NATIONAL SOFTWARE INC

WHY STATE 1099 FILING ISN'T AS SIMPLE AS IT SOUNDS

IRS-APPROVED IRIS TRANSMITTER

FOR TAX YEAR 2026

About 1099FIRE

1099FIRE is an IRS-approved IRIS transmitter with validated TCC credentials. We provide end-to-end information return filing services so your organization can file through IRIS without needing to obtain your own TCC, build XML infrastructure, or manage the submission lifecycle in-house. Visit 1099fire.com to get started.

What This Guide Covers

- Why "just forward your federal file" doesn't work for state 1099 filing
- How state file formats differ, with real examples pulled from state Department of Revenue specifications
- Why state dollar thresholds and required forms don't match the federal rules, or each other
- What the Combined Federal/State Filing (CFSF) Program does and doesn't cover
- Why "we make sure you're in compliance" is a bigger promise than a transmitter can actually keep, and what nexus has to do with it
- What a vendor advertising automatic state filing is actually building behind the scenes

Key Takeaway

State 1099 filing is not a distribution problem. It isn't "take one file and copy it to 50 mailboxes." It's 50 separate compliance regimes, each with its own file format, its own dollar thresholds, its own list of required forms, and its own deadline, and none of those line up with the federal rules or with each other.

That's why we don't advertise "send us your federal file and we'll push it to every state." When a vendor makes that claim, the same state-by-state translation work still has to happen somewhere. This guide explains exactly where that complexity lives.

The Claim	What's Actually True	What It Ignores
"We just take your federal file and send it to every state"	Each state sets its own file format, and a growing number reject anything that isn't built to their specifications	Six real state examples below, from CSV-only to fixed-length-only to a fully proprietary system
"CFSF means you don't have to file with the state"	CFSF only covers certain forms, and several participating states still require a separate direct filing	Delaware, DC, Maine, Maryland, Massachusetts, Michigan, and Pennsylvania all require direct filing on top of CFSF
"If it wasn't reportable federally, it's not reportable to the state"	Several states kept a lower dollar threshold after the 2026 federal 1099-NEC threshold rose to $2,000	A payment under $2,000 can still trigger a state filing obligation a federal-only process would miss entirely
"We make sure you're in compliance"	Compliance depends on nexus facts, like where a contractor actually performed the work, that never appear anywhere in a 1099 file	A transmitter only ever sees payer/payee names, addresses, and dollar amounts. It has no way to know whether your business crossed a state's nexus threshold

Section 1: There Isn't One "Federal File" Anymore

1.1 FIRE Is Being Retired

The assumption behind "just forward the federal file" is that there's a single, stable federal format to forward. That's already shifting. The IRS's legacy FIRE system, which runs on the Publication 1220 fixed-length text format, is being retired after tax year 2025. Every 2026 return filed in 2027 has to move to IRIS, the IRS's replacement system.

> **Key Date**
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> January 1, 2027, IRIS will be the only electronic system for information returns, including current-year, prior-year, and corrections.

1.2 What That Means for "Just Forward It"

IRIS supports three different submission paths: manual entry through the IRIS Taxpayer Portal, a CSV template upload, and an XML-based Application-to-Application (A2A) channel for automated bulk filers. So "the federal file" is, at minimum, now two different technical formats depending on which system a filer uses, and three different submission methods within IRIS alone. A vendor that talks about "your federal file" as if it's one fixed thing is already simplifying past the first real complication.

Section 2: States Did Not Standardize on One Format

2.1 Six States, Six Different Answers

Most states modeled their own direct-filing specifications on the old Publication 1220 layout, then modified it. That word, modified, is where the trouble lives. A few real examples pulled from state Department of Revenue documentation:

- North Carolina's eNC3 system accepts fixed-length .txt files built to Publication 1220 field positions and explicitly rejects CSV, Excel, PDF, and Word files.
- Illinois and Pennsylvania moved to CSV-based uploads for 1099 reporting. Pennsylvania's myPATH system does not use the Publication 1220 layout at all.
- Wisconsin requires its own EFW2-based layout, defined in DOR Publication 172, not the standard Publication 1220 "K" record most other states use.
- Oregon's iWire system uses a state-specific fixed-length text file the state calls a "Publication 1220 addendum," meaning it borrows the concept but changes the layout. No manual entry, no paper, no exceptions.
- California runs a separate system entirely, called SWIFT, for the nonresident and resident withholding data reported on Form 592-B. It has nothing to do with a standard 1099 file.
- Missouri accepts only a specific .txt file built to its own field specification. CSV, XML, and PDF are explicitly rejected, in writing, by the state.

2.2 What This Requires Behind the Scenes

That's six different answers to "what file do I send," and this is a small sample. A federal file built for FIRE, IRIS, or CFSF does not become any of these formats by itself. Something has to translate every

payer, every payee, and every dollar amount into each state's specific field layout, correctly, every year, because these specs change annually.

Section 3: Thresholds Are Not Federal Thresholds

3.1 State Dollar Thresholds Vary Widely

Even if the format problem didn't exist, the question of who actually needs to be reported would still be different in every state. The federal government sets one threshold per form. States each set their own, and they don't match the federal number, each other, or even a consistent logic:

- Arkansas requires reporting at $100 for 1099-INT and 1099-DIV, but $2,500 for most other forms.
- Mississippi's threshold is $600 in payments, or any amount of state withholding.
- Missouri requires reporting at $1,200 from a Missouri source, or any state withholding, regardless of amount.
- New Jersey's threshold is $1,000 paid or credited, or any state withholding.
- Most other states trigger a filing requirement purely off whether state income tax was withheld, a fact that has nothing to do with the federal reporting threshold at all.

3.2 The 2026 Threshold Gap

The federal 1099-NEC threshold rose to $2,000 under the One Big Beautiful Bill Act for 2026, but several states, Massachusetts among them, kept their own $600 threshold in state law. That means a payment that no longer requires a federal 1099-NEC can still require a state filing.

> **Why This Matters**
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> A payment can fall below the new federal threshold and still legally require a state filing. If your process only forwards what went to the IRS, that payee simply never gets reported to the state that required it.

Section 4: CFSF Doesn't Close the Gap

4.1 What CFSF Actually Covers

Some vendors point to the IRS's Combined Federal/State Filing (CFSF) Program as their answer: file once with the IRS, mark the CFSF indicator, and the IRS forwards the data to participating states. It's a real program, and it helps, but it doesn't close the gap the way it's often implied to.

4.2 Why Participation Doesn't Mean You're Done

CFSF only covers specific forms, and participation itself is inconsistent. States including Florida, Illinois, Iowa, Kentucky, New York, Oregon, Rhode Island, Utah, Vermont, Virginia, and West Virginia don't participate in CFSF at all. And several states that do participate, including Delaware, DC, Maine, Maryland, Massachusetts, Michigan, and Pennsylvania, still require a separate direct filing on top of CFSF. Oklahoma requires direct filing for 1099-NEC specifically even though it participates in CFSF for other forms.

So knowing a state's CFSF status doesn't tell you whether you're actually done with that state. It tells you whether that state accepts CFSF as one input, sometimes, for some forms, alongside its own separate direct-filing requirement.

Section 5: States Don't Want the Same Forms

5.1 Different States, Different Form Lists

A truly automated pass-through also has to decide what to send each state, and states disagree sharply here too. Florida, New York, and Tennessee only care about 1099-K. Ohio and Nebraska limit their requirement to 1099-NEC, 1099-MISC, and 1099-R. Montana and Wisconsin have already added 1099-DA, the new digital asset reporting form, to their required list. Sending a state everything in your federal file, whether or not that state asked for those forms, isn't a shortcut. It's sending a government agency data it has no legal basis to receive, which creates its own exposure.

Section 6: Deadlines Aren't Synchronized Either

6.1 A Calendar That Doesn't Cooperate

Even if format, thresholds, and forms were solved, a batch process built around one federal due date runs into a calendar that doesn't cooperate. State 1099 deadlines cluster around January 31, but real deadlines land well outside that window depending on the state and the form.

> **Key State Filing Deadlines**
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> January 31: the most common state deadline, matching the federal 1099-NEC due date.
>
> February 15 and February 28: used by states including New Jersey, Iowa, Georgia, and Massachusetts for some forms.
>
> March 31 and April 30: used by states including Illinois, Oklahoma, Oregon, Florida, New York, and Tennessee.

A single "submit everything on the federal due date" process either files some states too early against specs that haven't been finalized for the year, or misses states with later deadlines that don't get revisited.

Section 7: What These Vendor Claims Actually Require

7.1 The Real Engineering Behind "We Forward Your File"

None of this means multi-state 1099 filing is impossible. It means it isn't a forwarding problem, it's a maintenance problem. Doing it correctly requires building and maintaining a separate translation and validation layer for every state: the current file format, the current threshold logic per form, the current list of required forms, and the current deadline, refreshed every year as each Department of Revenue updates its own specification. That is real engineering and compliance work, repeated fifty times, every filing season.

7.2 Why "We Make Sure You're in Compliance" Doesn't Hold Up

This is a bigger claim than the format problem, and it deserves its own answer. Some vendors go further than "we'll transmit your file" and say "we make sure you're in compliance." Transmitting a file correctly and being in compliance are not the same thing, and a transmitter working only from your federal submission cannot honestly claim the second one.

A federal 1099 file tells a transmitter who paid whom, how much, and in which box. It does not tell them whether your business owes anything to a given state in the first place. That question is answered by nexus, and nexus is not a field anywhere in a 1099 record.

7.3 The Nexus Problem: What Your Federal File Can't Show

Nexus is the connection between your business and a state that gives that state the authority to require filing, withholding, or reporting from you, separate from whatever a payee's mailing address happens to say. It's created by facts about your business's activity in a state: employees or contractors working there, an office or other physical presence, or, in a growing number of states, economic activity over a dollar or transaction threshold.

Here's where that becomes a real 1099 problem. Many states source income to where the work was actually performed, not to where the payee lives. A contractor who lives in one state but performs the work in another can create a reporting obligation in the state where the work happened, on top of, or instead of, whatever applies in the state on their mailing address. Several of the state rules already referenced in this guide turn on exactly that distinction, resident address versus nonresident services performed in the state, and each state draws that line differently.

What's In (and Not In) Your Federal File

In the file: payer name, EIN, and address; payee name, TIN, and mailing address; dollar amounts by box; form type.

Not in the file: which state, or states, the work was actually performed in; whether your business has employees, contractors, or economic activity that creates nexus in a state; how a contractor's work days split across states if they traveled; whether you already crossed another state's nexus threshold for an unrelated reason.

None of those missing facts live in a 1099 record, and a transmitter never asks for them, because asking would mean they're not really just parsing your federal file anymore. That means no transmitter working from your federal data, however well they format and route it, can actually verify whether a given state filing was even required in the first place. They can confirm a file was accepted. They cannot confirm you were in compliance, because compliance depends on facts about your business that were never in what they received.

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The Bottom Line

We'd rather be direct about where this complexity lives than sell it as solved, and we won't tell you we've made you "compliant" when compliance depends on facts about your business, like where your contractors actually worked, that never show up in a 1099 file. State filing requirements, formats, thresholds, and nexus exposure all change every year, sometimes more than once a year, and getting them wrong doesn't land on us. It lands on the filer, in the form of rejected submissions, missed payees, and potential state penalties, nexus exposure included. That's the gap worth explaining plainly, rather than papering over with a single "we've got you covered" claim.

Get a Straight Answer About State Filing

Fifty separate rule sets, and every one of them changes each year. Before you accept "we handle the states," ask which formats a vendor builds for, which thresholds they track, and which states still need a separate direct filing on top of CFSF.

We will tell you exactly what we file, what we do not, and where the obligation still sits with you.

Call 1099FIRE today at (480) 706-6474 or visit 1099fire.com

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