

Form 1099-K: What is it and why do I care?

Form 1099-K (*Payment Card and Third Party Network Transactions*) reports payments and transactions from online platforms, apps, or payment card processors.

You may receive one if you:

- Own a business that accepts payments via credit or debit cards,
- Sell items via online marketplaces,
- Work for a ridesharing service or other gig job,
- Create digital content for which you received income or tips, or
- Collected money via crowdfunding.

Why would I receive Form 1099-K?

You may receive Form 1099-K if you sell goods or services and accept payment or compensation (including tips) through a payment processor.

Payment processors must issue Form 1099-K to their customers who process payments on their platform. The recipient of Form 1099-K must report the income on their tax return.

What is the reporting threshold?

For tax year 2023, the reporting threshold was reduced from \$20,000 (and over 200 transactions) to \$600. However, the IRS recently delayed implementation of the reduced threshold amounts to 2024 and changed the amount to \$5,000 (beginning in 2024). This is good news although I suspect some taxpayers may still receive Forms 1099-K for tax year 2023 since many payment providers already have the process in place.

What do I do with Form 1099-K?

Don't ignore it! Please upload it to TaxDome along with your other tax documents. Income reported on Form 1099-K must be claimed on your individual tax return, however, not all 1099-K transactions are alike, and the tax treatment can vary.

Who is required to send Forms 1099-K?

- **Payment apps:** PayPal, QuickBooks Payments, Venmo, Square, Google Pay, Cash App, Apple Pay, Samsung Pay, etc [Note: Zelle is not on the list]
- **Online marketplaces:** eBay, Facebook, StubHub, etc
- **Gig work platforms:** Uber, Lyft, Task Rabbit, Door Dash, Grub Hub, Fetch, etc
- **Digital content outlets:** YouTube, Only Fans, Just for Fans, etc

Note: Some of these providers may also send you a Form 1099-NEC (non-employee compensation) for other income earned. All freelance income should be reported to the IRS even if you do not receive a Form 1099-K or 1099-NEC.

Do I have to pay taxes on the income reported on Form 1099-K?

Possibly. It will depend on your situation.

How do I report 1099-K income on my tax return?

It depends on why you received it.

- **Business income** – Sole proprietors or independent contractors report the income on Schedule C. They can also deduct the cost of goods sold and related business expenses.
- **Hobby income** – Gross income from hobby activities is taxable and reported on Schedule 1. Hobby income can be offset with your cost of goods sold but no other expenses are deductible. Losses from hobby activities are not allowed.
- **Personal income** – Selling personal use assets, such as concert tickets or furniture, for a gain is taxable income and is reported on Form 8949. Gain on the sale can be offset with cost of goods sold. Losses from the sale of personal use assets are not allowed.



What if I disagree with the amount on a Form 1099-K?

- Unexpected amount** - The amount may not be what you were expecting but it may be accurate. Form 1099-K reports the gross amount of the payment and is not adjusted for sales tax, shipping, or payment processing fees. It also does not include your cost of goods sold, or business-related expenses. Document the activity which produced the income and track original cost and other business-related expenses. As always, keep your receipts and reconcile your statements.
- Erroneously issued** – Although payments from family and friends should not be reported on Form 1099-K, you may receive a form erroneously. For example, if a friend reimburses you for road trip expenses via Cash App, you should not receive a Form 1099-K. This is not taxable to you and a form should not have been issued. The payment processors may not be able to discern whether goods or services were sold. The form will need to be corrected by the issuer or reported appropriately on the tax return to avoid any IRS notices.
- Fraud** – Your Social Security Number could have been used on transactions not initiated by you. These forms will need to be corrected and voided by the issuer.

When are 1099-K issued?

Payment processors are required to submit Forms 1099-K to the IRS each year. They must also send a copy to you by January 31 either by mail or electronically. The form will cover all transactions made during the previous tax year. If you accept payments on different platforms, then you may receive more than one Form 1099-K.

CORRECTED (if checked)

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		FILER'S TIN	OMB No. 1545-2205	Payment Card and Third Party Network Transactions
		PAYEE'S TIN	Form 1099-K	
			(Rev. January 2022)	
		1a Gross amount of payment card/third party network transactions \$	For calendar year 20__	
		1b Card Not Present transactions \$	2 Merchant category code	
Check to indicate if FILER is a (an): Payment settlement entity (PSE) <input type="checkbox"/> Electronic Payment Facilitator (EPF)/Other third party <input type="checkbox"/>	Check to indicate transactions reported are: Payment card <input type="checkbox"/> Third party network <input type="checkbox"/>	3 Number of payment transactions	4 Federal income tax withheld \$	Copy B For Payee This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.
PAYEE'S name		5a January \$	5b February \$	
Street address (including apt. no.)		5c March \$	5d April \$	
City or town, state or province, country, and ZIP or foreign postal code		5e May \$	5f June \$	
PSE'S name and telephone number		5g July \$	5h August \$	
Account number (see instructions)		5i September \$	5j October \$	
		5k November \$	5l December \$	
		6 State	7 State identification no.	
			8 State income tax withheld \$	
			\$	

Form **1099-K** (Rev. 1-2022) (Keep for your records) www.irs.gov/Form1099K Department of the Treasury - Internal Revenue Service

