

Important 2025 W-2 & 1099 Changes

(As of April 17, 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, 2024. 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-2AS, W-2GU, W-2VI, W-3, W-3SS, W-2c, and W-3c have been updated for a new OMB Number (1545-0029).

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.

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. See Sales of digital assets, later. Additionally, certain dispositions of digital assets held by a widely held fixed investment trust (WHFIT) must be reported on Form 1099-DA.

1099-DA — New for 2025

Mandatory reporting of gross proceeds information and voluntary reporting of basis information. For each digital asset sale that a broker has effected for a customer in 2025, the broker must complete Form 1099-DA, but is not required to report basis information. However, the broker may voluntarily report this basis information. For any basis information voluntarily reported by the broker, the broker will not be subject to penalties under section 6721 or 6722 for failure to report or furnish the information correctly. For additional information regarding penalty relief for reporting for sales effected in 2025, and transitional relief from backup withholding for certain sales effected in 2025, see Notice 2024-56.

Continued on next page.

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.

1099-MISC

Excess golden parachute payments are no longer reported on Form 1099-MISC. You can now report these payments on Form 1099-NEC, box 3. See Excess Golden Parachute Payments, later, for more information.

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1099-Q

Box 4 now has two checkboxes, 4a to report trustee-to-trustee transfers and 4b to report a QTP to a Roth IRA transfer.

Trustee-to-trustee transfers—Taxpayers may now roll over limited funds from a qualified tuition program (QTP) to an Achieving a Better Life Experience (ABLE) account within 60 days of the distribution. Report these by checking box 4a and using distribution code 1 in box 7.

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).

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).