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Transition Relief for Third Party Settlement Organization Reporting; $5,000 Threshold for 2024 Form 1099-K

Notice 2024-85; IR-2024-299

The IRS has provided transition relief for third party settlement organizations (TPSOs) for reportable transactions under Code Sec. 6050W during calendar years 2024 and 2025. These calendar years will be the final transition period for IRS enforcement and administration of amendments made to the minimum threshold amount for TPSO reporting under Code Sec. 6050W(e).

Background

Code Sec. 6050W requires payment settlement entities to file Form 1099-K, Payment Card and Third Party Network Transactions, for each calendar year for payments made in settlement of certain reportable payment transactions. Among other information, the return must report the gross amount of the reportable payment transactions regarding a participating payee to whom payments were made in the calendar year. As originally enacted, Code Sec. 6050W(e) provided that TPSOs are not required to report third party network transactions with respect to a participating payee unless the gross amount that would otherwise be reported is more than $20,000 and the number of such transactions with that payee is more than 200.

The American Rescue Plan Act of 2021 (P.L. 117-2) amended Code Sec. 6050W(e) so that, for calendar years beginning after 2021, a TPSO must report third party network transaction settlement payments that exceed a minimum threshold of $600 in aggregate payments, regardless of the number of transactions. The IRS has delayed implementing the amended TPSO reporting threshold for calendar years beginning before January 1, 2023, and for calendar year 2023 (Notice 2023-10; Notice 2023-74).

For backup withholding purposes, a reportable payment includes payments made by a TPSO that must be reported on Form 1099-K, without regard to the thresholds in Code Sec. 6050W. The IRS has provided interim guidance on backup withholding for reportable payments made in settlement of third party network transactions (Notice 2011-42).

Reporting Relief

Under the new transition relief, a TPSO will not be required to report payments in settlement of third party network transactions with respect to a participating payee unless the amount of total payments for those transactions is more than:

- $5,000 for calendar year 2024;
- $2,500 for calendar year 2025.

This relief does not apply to payment card transactions.

For those transition years, the IRS will not assert information reporting penalties under Code Sec. 6721 or Code Sec. 6722 against a TPSO for failing to file or furnish Forms 1099-K unless the gross amount of aggregate payments to be reported exceeds the specific threshold amount for the year, regardless of the number of transactions.

In calendar year 2026 and after, TPSOs will be required to report transactions on Form 1099-K when the amount of total payments for those transactions is more than $600, regardless of the number of transactions.

IRS Finalizes Amendments for Disclosure of Return Information to the Census Bureau

The IRS has finalized amendments to Reg. 6103(j)(1)-1, authorizing expanded disclosure of return information to the Bureau of the Census. Effective upon publication, the changes aim to enhance statistical programs like the Economic Census and improve the quality of national economic accounts.

These amendments enable the Bureau to access additional taxpayer data, including income, tax credit usage, and business-related information, to produce accurate statistics while reducing administrative burdens. Proposed in March 2024, the regulations address prior challenges, such as gaps in accessing annuity and pension data, and formalize processes for IRS approval of Bureau projects using disclosed information.

Public feedback supported the changes, emphasizing the importance of administrative tax data for equity analyses and improved income estimates. The IRS, however, reaffirmed strict confidentiality protections under Code Sec. 6103, ensuring that disclosed data remains anonymized and secure. Penalties for breaches are enforced under Code Secs. 7213 and 7431.

T.D. 10013

Backup Withholding Relief

For calendar year 2024 only, the IRS will not assert civil penalties under Code Sec. 6651 or Code Sec. 6656 for a TPSO's failure to withhold and pay backup withholding tax during the calendar year. However, TPSOs that have performed backup withholding for a payee during 2024 must file Form 945, Annual Return of Withheld Federal Income Tax, and Form 1099-K with the IRS, and must furnish a copy of Form 1099-K to the payee.

For calendar year 2025 and after, the IRS will assert those penalties for a TPSO's failure to withhold and pay backup withholding tax.

Effect on Other Documents

Notice 2011-42 is obsoleted.

Qualified Investment for Advanced Manufacturing Investment Credit May Include Commerce Department Awards

Announcement 2024-40

The IRS confirmed that a taxpayer's qualified investment may include awards from the Commerce Department under the CHIPS Incentives Program, 15 U.S.C. 4652(a)(6)(C). The program incentivizes investments in facilities and equipment in the United States for the fabrication, assembly, testing, advanced packaging, production, or research and development of semiconductors, materials used to manufacture semiconductors, or semiconductor manufacturing equipment.

To implement the CHIPS Incentives Program, Congress authorized the Department of Commerce to provide awards via grants, cooperative agreements, loans, loan guarantees, and other transactions. A taxpayer receiving an award must enter into an agreement with the Commerce Department to ensure that the program requirements are satisfied. The agreement will specify the terms and conditions of the award, including performance milestones and the circumstances under which the Commerce Department will "claw back" an award.

Since the agreements are not long-term contracts under Code Sec. 460, amounts

REFERENCE KEY

USTC references are to ***U.S. Tax Cases***
Dec references are to ***Tax Court Reports***

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paid or incurred for the construction, expansion, or modernization of advanced manufacturing facilities under the agreements that are capital expenditures under Code Sec. 263(a) may constitute qualified investment.

Low- and Moderate-Income Taxpayers Reminded of Saver's Credit for Retirement Savings in 2025 and Future Years

IR-2024-298

The IRS reminds low- and moderate-income taxpayers to save for retirement now and possibly earn a tax credit in 2025 and future years through the Saver's Credit. The Retirement Savings Contributions Credit, or Saver's Credit offset a portion of the first $2,000 ($4,000 if married filing jointly) contributed to IRAs, 401(k)s, and similar plans.

Following are the criteria to qualify for the Saver's Credit:

- be aged 18 or older;
- not be claimed as a dependent on another return; and
- not be full-time students.

The income limits for eligibility are:

- up to $76,500 for married couples filing jointly,
- up to $57,375 for heads of household; and
- up to $38,250 for single filers and others.

IRA contributions for 2024 can be made until April 15, 2025, while contributions to workplace retirement plans must be completed by December 31, 2024, to qualify for the Saver's Credit. For more information, refer to Form 8880, Credit for Qualified Retirement Savings Contributions, and visit the Saver's Credit page on IRS.gov.

TAX BRIEFS

Advanced Manufacturing Production Credit

The IRS issued corrections to final regulations that govern the advanced manufacturing production credit. The advanced manufacturing production credit was established by the Inflation Reduction Act of 2022 to incentivize production of eligible components within the United States. These corrections are effective on December 27, 2024.

T.D. 10010, Correcting Amendments

Nonprofit Organizations

The Tax Court dismissed a nonprofit corporation's Code Sec. 7428 declaratory judgment petition without prejudice after determining the organization's application for tax-exempt status was incomplete. The IRS and the petitioner jointly moved to dismiss the case to allow the petitioner to "perfect" its application and create a complete administrative record.

Students and Academics for Free Expression, Speech, and Political Action In Campus Education, Inc, TC, Dec. 62,526