



Contractor Payroll Checklist

This checklist helps businesses pay contractors correctly, covering paperwork, payments, compliance, and year-end filings.

Step 1 – Collect Contractor Paperwork

- **Form W-9** (request for Taxpayer Identification Number)
- Signed contractor agreement (scope, payment terms)
- Proof of insurance or licenses (if required for your industry)

Step 2 – Set Up Payment Tracking

- Enter contractor info into your accounting/payroll system
- Record each payment with date, method, and amount
- Note if payments exceed \$600 (threshold for 1099 reporting)

Step 3 – Make Payments Correctly

- Pay according to the contract (hourly, flat fee, milestones)
- Use direct deposit, checks, or payment platforms
- Keep receipts and confirmations

Step 4 – File 1099s at Year-End

- Issue **1099-NEC forms** to contractors paid \$600+
- File 1099s with the **IRS** by **January 31**
- File **Form 1096** (transmittal) if filing by paper

Step 5 – Maintain Contractor Records

- Retain W-9s, agreements, and payment records for at least 4 years
- Keep copies of issued 1099s and IRS confirmations
- Separate contractor files from employee payroll records

Tip: Always collect a W-9 before making the first payment to a contractor to avoid IRS penalties and backup withholding requirements.