Table of Contents

What’s New 1

“No Tax on Tips” 1

Tip Credit 5

“No Tax on Overtime” 5

Trump Savings Accounts 10

Mortgage Insurance Premiums 10

Moving Expenses 10

Student Loan Discharge 11

“No Tax on Car Loan Interest” 11

Paid Family and Medical Leave Credit 12

Enhancement of Employer-Paid Child Care Credit 12

Child and Dependent Care Credit and Benefits 13

Exclusion for Employer Payments of Student Loans 13

Form 1099-K 13

Information Reporting Form Limits 13

Employee Retention Credit 13

Form W-9 Revision 14

Form 1099R Changes 14

New Form 1099-DA 14

Electronic Filing of Information Returns 15

FIRE System 15

IRIS 15

Business Online Accounts 15

941X 17

2026 Federal Income Tax Withholding 17

Social Security and Medicare Taxes 17

Change of Business Address or Responsible Party 18

Modernizing Payments To and From America’s Bank Account 18

Definition of an Employee versus Independent Contractor 19

Partners in a Partnership 20

2% Shareholder in an S-corporation 20

Gross Wages 21

Includable Payments to Employees and Statutory Employees 21

Tip Income 22

Excludable Payments to Employees 22

Table 2-1. Special Rules for Various Types of Fringe Benefits 29

Reporting Taxable Fringe Benefits 29

Partner in a Partnership 30

Greater than 2% S-corporation Shareholder Rule 30

Questions to ask to prepare for year-end 30

Calculation of Wages 31

Gross Wage 31

Federal Taxable Wages 31

Social Security Wages 31

Medicare Wages 31

Additional Medicare Tax 32

State and Local Wages 32

Federal Unemployment Tax – FUTA 32

Federal Tax Deposits 33

Electronic Federal Tax Payment System 33

Pay With Return 34

Monthly Depositor 34

Semi-Weekly Depositor 35

$100,000 Next Day Depositor 35

Form 940, Federal Unemployment Deposit Requirements 35

Penalties for Failure to Deposit/File 36

Trust Fund Recovery Penalty 37

Quarterly Filings 38

Form 941/944 – Employer’s Quarterly/Annual Federal Tax Return 38

Form 941 – Employer’s Quarterly Federal Tax Return 39

Form 941 – Employer’s Quarterly Federal Tax Return 45

Schedule B (Form 941) Report of Tax Liability for Semi-Weekly Depositors 47

Schedule B (Form 941) 48

Schedule D (Form 941) 49

Qualified Small Business Payroll Tax Credit for Increasing Research Activities 51

Form 6765 – Credit for Increasing Research Activities 52

Form 944 – Employer’s Annual Federal Tax Return 57

Form 944 – Employer’s ANNUAL Federal Tax Return 62

Form 945-A Annual Record of Tax Liability 65

Form 941-X Adjusted Employer’s Quarterly Federal Tax Return 67

Unemployment Taxes and Annual Filings 83

Form 940 Employer’s Annual Federal Unemployment Tax Return 84

Calculating Federal Unemployment Taxes 84

Where to File 85

When to Deposit FUTA taxes 85

W-2 Preparation 94

Form W-2 96

Earned Income Credit Notice 99

Health Insurance Reporting Requirements 103

Form W-2 Box 11 Nonqualified plans 105

Third Party Sick Pay 107

Form W-3 Transmittal of Wage and Tax Statements 110

Form W-3 – Transmittal of Wage and Tax Statements 112

Correcting Forms W-2 113

Special Employee Categories 117

Non-Employee Reporting 122

Recipient Names and Tax Identification Numbers 123

General 1099 Information 124

Penalties 125

Information Return Penalties – 1099’s and W-2s 125

Forms 1099Q, 1099-SA, 5498, 5498-ESA, and 5498-SA 125

Generic 1099 Information 126

Paper Document Reporting 127

Electronic Filing of 1099s 128

IRIS 129

Backup Withholding – Flat 24% 131

Form 945 – Annual Return of Federal Income Tax Withheld 132

Form 945-A Annual Record of Tax Liability 135

Form CP 2100 – IRS Notice of Missing or Incorrect TINs 137

Missing Taxpayer Identification Numbers 137

Incorrect Name/TIN Combinations 137

First B Notice 138

Second “B” Notice 142

Third and Subsequent Notices 142

Backup Withholding 143

Corrections and Voids 145

Year End Forms and Instructions 146

Preparing Form 1096 146

Form 1096 147

General Reporting Chart 150

Education Reporting Chart 155

Health Insurance Reporting Chart 156

Transfers of Stock Reporting Chart 159

Retirement Reporting Chart 159

1098 Mortgage Interest 161

1098-C Contributions of Motor Vehicles, Boats, and Airplanes 164

1098-E Student Loan Interest Statement 167

Form 1098-F – Fines, Penalties, and Other Amounts 168

Form 1098-T – Tuition Statement 169

1098-Q Qualifying Longevity Annuity Contract Information 171

Form 1099-A – Acquisition or Abandonment of Secured Property 173

Form 1099-B – Proceeds from Broker and Barter Exchange Transactions 175

Form 1099-C – Cancellation of Debt 180

Form 1099-DA – Digital Asset Proceeds from Broker Transactions 182

Form 1099-DIV – Dividends and Distributions 186

Form 1099-G – Certain Government Payments 189

Form 1099-INT – Interest Income 191

Form 1099-K – Payment Card and Third-Party Network Transactions 194

Form 1099-LS – Reportable Life Insurance Sale 196

Form 1099-SB – Seller’s Investment in Life Insurance Contract 197

Form 1099-LTC – Long Term Care and Accelerated Death Benefits 198

Form 1099-MISC – Miscellaneous Information 200

Form 1099-NEC – Non-Employee Compensation 204

Form 1099-OID – Original Issue Discount 206

Form 1099-PATR – Taxable Distributions Received from Cooperatives 208

Form 1099-Q – Payments from Qualified Education Programs 210

Form 1099-QA – Distributions from ABLE Accounts 212

Form 1099-R – Distributions from Pensions 214

Table 1. Guide to Distribution Codes 217

1099-S – Proceeds from Real Estate Transactions 222

1099-SA – Distributions from an HSA, Archer MSA, or Medical Advantage MSA 224