

## Important Update: 1099 Reporting Threshold Increases to \$2,000 in 2026

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Beginning in 2026, the IRS has increased the federal reporting threshold for Form 1099-NEC and Form 1099-MISC from \$600 to \$2,000 per payee. As a result, businesses will generally be required to issue a Form 1099 only for vendors or service providers who are paid \$2,000 or more during the calendar year, provided all other reporting criteria are met.

### What this means:

This increase is intended to reduce the administrative burden associated with year-end reporting, particularly for businesses that make smaller or less frequent payments to independent contractors or vendors. For many organizations, this change may result in fewer required filings while still maintaining appropriate oversight and compliance.

### Why it matters:

This change is intended to reduce administrative burden and simplify year-end reporting for businesses, particularly those that make smaller or infrequent payments to vendors.

### What hasn't changed:

While the reporting threshold has increased, several key compliance responsibilities remain the same:

- Vendors must still be properly classified
- Forms W-9 should continue to be collected and maintained
- Accurate tracking of vendor payments throughout the year remains essential
- State-level 1099 reporting requirements may differ from federal rules and should be reviewed separately

We encourage businesses to continue following established best practices for vendor onboarding and payment tracking so they are well prepared for year-end reporting obligations.

### Future inflation adjustments:

The \$2,000 reporting threshold will be indexed for inflation in future years, beginning after 2026. This means the threshold may increase periodically over time based on inflation adjustments published by the IRS. Businesses should be aware that the applicable reporting threshold may change from year to year and plan their compliance processes accordingly.

### Contact Us for Guidance

If you have questions about how this change may affect your business, reporting obligations, or internal processes, please don't hesitate to reach out to your Johnson O'Connor team.

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