

Form 1099-K Reporting Thresholds

Cross References

- Notice 2024-85

The IRS has announced that calendar years 2024 and 2025 will be regarded as the final transition period for purposes of the minimum threshold for reporting by third party settlement organizations (TPSOs). The law requires payment settlement entities to file Form 1099-K, *Payment Card and Third Party Network Transactions*, with the IRS and to issue them to participating payees. There are two types of reportable payment transactions:

- 1) Payment card transactions, and
- 2) Third party network transactions.

A participating payee, in the case of a third party network transaction, is any person who accepts payment from a TPSO in settlement of such transaction. For example, a business sells merchandise to customers and accepts payment via a credit card. The credit card company is required to issue the business a 1099-K reporting the total dollar amount it paid to the business during the year in settlement of its credit card transactions.

As originally enacted in 2008, IRC section 6050W required TPSOs to issue a 1099-K to a participating payee if the gross amount during the year exceeds \$20,000 and the number of transactions with that participating payee exceeds 200. The American Rescue Plan Act of 2021 lowered the \$20,000 threshold to \$600 regardless of the number of transactions with that participating payee during the year.

Notice 2023-10 delayed implementation of the \$600 reporting threshold for calendar years prior to 2023, meaning the \$20,000 gross amount threshold and 200 transaction threshold still applied for all years prior to 2023. Notice 2023-74 further delayed implementation of the \$600 reporting threshold for calendar year 2023, meaning the \$20,000 and 200 transaction thresholds still applied for 2023.

Notice 2024-85 states that 2024 is regarded as a further transition period. For 2024, a TPSO is not required to report payments in settlement of third party network transactions with respect to a participating payee unless the gross amount of aggregate payments to be reported exceeds \$5,000, regardless of the number of such transactions.

In addition, 2025 will be regarded as the final transition period. For 2025, a TPSO is not required to report payments in settlement of third party network transactions with respect to a participating payee unless the gross amount of aggregate payments to be reported exceeds \$2,500, regardless of the number of such transactions.

Beginning in 2026, a TPSO is required to report payments in settlement of third party network transactions with respect to any participating payee that exceed a minimum threshold of \$600 in aggregate payments, regardless of the number of such transactions.

The IRS will not regard calendar year 2024 or 2025 as a transition period with respect to the requirements of IRC section 6050W that were not modified by the American Rescue Plan Act of 2021, such as provisions relating to payment card transactions.