



IRS announces extension of transition period for Form 1099-K reporting threshold, and consideration of a future phased in threshold

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The IRS published [Notice 2023-74](#) (“Notice”) on November 21, 2023, announcing that calendar year 2023 will be treated as an additional transition period with respect to enforcement for the new Form 1099-K reporting threshold applicable to Third-Party Settlement Organizations (TPSOs).

In 2021 the American Rescue Plan Act (ARPA) amended the de minimis exception for TPSO reporting for returns for calendar years after 2021. This change eliminated the 200-transaction threshold and reduced the gross amount of aggregate payment threshold from \$20,000 to \$600. Under this modified threshold, third-party network transaction reporting is required for any participating payee receiving greater than \$600 in aggregate payments during the year, regardless of the number of transactions.

In December 2022, the [IRS provided relief](#) for the calendar year 2022 that delayed the modified threshold from becoming effective by one year.

Under this recent November 2023 Notice, TPSOs are not required to apply the lower threshold for Form 1099-K reporting on calendar year 2023 activity and may use the prior threshold of 200 transactions or \$20,000 in aggregate payments for 2023 reporting. In accordance with the Notice, to the extent backup withholding was applied to a participating payee in 2023, the TPSO still must file and furnish a Form 1099-K and a Form 945 if total reportable payments to the payee exceeded \$600 for the calendar year.

In the [release](#) accompanying the Notice, the IRS announced that it is considering further phasing in the \$600 reporting threshold under the ARPA by providing a \$5,000 threshold for calendar year 2024. According to the IRS,

this would allow the IRS to further improve the reporting regime and focus it more on the taxable transactions. Specifically, the IRS is going to make changes to the Form 1040 series to simplify the reporting process for taxpayers, including the large number of individual taxpayers who may become reportable payees if the threshold is lowered. The IRS notes that if the thresholds are lowered, the current Form 1099-K regime requires TPSOs to report payments made to individuals in casual transactions (e.g., the sale of used personal items) that could be nontaxable and could be difficult to distinguish from purely personal transactions (e.g., birthday or holiday gifts) that should be neither reportable nor taxable.

The IRS welcomes comments on the proposed \$5,000 threshold for the 2024 year and how the Form 1099-K reporting regime could be modified to focus more on taxable transactions.

For questions, please consult with the listed contacts below.

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