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Balance sheet

Form 1099-K Reporting Changes By Timothy J Gephart, CPA

On Friday December 21, 2022, the Internal Revenue Service postponed the introduction of a \$600 threshold for filing a Form 1099-K to report transactions involving services such as eBay, PayPal, Uber, Venmo, and other third-party settlement organizations, which was scheduled to take effect starting January 1, 2023, and generate millions of new forms going out to unsuspecting taxpayers and accountants.

Organizations such as the American Institute of CPA's, the National Association of Tax Professionals, the National Taxpayers Union and others had been sounding warnings about the lower threshold, which was down from the previous amount of \$20,000 to \$600. It was included as part of the American Rescue Plan Act of 2021 as a way to increase tax revenue; lawmakers were lobbied heavily to stop the change or at least raise the threshold.



Congress dropped the minimum threshold for third-party settlement organizations to file Form 1099-K for a taxpayer from \$20,000 of reportable payments made to the taxpayer and 200 transactions to \$600 (the same threshold applicable to other Forms 1099) starting in 2022 and regardless of the number of transactions. The lower threshold for filing Form 1099-K means many participants in the gig economy (such as Uber or Venmo) will be getting Forms 1099-K for the first time.

The change in law is especially significant because tax compliance is higher when amounts are subject to information reporting, like the 1099-K. However, the IRS said it must be managed carefully to help ensure 1099-K's are only issued to taxpayers who should receive them. It is also important for taxpayers to understand what to do in response to receiving these forms and tax preparers and software firms will have the information they need to help the taxpayers.

The IRS promised more details on the delay will be available in the near future along with information to help taxpayers and the industry. The IRS is also working rapidly to provide instructions and clarity to taxpayers to inform them how to report should they receive 1099-K before they are mandated.

Please contact us to discuss the new reporting requirements for Form 1099-K if you have questions.

Items presented are not intended to be technically complete. Additional information may be required to make an informed decision.
You cannot rely upon this information for avoiding tax penalties.