Which IRS forms do businesses file for employees and contractors?

Businesses must report payments to workers and the government in specific ways. The form you use depends on whether the worker is an employee or an independent contractor, and whether you need to report health coverage. The three main categories are Form W-2, Form 1099, and ACA reporting. Each serves a distinct purpose and carries different deadlines and penalties.

When to use Form W-2

Form W-2 reports wages, tips, and other compensation paid to an employee. You must file a W-2 for any worker you classify as an employee. The IRS defines an employee as someone whose work you control, what they do and how they do it. If you withhold income tax, Social Security, and Medicare taxes from their pay, a W-2 is required.



You send Copy A of each W-2 to the Social Security Administration (which forwards the data to the IRS). You also give copies to the employee and to state and local tax agencies. The

deadline for filing W-2s with the SSA is January 31 each year. The same date applies for furnishing copies to employees. Missing the deadline can result in penalties that increase the longer you wait.

Many businesses now use **online W-2 filing** services to handle the submission. These services check the data for common errors, such as missing or incorrect tax identification numbers, and transmit the forms electronically. Electronic filing is faster than mailing paper forms, and it gives you a confirmation that the IRS has accepted the returns.

When to use Form 1099

Form 1099 covers payments made to independent contractors, freelancers, and other non-employees. The most common version is Form 1099-NEC (Nonemployee Compensation). You issue it to anyone you paid at least $600 during the tax year for services performed as part of your trade or business.

Independent contractors handle their own taxes. You do not withhold income tax or payroll taxes from their pay. Instead, you report the total amount paid on Form 1099-NEC, and the contractor reports that income on their own tax return. Other 1099 variants cover interest (1099-INT), dividends (1099-DIV), and miscellaneous income (1099-MISC).

The key distinction between W-2 and 1099 is control. If you direct how, when, and where the work gets done, the worker is likely an employee. If you hire someone for a specific project and they use their own tools and schedule, they are probably an independent contractor. Misclassifying a worker can lead to back taxes, penalties, and interest.

The deadline for filing 1099-NEC with the IRS is January 31 (same as W-2). For other 1099 forms, the deadline is February 28 if you file by paper, or March 31 if you file electronically. Recipient copies must be sent by January 31 as well.

ACA reporting: Form 1095-C and related forms

The Affordable Care Act (ACA) requires certain businesses to report health coverage information to the IRS and to employees. Two main forms are involved: Form 1095-C (for applicable large employers) and Form 1095-B (for health coverage providers).

An applicable large employer (ALE) is a business with 50 or more full-time employees (including full-time equivalents) in the prior year. ALEs must offer minimum essential coverage to at least 95% of their full-time employees and their dependents. Form 1095-C reports which employees were offered coverage, what the cost was, and whether they enrolled. The IRS uses this information to enforce the employer mandate and to determine if employees qualify for premium tax credits.

Smaller businesses that offer self-insured health plans may also need to file Form 1095-B. This form lists each covered individual and the months they had coverage. The IRS matches this data against individual tax returns to verify that everyone had qualifying health coverage.

ACA reporting deadlines generally follow the same calendar as W-2 and 1099: January 31 for furnishing forms to individuals, and February 28 (paper) or March 31 (electronic) for filing with the IRS. However, the IRS sometimes extends these dates for ACA forms, so it is wise to check the current year's guidance.

Many businesses use **electronic filing for annual reports** to handle ACA submissions alongside their W-2 and 1099 filings. This approach keeps all payroll and benefits reporting in one workflow. When you use a single platform for all three form types, you reduce the chance of missing a deadline or entering data twice.

Comparing the three reporting obligations

Each form type targets a different payment or benefit. Here is a quick summary:

Tax Form Hero
Compliance Done Right

- W-2: employee wages, tips, and withheld taxes
- 1099: payments to independent contractors and other non-employees
- ACA forms (1095 series): health coverage offered to employees and their dependents

All three require you to collect accurate taxpayer identification numbers (TINs) from recipients. A TIN for an employee is their Social Security number; for a contractor, it is their SSN or

Employer Identification Number. Verifying TINs before you file helps avoid mismatches and potential penalties.

Penalties for late or incorrect filings vary by form. For W-2 and 1099 forms, the penalty depends on how late you file and the size of your business. For ACA forms, the penalty can be substantial, especially if you fail to file for a large number of employees. The IRS assesses separate penalties for failing to furnish forms to individuals and for failing to file with the agency.

Businesses that file fewer than 250 forms can sometimes submit paper copies, but most find it easier to file electronically. The IRS encourages electronic filing for annual reports because it reduces errors and speeds up processing. For any business that files 250 or more of a particular form, electronic filing is mandatory.

How online W-2 filing fits into the bigger picture

If you already handle W-2 forms yourself or through a payroll provider, you might wonder whether you need separate systems for 1099 and ACA forms. The answer depends on the volume of each form and the complexity of your workforce. A small business with a few employees and no contractors may need only W-2. A midsize company with a mix of employees, contractors, and a group health plan will likely need all three.

Using a single service that supports all these forms simplifies the process. You enter employee and contractor data once, and the system determines which forms to generate. It also tracks deadlines and sends reminders. This integrated approach reduces the risk of missing an ACA filing because you were focused only on W-2s.

When you choose online W-2 filing, look for a provider that also handles 1099 and ACA forms. That way you can manage everything from one dashboard. The data you collect for W-2s, names, addresses, TINs, and payroll amounts, overlaps with what you need for 1099 and ACA forms. Reusing that information saves time and reduces transcription errors.

Pay attention to the format of each form. W-2 forms must be printed on special red-ink forms if you mail them. Electronic submissions use a specific XML schema. 1099 forms have their own formats. ACA forms require additional fields such as months of coverage and the cost of the lowest-cost plan. A good filing service handles these format requirements automatically.

Keeping accurate payroll records throughout the year makes the filing season smoother. Track changes in employee status, such as hires, terminations, and changes from employee to contractor. Record the exact amounts paid and the dates. This documentation supports the information you put on each form and helps you respond if the IRS asks questions later.

Businesses that use a professional employer organization (PEO) or a payroll service often rely on that provider to handle all three form types. Even so, the business remains responsible for the accuracy of the information. Review the forms before they are filed, and keep copies for your records.

The IRS provides a free online tool called the Information Returns Intake System (IRIS) that allows businesses to file W-2, 1099, and ACA forms electronically. IRIS is a government portal, not a third-party service. It works best for businesses that file a small number of forms and want a no-cost option. For larger volumes or for businesses that want recipient copy delivery, a commercial service offers more features.

When you understand which forms apply to your situation, you can plan ahead. Gather TINs early, verify them against IRS records, and set up a timeline for each filing deadline. If you have employees, file W-2s by January 31. If you pay contractors, file 1099-NECs by the same date. If you are an applicable large employer, prepare your 1095-C forms for the March 31 electronic deadline. Coordinating these tasks under one roof, especially through a service that supports electronic filing for annual reports, keeps your business compliant and avoids last-minute stress.