



The 2025 Avalara 1099 Readiness Report

**Five Things Finance and Accounts Payable
Leaders Need to Know**

Heading Into 1099 Season



Executive summary

The annual 1099 filing crunch has become one of the most resource-draining events in corporate finance. Rising form volumes, shifting IRS requirements, and tighter audit scrutiny are colliding with outdated, manual processes – leaving accounts payable (AP) teams stretched thin and exposed to risk.

Avalara's new survey of 1,000 AP professionals across the U.S. reveals a profession at a crossroads. While leaders recognize automation and AI as the future of tax compliance, most still rely on manual methods that consume time, increase costs, and invite errors.



With new 1099 requirements on the horizon, a lack of clarity around key 1099 form thresholds, and the shift from the IRS online filing platform FIRE to IRIS, businesses face a critical moment to modernize. Automation and AI are no longer “nice to have.” They’re essential for building compliance functions that are fast, accurate, and future-ready.



The Growing Burden of 1099 Season

Every January, millions of U.S. businesses scramble to prepare and file 1099 forms by IRS deadlines. Each error or missed deadline risks costly penalties and unwanted IRS attention.

Manual 1099 reporting is slow, labor-intensive, and increasingly outdated. New income types, form variations, and changing reporting thresholds have made compliance a moving target. The result: AP teams are spending valuable time wrestling with spreadsheets instead of focusing on strategic financial priorities.

This data shows businesses understand the need for transformation but haven't yet made the leap.

Avalara's study found:



24%

Businesses have fully automated tax compliance.



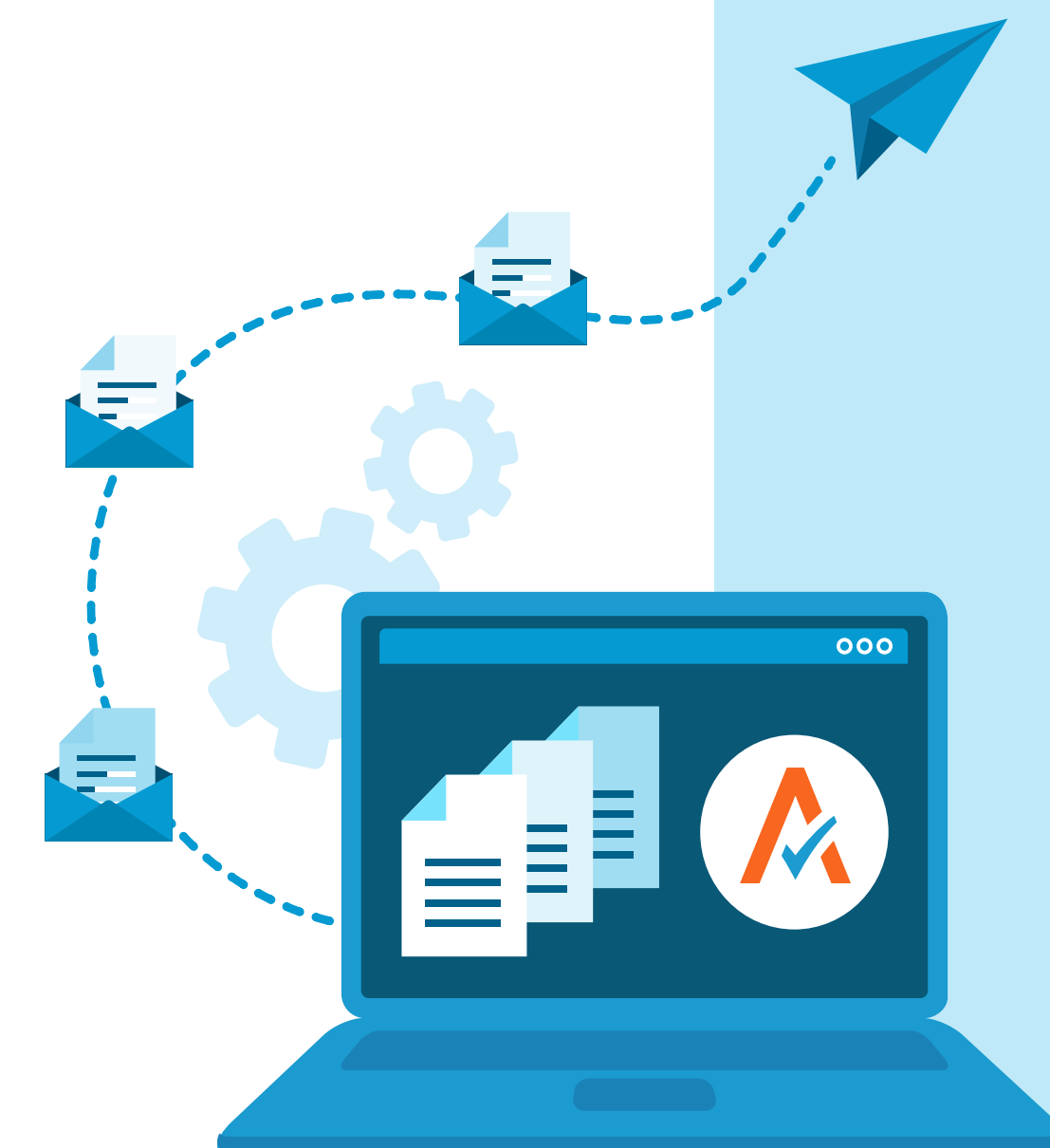
22%

Rely on mostly or entirely manual processes.



78%

Plan to invest in new compliance technology within the next year.



Here are the key findings from Avalara’s survey of AP professionals:

1099 Season Is a Major Resource Drain

U.S. companies spend an average of **40 hours each January** on 1099 reporting. For large or high-volume filers, that figure exceeds **100 hours**.

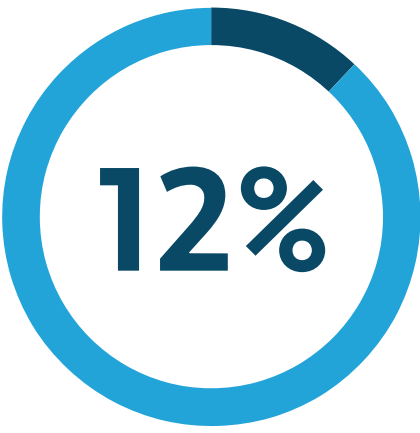
Top challenges include:



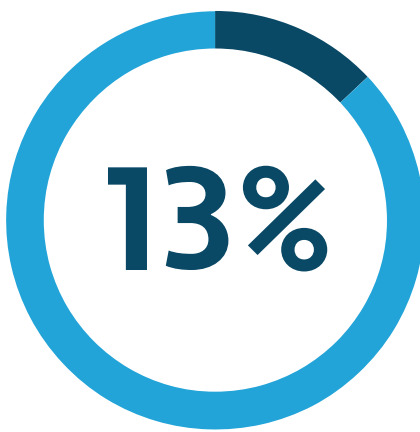
Collecting vendor and payee data



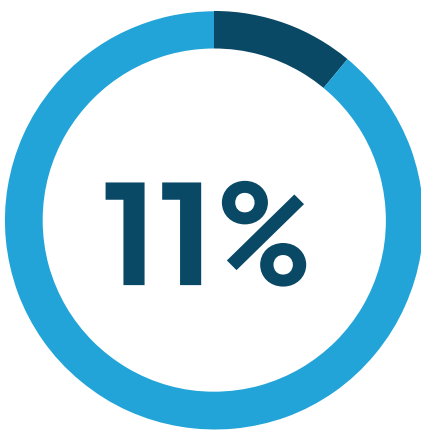
Managing multiple state requirements



Meeting deadlines with limited staff



Fixing TIN or name mismatches



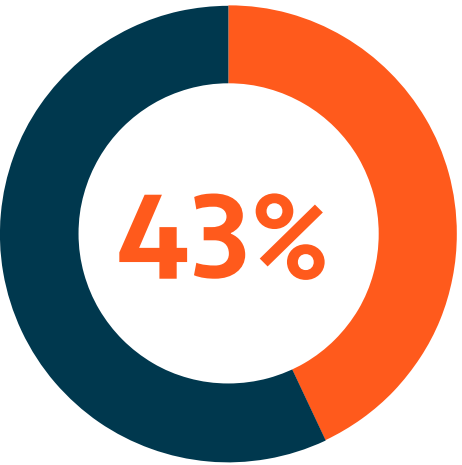
Filing corrections with the IRS

Every one of these issues represents hours lost to manual rework. Automating data collection, validation, and filing could recover hundreds of hours per year, freeing AP teams to focus on higher-value work.



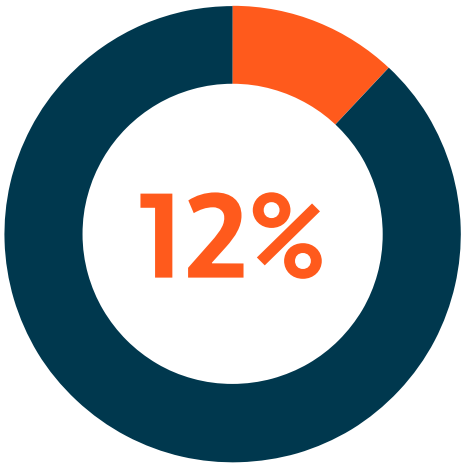
Compliance Complexity Is Fueling Uncertainty

Confidence in meeting today’s reporting thresholds is relatively high, but it drops sharply for new requirements.



of AP leaders lack confidence that their business understands the current and upcoming reporting thresholds for 1099-K, 1099-MISC, and 1099-NEC.

are unaware of the **FIRE** transition to IRIS, with expected completion in 2027.



Businesses cite limited IRS communication as a key obstacle. Nearly one-third (31%) want clearer instruction from federal and state agencies about what’s changing and when. This lack of clarity makes planning difficult and increases the risk of late or inaccurate filings.

Data Quality Remains the Achilles’ Heel

Accurate 1099 filings start with clean vendor data, yet for many organizations, that remains elusive.

15%

say vendor data collection is their biggest challenge.

13%

cite data validation and fixing errors as their top pain point.

60%

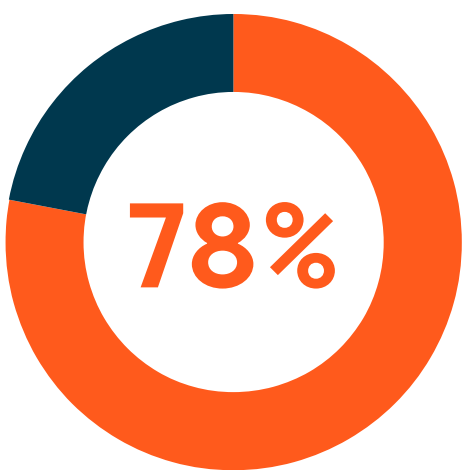
report frequent TIN or name mismatches in up to 10% of their filings.



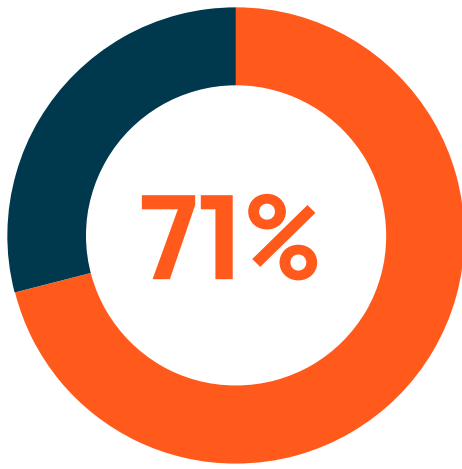
Incomplete or incorrect data is now the leading source of compliance risk. For larger enterprises filing thousands of 1099s annually, even a 1% error rate can trigger significant fines or rework costs. Automated data verification tools can dramatically reduce these errors and ensure audit-ready accuracy.

High Interest in Automation, But Adoption Still Lags

Automation and AI are rapidly rising on AP leaders' agendas:



plan to invest in new compliance tools within 12 months.



say AI innovation will be a deciding factor in their next 1099 solution.

Yet the automation gap remains wide. Only one in four businesses have implemented an end-to-end system, and many still depend on spreadsheets and manual uploads.

As regulatory deadlines tighten and workforce pressures increase, delaying automation is no longer sustainable. Businesses that modernize now will gain speed, accuracy, and resilience. Those that don't risk falling behind.

Agentic AI Is Redefining Tax Compliance

The next wave of technology transformation is already here. Agentic AI is redefining how compliance gets done, moving beyond simple automation to intelligent systems that act on context, not just commands.

Agentic tax and compliance embeds AI agents directly within the systems where compliance occurs, from ERP and e-commerce platforms to billing systems and even email inboxes. These agents:



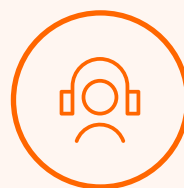
Execute real-time compliance tasks



Validate data across multiple systems



Automate multistep workflows



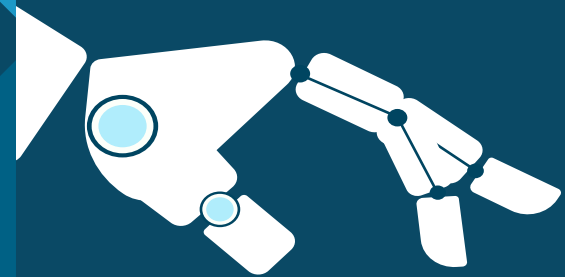
Communicate with third-party agents using Google's Agent-to-Agent (A2A) protocol

The result: faster, smarter, more accurate compliance that eliminates repetitive work and human error. For AP teams, that means 1099 season transforms from a stress point into a business efficiency advantage.

Conclusion

From Burden to Breakthrough:

Every year, U.S. businesses lose millions of hours to outdated, manual 1099 processes. As complexity increases, the cost of inaction grows.



The path forward is clear:

- Automate intelligently.
- Leverage AI to anticipate and eliminate errors.
- Use compliance modernization to build accuracy, visibility, and trust across finance operations.

With available automation and agentic AI tax and compliance solutions, businesses can confidently move from compliance chaos into an era of confidence, speed, and control – turning the 1099 season from a burden into a breakthrough for finance and accounts payable teams.

