Use 1099-MISC for rent, royalties, medical payments, and other income. Sending the wrong form can confuse the recipient and delay their filing.
- **Taxpayer Identification Number (TIN).** Every recipient must provide a valid TIN, usually a Social Security number or Employer Identification Number. If you did not collect a W-9 before payment, do so now. Missing or incorrect TINs are the leading cause of backup withholding and IRS penalties.
- **Payment amounts.** Total the payments made to each recipient during the calendar year. Include direct payments, checks, and electronic transfers. Do not include payments for merchandise or reimbursed expenses unless they were paid as a flat amount without receipts.

- **Backup withholding.** If you withheld backup withholding from a recipient (because they did not provide a TIN or the IRS notified you to do so), report the amount in the correct box. Failing to report backup withholding creates a discrepancy that the IRS will flag.

ACA reporting forms (1095-B and 1095-C)

Applicable large employers (those with 50 or more full-time employees) must report health coverage information to the IRS and to employees. The forms tell the IRS who had coverage and when. Errors here can affect an employee's ability to claim premium tax credits and can lead to penalties under the Affordable Care Act.

Check these points on each ACA form:

Employee and dependent information. List every full-time employee for each month, and include covered dependents. If your records show a dependent but the employee did not list them on enrollment, verify the source of the information.

Months of coverage. Indicate for each month whether the employee was offered coverage and whether they enrolled. A common mistake is reporting coverage as offered when the employee was not eligible, or leaving months blank when the employee had coverage through a spouse's plan.

Employer identification. Use the correct EIN for the reporting entity. If your business has multiple EINs for different divisions, each must file separately. Mixing them up leads to rejected returns.

Information returns and IRS filing

Information returns include forms like W-2, 1099, and ACA forms. They are called information returns because they report income or other data to the IRS, not because they calculate tax due. The IRS uses these forms to match against individual returns. A mismatch can trigger a CP2000 notice, which proposes additional tax and penalties.

A few general checks apply across all information returns:

Filing deadlines. W-2 forms go to the Social Security Administration by January 31. Most 1099 forms must be filed by January 31 if filing electronically (or February 28 on paper). ACA forms have their own deadlines. Missing a deadline adds a per-form penalty that increases the longer you wait.

Electronic vs. paper filing. If you file more than 10 information returns, the IRS requires you to file electronically. Paper returns for large volumes are slower and more error-prone. Electronic

filing also gives you immediate confirmation that the IRS received the data.

Recipient copies. You must provide copies of W-2s and 1099s to employees and contractors by January 31. For ACA forms, the deadline is also January 31 (or February 15 if filing electronically). Sending copies late can result in penalties separate from the filing penalty.

How a filing service can simplify the review

Reviewing each form manually is time-consuming, but the process becomes more manageable with a platform that validates data before submission. TaxFormHero helps businesses and professionals electronically file 1099, W-2, ACA, and other IRS forms while collecting W-9 data, verifying TINs, and delivering recipient copies. Using such a service means the system checks TINs against IRS records and flags missing fields before you submit. This does not replace your own review, but it catches many common errors automatically.



Payroll records and employee wages

Accurate payroll records are the foundation of correct W-2 and 1099 reporting. If your payroll software tracks hours, tips, bonuses, and deductions correctly, the forms will reflect that data. But even the best software can produce errors if the underlying setup is wrong.

Review these payroll record items before generating forms:

Employee classifications. Confirm that every worker is classified correctly as an employee or independent contractor. Misclassification is a common issue that leads to incorrect forms and

potential IRS reclassification. If you are unsure about a worker, consult IRS guidelines or a tax professional.

Wage totals. Run a year-to-date payroll report and compare the totals to what will appear on the W-2. Look for discrepancies caused by manual adjustments, corrections, or late pay periods that crossed the calendar year boundary.

Tax withholding. Verify that the federal, state, and local withholding amounts match the employee's W-4 and your state withholding table. A mismatch often stems from a mid-year W-4 change that was not entered into the payroll system.

Health coverage data. If you offer health insurance, ensure your payroll records include the months each employee was covered. This data feeds into ACA reporting. If an employee left mid-year, confirm the coverage end date.

Final checks before submission

Once you have reviewed each form individually, run a final set of checks across the entire batch:

Totals tie to business records. The total wages reported on all W-2 forms should match your payroll expense for the year (minus any nontaxable items). The total nonemployee compensation on 1099-NEC forms should match your contractor payments. If a total is off by even a small amount, investigate the discrepancy.

No duplicate entries. Ensure no employee or contractor appears on two forms for the same type of payment. For example, an employee cannot also receive a 1099-NEC for services performed as an employee. If a person received both wage and nonemployee payments, separate those payments clearly and use the correct form for each.

Correct filing format. The IRS accepts electronic files in specific formats, such as CSV, TXT, or XML. Confirm that your file meets the current specifications. A format error can cause the entire batch to be rejected, leaving you scrambling before the deadline.

Backup copies. Save a copy of every form you file, along with the transmittal summary. This protects you if the IRS questions a return months or years later. Digital copies stored in a secure location are sufficient.

Submitting annual tax forms without a review is risky. A single typo in a name or a misplaced decimal point can set off a chain of correspondence that takes hours to resolve. By checking each form systematically - from employee details to totals - you reduce that risk. And when the volume of forms grows, using a service like **TaxFormHero** to handle TIN verification and electronic delivery can free up your time to focus on the numbers that matter most.