Important 2026 W-2 & 1099 Changes

(As of April 20, 2026)

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 $698,500 per year ($244,500 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 $2,095,500 per year ($698,500 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 $4,191,500 per year ($1,397,000 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 $690 per information return with no maximum penalty.

W-2 *- Reprogramming Required*

State Paid Family and Medical Leave Act (PFML Act)—The PFML Act provides wage replacement to workers for periods in which they need to take time off from work due to their nonoccupational injuries, illnesses, or medical conditions, or to care for a family member with a serious health condition or other prescribed circumstance. You must include the employee contribution and the employer voluntary payment as wages on the Form W-2.

Public Law 119-21, commonly known as the One Big Beautiful Bill Act, changes. P.L. 119-21, enacted July 4, 2025, contains several new items that may affect employers.

- ***Wage reporting threshold increased***—For wages paid after calendar year 2025, P.L. 119-21 increases the wage reporting threshold from $600 to $2,000 if no federal income, social security, or Medicare tax was withheld. This threshold will be adjusted for inflation each calendar year after 2026. Box 14 on the 2026 Forms W-2, W-2AS, W-2GU, W-2VI, and W-2c has been revised.
- ***Box 14 has been split into box 14a and box 14b***—Information that was reported in box 14—Other will now be reported in box 14a—Other. Box 14b was created to report the Treasury Tipped Occupation Code(s). The Form W-2c was released in January 2026 and has a revision date (Rev. 1-2026) to the right of the bold W-2c.
- ***Changes to boxes 9 and 14a on the 2026 Forms W-2, W-2AS, W-2GU, W-2VI, and W-2c***—Box 9 was reduced in size so that an additional entry can be input into box 14a.
- ***Deduction for qualified tips***—For tax years beginning after 2024 and ending before 2029, P.L. 119-21 allows certain employees and self-employed individuals to deduct up to $25,000 of qualified tips received in occupations that are listed by the IRS as having customarily and regularly received tips on or before December 31, 2024, on their income tax return. Qualified tips are cash tips, which include voluntary cash or charged tips received from customers or, in the case of employees, through tip-sharing arrangements. Mandatory service charges added to the bill are not qualified tips. Tips are generally subject to federal income tax withholding and both the employer share and employee share of social security tax and Medicare tax if the tips received are $20 or more per month. Employers must file Forms W-2 with the SSA and furnish statements to tip recipients showing cash tips received and the Treasury Tipped Occupation Code(s) of the tip recipient. New box 12, code TP, will be used to report the total amount of cash tips reported to the employer.

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See Code TP—Total amount of cash tips reported to the employer, for more information. New box 14b will be used to report the Treasury Tipped Occupation Code(s). See Box 14b—Treasury Tipped Occupation Code(s), for more information.

- ***Deduction for qualified overtime***—For tax years beginning after 2024 and ending before 2029, P.L. 119-21 allows individuals (employees and other workers not treated as employees) to deduct up to $12,500 ($25,000 if married filing jointly) in qualified overtime compensation from their income subject to federal income tax on their income tax return. Qualified overtime is compensation that exceeds the regular rate of pay (such as the "and-a-half" portion of time-and-a-half compensation) that is paid to an individual required under section 7 of the Fair Labor Standards Act (FLSA) of 1938. Overtime compensation is generally subject to federal income tax withholding and both the employer share and employee share of social security tax and Medicare tax. Employers must file Forms W-2 with the SSA and furnish statements to overtime recipients showing qualified overtime compensation paid during the year. New box 12, code TT, will be used to report the total amount of qualified overtime compensation. See Code TT—Total amount of qualified overtime compensation, for more information.

- ***Employer contributions to Trump accounts***—P.L. 119-21 allows for a Trump account, which is a new type of traditional individual retirement account, to be established for a child who has not attained age 18. Beginning July 4, 2026, employers may contribute up to $2,500 a year, which will be indexed for inflation after tax year 2027, to the Trump account of an employee or of a dependent of an employee, and the amount will be excluded from the gross income of the employee if paid pursuant to a Trump account contribution program. In general, this account has an annual contribution limit (including from employer contributions) of $5,000, which will be indexed for inflation after tax year 2027. For more information about employer contributions to Trump accounts, see Pub. 15-A, Employer's Supplemental Tax Guide. New box 12, code TA, will be used to report employer contributions to Trump accounts of an employee or dependent of an employee that are paid pursuant to a section 128 Trump account contribution program. See Code TA—Employer contributions under a section 128 Trump account contribution program paid to a Trump account of an employee or a dependent of an employee, for more information.

Address fields—The IRS separated the address fields into individual entry boxes on the following forms.

New form stock will be required for the following forms: 1098-E, 1098-T, 1099-B, 1099-SA, 5498-ESA, 5498-SA, W-2G, and 1042-S.

1098

Continuous-use revisions—Use the April 2025 revision of Form 1098 and the December 2026 instructions to file 2026 information with the IRS in early 2027. Also use them to furnish the information to the recipient. Continue to use these revisions for subsequent years until IRS issues a superseding revision. Do not use current revisions for prior years.

1098-E *- Reprogramming Required for Copy A*

Address fields—For the Filer's, Student's, Recipient's, and Borrower's information, the IRS separated the address fields into individual entry boxes.

1098-T *- Reprogramming Required for Copy A*

Address fields—For the Filer's, Student's, Recipient's, and Borrower's information, the IRS separated the address fields into individual entry boxes.

1099-B *- Reprogramming Required for Copy A*

Address fields—For the Payer's and Recipient's information, the IRS separated the address fields into individual entry boxes.

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5498-ESA *- Reprogramming Required for Copy A*

Address fields—For the Trustee's, Issuer's, and Beneficiary's information, the IRS separated the address fields into individual entry boxes.

Continuous-use form and instructions—Form 5498-ESA and these instructions have been converted from an annual revision to continuous use. Both the form and instructions will be updated as needed. For the most recent versions, go to IRS.gov/Form5498ESA.

Continuous-use revisions—Use the December 2026 revision of Form 5498–ESA and current instructions to file 2026 information with the IRS in early 2027. Also use it to furnish the information to the recipient. Continue to use this revision for subsequent years until the IRS issues a superseding revision. Do not use this revision for prior years.

5498-SA *- Reprogramming Required for Copy A*

Address fields—For the Trustee's and Participant's information, the IRS separated the address fields into individual entry boxes on Form 5498-SA.

Continuous-use revisions—Use the April 2025 revision of Form 1099-SA, the December 2026 revision of Form 5498-SA, and these instructions to file and furnish 2026 information in early 2027. Continue to use these revisions for subsequent years until we issue a superseding revision. Do not use these revisions for prior years.

W-2G *- Reprogramming Required for Copy A*

Increase in threshold for requiring filing of certain information returns and backup withholding. For calendar years after 2025, the minimum threshold amount for reporting certain payments and backup withholding on certain information returns, including the Form W-2G, will be adjusted yearly for inflation. The minimum threshold amount for payments made in calendar year 2026 is $2,000.

Sports wagering. A section has been added with information on reporting gambling winnings earned from wagering on sports.

Address fields—For the Payer and Winner information, the IRS separated the address fields into individual entry boxes on Form W-2G.

1042-S *- Reprogramming Required*

Credit forward framework—After December 31, 2024, withholding agents (including a QSL) may no longer use the credit forward framework set forth in Notice 2010-46, 2010-24 I.R.B. 757, for substitute dividends paid in a series of security loans or stock repurchase agreements. See FAQ 26 under the General compliance section of FATCA - FAQs general, available at IRS.gov/FATCAFAQsGeneral.

Address fields—The IRS separated the address fields into individual entry boxes.

Chapter 3 exemption codes—A chapter 3 exemption code is now required in all cases where the tax withheld is less than 30%. For example, if you are reporting payments of scholarship or fellowship grants that are subject to a 14% withholding tax under section 1441(a), you must report chapter 3 exemption code 02 (exempt or reduced withholding under IRC) in box 3a. See Boxes 3a and 4a for more information.