

1099-K Reporting: IRS Further Delays the Day of Reckoning

Alert

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In early November, we issued an alert on the filing of information returns by payment settlement entities, such as PayPal or Venmo, when sellers of goods or services use them to carry out payments with buyers (see [1099-K Reporting: Is the Day of Reckoning Coming Soon?](#)).

The Internal Revenue Service (IRS) decided on their own initiative to retain the existing \$20,000 in annual amounts paid over and 200 transactions thresholds before a Form 1099-K needs to be issued for calendar year 2023. In 2024, a payment settlement entity will need to pay over \$5,000 to a seller of goods or services before a Form 1099-K is required to be issued. For 2025, the IRS will impose the \$600 reporting threshold that has been part of the Internal Revenue Code since 2021 and intended to be effective in 2022 when enacted by Congress and signed into law by the president. This second deferral of the effective date of the reduced reporting threshold occurred once again on the IRS' own initiative. It is not binding on the payment settlement entities; they can still issue 1099-K's to parties selling more than \$600 in goods or services.

If a seller receives such a Form 1099-K, they should determine the amount of income to report, less expenses, on the seller's income tax return. If the seller does not believe a Form 1099-K should have been issued to them, the seller should contact the payment settlement entity to determine the correct gross receipts received in 2023.

Most importantly, a seller of goods or services engaged in a business needs to report on their tax returns the gross receipts received by them, directly or from a payment settlement entity, regardless of whether a Form 1099-K was issued to them.

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For more information on 1099-K reporting, please contact [Charley Jensen](#), [Molly Maurin](#), [Tom Molins](#), [Jay Simpson](#) or the Stinson LLP contact with whom you regularly work.

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