What Information Should You Collect from Independent Contractors?

When you bring on an independent contractor, the paperwork you collect sets the stage for a smooth working relationship and keeps you compliant with IRS rules. The key document is Form W-9, which provides the information you need to file information returns like 1099-NEC and 1099-MISC. Getting the details right from the start helps you avoid errors, penalties, and delays. Here is what you need to ask for and why each piece matters.

The Core Information on Form W-9

The IRS designed Form W-9 as a one-page snapshot of a payee's tax identity. It asks for the taxpayer's legal name, business name (if different), entity type, address, and taxpayer identification number (TIN). You need all of these to file accurate information returns. The taxpayer name must match what the IRS has on file; otherwise, the TIN may not match when you submit your forms, triggering a notice from the IRS. If the contractor operates under a trade name, that goes in the business name field, not the legal name field.



Entity Type

The entity type tells you which box to check on the 1099. Sole proprietors, single-member LLCs, C corporations, S corporations, partnerships, and trusts all appear differently on your records. A corporation, for example, generally does not receive a 1099 for most payments, while a sole proprietor does. Getting the entity type right also affects backup withholding obligations. If the contractor fails to provide a valid TIN, you may need to start withholding a flat percentage on payments. The entity type helps you determine if the contractor is subject to backup withholding in the first place.

TIN and Taxpayer Name

The TIN is either a Social Security number (SSN) or an Employer Identification Number (EIN). For many sole proprietors, the SSN is acceptable, but you should record whatever the contractor provides. The IRS uses the name/TIN combination to match against its records. A mismatch can happen if the contractor recently changed their name or business structure. You can verify the TIN using the IRS TIN Matching program before you file, which saves time and reduces the chance of a penalty. Some businesses also collect a signed W-9 at the start of the engagement and ask for an updated one whenever the contractor's circumstances change.

Address and Contact Details

The business address on the W-9 is the address the IRS will use for correspondence. That might be a home address, a rented office, or a virtual mailbox. You should also collect a current email address and phone number for day-to-day communication. While the W-9 itself does not have a field for email, you can keep it on a separate payee record. Having a reliable email helps you deliver recipient copies of tax forms quickly and reduces the cost of mailing paper forms. If you plan to send forms electronically, you need the contractor's consent, but a simple email confirmation works in many cases.

Backup Withholding Status

Form W-9 includes a certification about backup withholding. The contractor certifies that they are not subject to backup withholding, or that the IRS has notified them that they are subject. You need to know this because if the contractor checks the box indicating they are subject to backup withholding, you must withhold a percentage of their payments and remit it to the IRS. Ignoring this can lead to penalties and interest. Most contractors will leave this blank or check the standard exemption, but you should verify the box is filled in correctly. If the contractor does not provide a valid TIN, backup withholding applies automatically.

Payee Record and Onboarding Data

Beyond the W-9 itself, you may want to collect additional information for your own records. A payee record typically includes the date of engagement, the type of services provided, the agreed compensation rate, and the payment method (check, ACH, wire). Some businesses also ask for a signed independent contractor agreement that outlines the scope of work and the relationship. This agreement is separate from the W-9 but complements it. The W-9 confirms the contractor's tax identity, while the agreement clarifies that they are not an employee. Keeping both documents organized helps you defend the classification if the IRS or a state agency ever questions it.

Foreign Contractors and Special Cases

If the contractor is a foreign person or entity, a standard W-9 may not be the right form. Instead, you might need a W-8BEN or W-8BEN-E to claim a tax treaty benefit or to document that the payee is not a U.S. person. The rules for foreign contractors are different, and you should consult a tax professional if you work with international freelancers. For domestic contractors, the W-9 is almost always sufficient. The key is to get it before you make the first payment, because correcting a mistake after the fact is much harder.

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How to Collect W-9s Efficiently

Collecting W-9s from every contractor can feel like an administrative burden, especially if you work with many freelancers or vendors. The traditional method is to ask for a scanned or faxed copy, but that leads to missing information, poor image quality, and lost files. A better approach is to use an online W-9 collection system that lets contractors fill in the form digitally,

sign it, and return it to you securely. This reduces errors because the system can validate fields in real time. For example, a platform like taxformhero.com helps businesses collect W-9 data, verify TINs, and prepare 1099 forms without manual data entry. The contractor fills out the form once, and the system stores the information for future filings. This saves time and cuts down on paper.

When you use an online system, you still need to verify that the information is correct. The system may check that the TIN format is valid, but it cannot guarantee that the name matches the IRS database unless you run a TIN matching check. Some platforms include that feature as part of the workflow. Even with automation, you should review the completed W-9 for any obvious errors, such as a missing signature or an incomplete address. A quick review before you file is always a good idea.

What Not to Collect

It is just as important to know what you should not ask for. Do not collect personal information that is not related to tax compliance. That includes bank account passwords, credit card numbers, Social Security numbers beyond what appears on the W-9 (if you already have it for payment purposes, keep it separate and secure), or medical information. The W-9 asks for the SSN or EIN, but you do not need the contractor's driver's license number, date of birth, or marital status. Over-collecting data creates liability for you under data protection laws and increases the risk of a breach. Stick to what is necessary for tax reporting and payment processing.

Keeping Records and Updating Information

Once you have the W-9, store it securely. The IRS requires you to keep a copy for at least four years after the due date of the return. You should also have a process for updating the W-9 if the contractor changes their name, address, or entity type. Some businesses ask for an updated W-9 every three years or whenever a significant change occurs. This is not required by law, but it is a best practice. An outdated W-9 can lead to mismatched TINs and penalty notices. If you use taxformhero.com or a similar service, the system can send reminders to contractors to review their information before each filing season.

The whole process of collecting contractor information is about accuracy and efficiency. Getting the right data on day one saves you from scrambling at tax time. Focus on the essentials: the legal name, TIN, entity type, address, and backup withholding status. Add a payee record for your own use, and keep everything organized. With a good system, you can turn contractor onboarding from a chore into a routine that protects your business and keeps you compliant.