

1099-K Reporting: More Time to Transition to the \$600 Reporting Threshold

Alert

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In the American Rescue Plan Act of 2021, Congress and the Biden administration lowered the minimum reporting threshold for filing information returns relating to “reportable payment transactions” (a payment card is accepted as payment) that are facilitated by “payment settlement entities” (applications such as PayPal, Venmo and online marketplaces, aka third-party network transactions). The statute lowered the minimum reporting threshold from \$20,000 to \$600 with no minimum transaction threshold per payee, but this law change has been delayed several times by the Internal Revenue Service (IRS) pronouncements, as summarized below:

- For 2022 and 2023 transactions, the effective date was delayed and the prior \$20,000 threshold and the aggregate transaction threshold of 200 per payee was retained from prior law.
- For 2024, transactions need to be reported when the total transaction payments made to a seller of goods or services exceeds \$5,000 with no aggregate transaction threshold.

Although the prior IRS pronouncements indicated the \$600 reporting threshold would apply in 2025, the IRS this fall, in IRS Notice 2024-85 issued in late November 2024, once again delayed the \$600 threshold by stating that the reporting threshold would be \$2,500 for 2025, with the \$600 reporting threshold delayed until 2026.

As noted previously, this delay does NOT mean that a seller of goods or services, whether or not they use a payment settlement entity, can forego reporting the net income from such a sale if the proceeds are less than the threshold amounts mentioned above. These thresholds only apply to the reporting obligations of the payment settlement entities, who issue 1099-Ks both to the IRS and to the seller of the goods or services.

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Some Republican members of Congress have objected to IRS delays in implementing this \$600 reporting threshold in the past and they have renewed those objections now that the lower reporting threshold is set for 2026 when the Trump administration is in office. The latest IRS notice called this latest delay the “final transition period” for implementing this new reporting requirement.

The latest notice also indicated that the IRS will not assert penalties for failing to file or furnish Forms 1099-K to the IRS and to the payees for 2024 or 2025 unless the reporting thresholds are exceeded. However, the IRS will impose penalties on third-party settlement entities for failing to collect and pay over backup withholding for payees receiving payments in 2025 for which backup withholding is required, but no such penalties will be imposed for failing to back up withhold for payments in 2024.

Watch for further developments in this area as there have been Congressional attempts to repeal the lower reporting threshold entirely, but so far no such legislation has been enacted.

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

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