

1099-K Reporting: Is a Day of RecKoning Coming Soon?

Alert

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By Charley Jensen

In the American Rescue Plan Act of 2021, Congress lowered the minimum reporting threshold from \$20,000 to \$600 for filing information returns relating to reportable payment transactions that are facilitated by payment settlement entities. Reportable payment transactions are those in which a payment card is accepted as payment and transactions in which payments are made through a third-party network on behalf of sellers of goods or services. Applications such as PayPal, Venmo and certain crowdfunding activities are among those in which sellers of goods or services are expected to receive Forms 1099-K from the payment settlement entities.

The operative statute is [IRC section 6050W](#), and the effective date was delayed from January 1, 2022, until January 1, 2023, by the Internal Revenue Service (IRS) in [Notice 2023-10](#). Even with the delayed effective date, IRS officials are expressing concern that not all payment settlement entities are aware of the decreased threshold for filing 1099-Ks regarding payments. Likewise, IRS officials are also concerned about the large number of Form 1099-Ks anticipated to be sent to sellers of goods and services and the confusion this may cause to the recipients of such forms.

Only when a payment card is being accepted as payment for a good or service should a Form 1099-K be issued to the party receiving the payment. Thus, use of a payment card to make cash withdrawals from an account or use of a third-party payment network to make payments to a Go Fund Me account upon the death of a family member should not trigger the issuance of a Form 1099-K. When a merchant or a seller of goods or services accepts payment cards and the payments exceed \$600 in a calendar year, then those sellers should receive a 1099-K from the payment settlement entity. There is no required number of transactions to be exceeded before the 1099-K is to be issued under the new requirements.

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Not only will the payment settlement entities need to be aware of the requirements for issuing Form 1099-K, the recipients of such forms need to be aware of their reporting responsibilities. If a merchant, seller or other recipient of a Form 1099-K believes the Form 1099-K was issued in error, or is not aware of the transaction(s) generating the issuance of the Form 1099-K, contact should be made with the issuer of the Form 1099-K by use of the telephone number or address shown for the issuer on the Form 1099-K. Information about the transactions or perhaps a determination that the form was issued in error could result. If a corrected Form 1099-K cannot or will not be issued, the merchant, seller or other recipient should consider reporting the transaction in a different manner, with an explanation set forth on the tax return of the merchant, seller, or perhaps in an attachment to the return.

There are efforts to once again defer the new annual threshold of \$600 until a later year or repeal the increased reporting altogether. However, the delay from 2022 to 2023 was on the initiative of the IRS, and the reduced reporting threshold of \$600 is believed to be crucial to the IRS efforts to generate tax revenue, as this additional reporting is expected to generate increased reporting of income subject to taxation by such persons.

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

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