

Important 2025 W-2 & 1099 Changes

(As of June 25, 2025)

Information Returns (W-2s, 1098s, 1099s, 5498s, etc.)

Penalties increased—Failure to file and failure to furnish penalties and penalties for intentional disregard of filing and payee statement requirements have increased due to adjustments for inflation. The higher penalty amounts apply to returns required to be filed after December 31, 2025. The new penalty amounts are listed below:

- \$60 per information return if filed correctly within 30 days of the due date; the maximum penalty is \$683,000 per year (\$239,000 for small businesses)
- \$130 per information return if filed correctly more than 30 days after the due date but by August 1; the maximum penalty is \$2,049,000 per year (\$683,000 for small businesses)
- \$340 per information return if filed after August 1, did not file corrections, or did not file required information returns; the maximum penalty is \$4,098,500 per year (\$1,366,000 for small businesses)
- If any failure to timely file a correct information return or provide a correct payee statement is due to intentional disregard of the filing and furnishing requirements, the penalty is at least \$680 per information return with no maximum penalty.

W-2

New procedure to request extension of time to furnish recipient copies of Form W-2. Complete Form 15397, Application for Extension of Time to Furnish Recipient Statements, and fax to the fax number and address on the back of the form to request extension of time for furnishing Copies 2, B, and C to your employees.

Forms W-2, W-3, W-2c, and W-3c have been updated for a new OMB Number (1545-0029).

1099-MISC

Excess golden parachute payments are no longer reported on Form 1099-MISC. Box 14 reporting on Form 1099-MISC has been removed. You can now report these payments on Form 1099-NEC, box 3. **Previous versions of Form 1099-MISC can no longer be used.**

1099-NEC

Excess golden parachute payments are no longer reported on Form 1099-MISC. You can now report these payments on Form 1099-NEC, box 3. **Previous versions of Form 1099-NEC can no longer be used.**

1099-R

New code Y for box 7—We added a new code “Y” to the list of codes for box 7 to identify a qualified charitable distribution (QCD).

1099-S

The Form 1099-S image was revised to remove references to Form 1096 and now includes updated website information for IRS Form 1099 resources. The revision date has been updated to April 2025.

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1098

Limitation on acquisition indebtedness—The Tax Cuts and Jobs Act section 163(h)(3)(F) limitation on acquisition indebtedness of \$750,000 is set to expire after December 31, 2025, and will revert to \$1,000,000 beginning January 1, 2026. The Form 1098 image was revised to remove references to Form 1096 and now includes updated website information for IRS Form 1099 resources. The revision date has been updated to April 2025.

1099-B

Digital Assets—For each digital asset sale that a broker has effected for a customer in 2025, the broker must complete Form 1099-DA, Digital Asset Proceeds Form Broker Transactions, as described in the instructions for that Form. If you effected a sale of a digital asset that is also a security for which Form 1099-B would be required (dual classification asset), you should generally file Form 1099-DA and not Form 1099-B. There are three exceptions to the requirement to report a sale of a dual classification asset on either Form 1099-B or Form 1099-DA. Additionally, certain dispositions of digital assets held by a widely held fixed investment trust (WHFIT) must be reported on Form 1099-DA. Form 1099-DA may not be supported by your supplier.

1099-K

TPSOs are required to report transactions when the amount of total payments for those transactions is more than \$2,500 in 2025 and more than \$600 in calendar year 2026 and after.

1042-S

New box 7d—A new checkbox has been added to indicate a Form 1042-S is being filed to revise an amount subject to withholding in a withholding rate pool to report a specific recipient.

New chapter 3 status code 40—A new chapter 3 status code was added for any partnership that is, or has a branch that is, a qualified derivatives dealer (QDD) for use when reporting allocations to its partners with respect to QDD items. All other allocations by the partnership to its partners should be reported using status code 8, 9, or 38, as applicable. When the partnership is transacting in its QDD capacity, it should use status code 35. In addition, status code 40 should not be used for reporting payments to a QDD.

New Chapter 3 status code 41—A new chapter 3 status code was added for a U.S. government entity or tax exempt entity (other than a section 501(c) entity) such as a college or university.

New Income codes 59, 60, 61—New income codes were added for consent fees, loan syndication fees, and settlement payments. These income codes are optional for 2025.

New process for requesting extension of time to furnish recipient statements—The instructions have been updated to include a new process for requesting an extension of time to furnish copies of Form 1042-S to recipients using Form 15397, Application for Extension of Time to Furnish Recipient Statements.

Country codes, “US” is now a valid country code entry in box 12f (withholding agent) or 13b (recipient).