



June 6, 2023

The Honorable Sherrod Brown  
United States Senate  
503 Hart Senate Office Building  
Washington, DC 20510

The Honorable Bill Cassidy  
United States Senate  
455 Dirksen Senate Office Building  
Washington, DC 20510

RE: S. 1761, the Red Tape Reduction Act

Dear Senator Brown and Senator Cassidy:

The American Institute of CPAs (AICPA) is writing to express its appreciation and support for S. 1761, the Red Tape Reduction Act, which modifies requirements for third party settlement organizations to modify the \$600 reporting requirement with respect to the transactions of their participating payees. We believe that the \$10,000 threshold in your legislation balances the taxpayer's need to effectively manage reporting requirements with the goal of improving tax enforcement efforts.

In December 2022, the AICPA expressed its deep concerns to Congress regarding the Form 1099-K, *Payment Card and Third Party Network Transactions*, reporting threshold that had been lowered to \$600 for 2022.<sup>1</sup> The \$600 amount was based on a threshold established by Internal Revenue Code section<sup>2</sup> 6041 established in 1954. Subsequently, the Internal Revenue Service (IRS) delayed implementation of the \$600 threshold for one year.<sup>3</sup>

As a matter of policy, AICPA understands and generally supports the information reporting benefits to a voluntary compliance system. However, the reporting changes should be administrable, equitable, and meet the needs of taxpayers, the IRS and tax practitioners.

The reduction in the de minimis reporting threshold for third-party network transactions, from a \$20,000 and 200 transaction threshold, has created a significantly large reporting burden. Unlike Form 1099-MISC, *Miscellaneous Income*, or Form 1099-NEC, *Nonemployee Compensation*, that report gross proceeds that would generally be reported on a tax schedule in the aggregate, aggregate reporting on a Form 1099-K will create confusion for the many taxpayers who will have to report each sale or transaction independent of others to correctly calculate gain or loss. Again, without this proposed legislation, the elimination of the transaction de minimis in this circumstance, at such a reduced reporting threshold, will magnify the burden and confusion.

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<sup>1</sup> See AICPA comment letter, "[Form 1099-K Reporting Threshold](#)," submitted December 16, 2022. The AICPA also submitted a comment letter on other legislation dealing with this issue, "[Re: H.R. 190, Saving Gig Economy Taxpayers Act](#)," submitted May 10, 2023.

<sup>2</sup> All references herein to "section" are to the IRC of 1986, as amended unless otherwise noted.

<sup>3</sup> See [IR-2022-226](#), released by IRS on December 23, 2022, "outlining that calendar year 2022 will be a transition period for implementation of the lowered threshold reporting for third-party settlement organizations (TPSOs) that would have generated Form 1099-Ks for taxpayers."

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And although the 2021 legislative change<sup>4</sup> also clarified that reportable third-party network transactions are only those involving the provision of goods and services,<sup>5</sup> and that they do not include noncommercial transactions, such as reimbursements and personal gifts, there is significant concern about the mistaken issuance of Forms 1099-K at such low de minimis thresholds. We think this is a good stop gap fix while Congress and the IRS continue to explore how to improve the Form 1099-K process to help address the tax gap without leading to IRS notices where non-taxable Form 1099-K amounts are not reported on a return.

Finally, we are concerned about the possibility of the IRS instituting a matching program for 2023 Forms 1099-K that could result in significant taxpayer misunderstanding, and lead to a growth in the IRS correspondence and processing backlog that still haunts the tax system.

Because of the concerns expressed above, the AICPA believes the current law \$600 Form 1099-K threshold is not workable and must be raised. The \$10,000 threshold in S. 1761 represents a reasonable solution to the current situation. We look forward to working with Congress to advance this proposal.

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The AICPA is the world's largest member association representing the accounting profession, with more than 421,000 members in the United States and worldwide, and a history of serving the public interest since 1887. Our members advise clients on federal, state, and international tax matters and prepare income and other tax returns for millions of Americans. Our members provide services to individuals, not-for-profit organizations, small and medium-sized businesses, as well as America's largest businesses.

We welcome the opportunity to discuss these comments on the Form 1099-K thresholds or to answer any questions that you may have. If you have any questions, please contact; Peter Mills, AICPA Senior Manager – Tax Policy and Advocacy, at (202) 434-9272 or [Peter.Mills@aicpa-cima.com](mailto:Peter.Mills@aicpa-cima.com); or Lauren Pfingstag, AICPA Director – Congressional and Political Affairs, at (407) 257-0607 or [Lauren.Pfingstag@aicpa-cima.com](mailto:Lauren.Pfingstag@aicpa-cima.com); or me at (830) 372-9692 or [Bvickers@alamo-group.com](mailto:Bvickers@alamo-group.com).

Sincerely,



Blake Vickers, CPA, CGMA  
Chair, AICPA Tax Executive Committee

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<sup>4</sup> The American Rescue Plan Act of 2021 (ARPA), P.L. 117-2, which was enacted on March 11, 2021.

<sup>5</sup> Section 6050W(c)(3), as amended by ARPA section 9674(b).

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cc: Members of the United States Senate  
Members of the United States House of Representatives  
Mr. Thomas Barthold, Chief of Staff, Joint Committee on Taxation  
The Honorable Lily Batchelder, Assistant Secretary for Tax Policy, Department of the  
Treasury  
The Honorable Daniel I. Werfel, Commissioner, Internal Revenue Service  
Mr. William M. Paul, Principal Deputy Chief Counsel, Internal Revenue Service