IRS Delays $600 Reporting Threshold

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By: Crystal Edwards, CELA*, Joseph Dolan, John Elias, Charles Falk, I. Richard Ploss, Philip Siana, Deirdre Wheatley-Liss, CELA*

The American Rescue Plan of 2021 lowered the threshold to $600 for e-commerce platforms, such as Venmo, PayPal, Cash App, and Etsy, to report customers who have more than $600 for credit card and other payments relating to business activities. The new law was to become effective on January 1, 2023. But recently, the Internal Revenue Service ("IRS") has delayed the implementation and enforcement of the rule for one year. As a result, the rules that existed before the enactment of the 2021 law still remain in effect. The new law is expected to significantly increase the reporting burden on third-party payment processors. Many persons, including Senator Joe Manchin, had raised concerns about the implementation of the new law. Many commented that the new law would result in persons receiving IRS form 1099-K for transactions where no tax liability is owed. Douglas O'Donnell, the Acting IRS Commissioner, stated, “The additional time will help reduce confusion during the upcoming 2023 tax filing season and provide more time for taxpayers to prepare and understand the new reporting requirements”.