

W2 & 1099 Preparation Guide

Jackson Tax Service

Understanding Your Tax Forms

This guide will help you understand the difference between W-2 and 1099 forms and how to prepare for filing your taxes.

W-2 Forms: Employee Income

What is a W-2?

A W-2 form reports your annual wages and the amount of taxes withheld from your paycheck if you're an employee. You should receive a W-2 from each employer you worked for during the tax year.

W-2 Deadline

Employers must provide W-2 forms by **January 31st** each year.

Key Information on Your W-2

- **Box 1:** Total wages, tips, and compensation
- **Box 2:** Federal income tax withheld
- **Box 3:** Social Security wages
- **Box 4:** Social Security tax withheld
- **Box 5:** Medicare wages and tips
- **Box 6:** Medicare tax withheld
- **Box 12:** Various codes for different types of compensation

- **Box 16:** State wages, tips, etc.
- **Box 17:** State income tax withheld

What to Do If Your W-2 is Incorrect

1. Contact your employer immediately
2. Request a corrected W-2 (Form W-2c)
3. Do not file your taxes until you receive the corrected form
4. If your employer refuses to correct it, contact the IRS

What to Do If You Don't Receive Your W-2

1. Contact your employer by mid-February
2. If still not received, contact the IRS at 800-829-1040
3. You may need to file using Form 4852 (Substitute for Form W-2)

1099 Forms: Non-Employee Income

What is a 1099?

A 1099 form reports various types of income other than wages, salaries, and tips. There are many types of 1099 forms, but the most common are:

Types of 1099 Forms

1099-MISC: Miscellaneous income (rent, prizes, awards, medical payments)

1099-NEC: Non-employee compensation (freelance work, contract work, self-employment income)

1099-INT: Interest income from banks and financial institutions

1099-DIV: Dividend income from investments

1099-K: Payment card and third-party network transactions (PayPal, Venmo, etc.)

1099-R: Distributions from pensions, annuities, retirement plans, IRAs

1099-G: Unemployment compensation, state tax refunds

1099 Deadline

Businesses must provide 1099 forms by **January 31st** for most types (February 15th for 1099-K).

Do You Need to Report 1099 Income?

YES! All 1099 income must be reported on your tax return, even if:

- You didn't receive a 1099 form
- The amount is small
- You worked cash jobs
- You received payment through apps like Venmo or Cash App

Self-Employment Tax

If you received 1099-NEC income, you're considered self-employed and must pay:

- **Self-employment tax (15.3%):** Covers Social Security and Medicare
- **Income tax:** Based on your tax bracket

This is in addition to regular income tax, so plan accordingly!

Preparing for Tax Season

For W-2 Employees

1. **Verify accuracy:** Check that your name, SSN, and income amounts are correct
2. **Gather all W-2s:** If you had multiple jobs, collect all forms
3. **Review withholdings:** Compare Box 2 to your expected tax liability
4. **Collect deduction documents:** Medical expenses, charitable donations, etc.

For 1099 Contractors

1. **Track all income:** Keep records of all payments received
2. **Organize business expenses:** Save receipts for deductible expenses
3. **Calculate estimated taxes:** You may need to make quarterly payments
4. **Separate business and personal:** Open a separate bank account for business income
5. **Keep mileage logs:** Track business miles driven throughout the year

Common Deductions for 1099 Contractors

- Home office expenses
- Business supplies and equipment
- Vehicle expenses (mileage or actual expenses)
- Professional development and education
- Business insurance
- Marketing and advertising
- Professional dues and subscriptions
- Business meals (50% deductible)
- Travel expenses
- Phone and internet (business portion)

Quarterly Estimated Tax Payments

Who Needs to Pay Quarterly Taxes?

If you're self-employed or have significant 1099 income, you likely need to make quarterly estimated tax payments to avoid penalties.

Quarterly Due Dates

- **Q1:** April 15

- **Q2:** June 15
- **Q3:** September 15
- **Q4:** January 15 (following year)

How Much to Pay

Generally, you should pay **90% of your current year tax liability or 100% of your prior year tax liability** (whichever is less) to avoid penalties.

Common Mistakes to Avoid

- 1. Not reporting all income:** The IRS receives copies of all 1099s
- 2. Missing deductions:** Keep good records to maximize deductions
- 3. Incorrect Social Security number:** Double-check all forms
- 4. Not keeping receipts:** Save documentation for at least 3 years
- 5. Mixing personal and business expenses:** Keep them separate
- 6. Forgetting state taxes:** Most states require separate filing
- 7. Missing quarterly payments:** Can result in penalties and interest

How Jackson Tax Service Can Help

We specialize in both W-2 and 1099 tax preparation and can help you:

- ✓ Maximize your deductions
- ✓ Ensure accurate reporting
- ✓ Calculate quarterly estimated taxes
- ✓ Organize your business expenses
- ✓ Avoid IRS penalties
- ✓ Get your maximum refund

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