

What Is Backup Withholding?

NO IDENTIFICATION

One of the most common scenarios where you'll see backup withholding is with payments to contractors. Typically, you're not required to withhold taxes from disbursements you make to non-employees.

However, when using contractors in your business, you'll need to get their taxpayer identification number (TIN), which is most commonly obtained with Form W-9. This information is required so you can report their payments on Form 1099 at the end of the year. But if any contractor fails to provide a TIN, the employer is required to withhold a flat 24% from all fees paid to that individual. This 24% is called backup withholding.

In some cases, you may have received a TIN and filed a 1099, but the IRS later notifies you that the TIN and the name of the business shown on the form don't match. In these situations, you're also required to make the backup withholding. And you'll report any tax withheld on the following year's 1099.



(516) 294-0400

(516) 938-0491



415 CROSSWAYS PARK DR.
SUITE C
WOODBURY, NY 11797

KVLSMCPA.COM

