What to verify before onboarding a new contractor

Bringing on a new independent contractor involves more than agreeing on a rate and a start date. The IRS requires businesses to collect accurate tax information before any payments are made. A missing or incorrect form can lead to backup withholding obligations, penalties, and delays in filing year-end returns. Having a reliable checklist for collecting contractor tax information helps keep the process smooth and compliant.

This article walks through the key items you need to verify every time you onboard a contractor. Each point includes a short reason why it matters and what to watch out for. Use this as a practical reference when you receive a new Form W-9.



Confirm the taxpayer name matches IRS records

The first item to check is the name the contractor provides in line 1 of Form W-9. This should be the legal name associated with their Taxpayer Identification Number (TIN). For an individual, that is their full name as it appears on their Social Security card. For a business entity, it is the exact name registered with the IRS.

A common mistake is using a trade name or "doing business as" (DBA) name in this field. If a contractor writes a DBA here, the name and TIN may not match what the IRS has on file, and the TIN matching system will return a mismatch. That mismatch can trigger backup withholding notices and extra paperwork. Always ask the contractor to use their legal name on line 1. The DBA belongs on line 2, the business name field.

Verify the TIN before you file

The TIN is the core of contractor tax information. For most contractors, it is either a Social Security number or an Employer Identification Number. You should verify the TIN with the IRS through the TIN Matching program or through a service that checks it in real time.

Verifying the TIN early saves trouble later. If the contractor provides an incorrect number, the mismatch can lead to backup withholding and incorrect 1099 forms. Some businesses wait until January to discover errors, when correcting a 1099-NEC or 1099-MISC is much harder. Checking the TIN at onboarding gives you time to fix it before any forms are filed.

Get the correct business address

The address on Form W-9 matters because the IRS and the contractor each need a copy of the 1099 form at the right location. Collect the address where the contractor receives mail, not necessarily where they perform work. A contractor who works from home might give a P.O. box, which is acceptable as long as it is their mailing address.

Double-check that the address matches what the contractor uses for other official documents. A mismatch between the address on the W-9 and the address you use for shipping or invoicing is a red flag. It may indicate the contractor entered information carelessly, or that the entity structure is different from what you assumed.

Identify the correct entity type and federal tax classification

Form W-9 includes a set of checkboxes for the contractor's federal tax classification: individual/sole proprietor, C corporation, S corporation, partnership, trust/estate, limited liability company, or other. Choosing the wrong classification can change how you report payments and whether you need to issue a 1099-NEC or 1099-MISC.

Sole proprietors and single-member LLCs are treated as individuals for tax purposes, so payments to them are reported on a 1099-NEC. Corporations, including S corporations, generally do not receive 1099s for services (with some exceptions like legal fees). If a contractor checks "corporation" but you suspect they are really a sole proprietor, ask for clarification. An incorrect classification can also affect whether backup withholding applies.

For LLCs, the W-9 asks the contractor to specify whether the LLC is taxed as a C corporation, S corporation, or partnership. This detail is essential for correct reporting. Do not guess; ask the contractor to confirm their classification.

Check the backup withholding status

Backup withholding is a requirement to withhold a flat percentage of payments and send it to the IRS. A contractor may be subject to backup withholding if they have underreported income or failed to provide a correct TIN in the past. The W-9 asks the contractor to certify whether they are subject to backup withholding.

If the contractor checks "Yes" under backup withholding, you must withhold the current rate (typically 24%) from every payment you make to them, unless they provide a valid exemption. This is not optional. Failing to withhold when required makes your business liable for the unwithheld amount. Most contractors check "No," but you should still verify the box is filled in. An unchecked box is not a valid W-9.

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Ensure the form is signed and dated

An unsigned or undated Form W-9 is not a valid form. The contractor must sign and date the form under penalties of perjury. Without a signature, you cannot rely on the W-9 for backup withholding certification or TIN verification. Some contractors send an unsigned form because they think the information alone is enough. Do not accept it. Return the form and ask for a completed version.

The signature also certifies that the contractor is not subject to backup withholding (unless they indicated otherwise) and that the TIN is correct. An unsigned W-9 leaves you without that certification, which creates risk if the TIN later turns out to be wrong.

Keep a clean payee record for each contractor

Contractor onboarding is not just about the initial form. You should store each W-9 in a way that makes it easy to retrieve when you need it for year-end filing or an IRS audit. A simple folder system or a contractor management tool works well. The key is to keep the record linked to the correct payee and to update it when the contractor changes their name, address, or entity type.

If a contractor moves or changes their business structure mid-year, ask for an updated W-9. The old form is no longer valid for reporting. Having an up-to-date payee record reduces the chance of mailing a 1099 to the wrong address or reporting under an outdated name.

A platform like TaxFormHero can help streamline this process by collecting W-9 data and verifying TINs during onboarding. Using such a service ensures you have a consistent, audit-ready record for every contractor you pay.

Review the form for completeness before the first payment

Do not wait until January to review the W-9. Check every field when the contractor submits the form. Common omissions include leaving the business name field blank when there is a DBA, skipping the exemption code for backup withholding, or forgetting to check a tax classification box. Each missing piece can cause problems later.

A complete W-9 should have the taxpayer name, business name (if applicable), federal tax classification, address, TIN, signature, and date. If any of these are missing, request a corrected form before you issue the first payment. Once money starts flowing, correcting the record becomes harder because you may have already withheld or reported incorrectly.

Many businesses find it helpful to create a simple checklist for each new contractor. Print the checklist and attach it to the W-9 as a cover sheet. Tick each box as you verify the information. This habit prevents oversights and makes it easy to hand off the onboarding task to another team member if needed.

Collecting contractor tax information does not have to be complicated, but it does require attention to detail. A few minutes spent verifying the W-9 at the start of the relationship can save hours of corrections and potential penalties later. By following this checklist, you set yourself up for cleaner records, smoother year-end filing, and fewer surprises from the IRS.