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## *IRS Delays Implementation of \$600 Reporting Threshold for Forms 1099-K*

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On Friday, December 23, 2022 the Internal Revenue Service provided a late Holiday Gift to payment card processors, third party settlement organizations, and potentially people who sold goods or services in excess of \$600 in 2022.

Historically, payment settlement entities were required to report payments on Forms 1099-K to payees if the payments in any particular tax year exceeded \$20,000 and the number of transactions exceeded 200.

As a revenue raising measure, the American Rescue Plan provided that, for tax returns beginning in 2022 the threshold for reporting payments on a Form 1099-K would be reduced to \$600. This would mean reporting payments made to persons selling items online would only occur if the sales in the particular tax year exceeded \$600.

In Notice 2023-10, the IRS stated that calendar year 2022 will be treated as a "transition period" for implementation of the lower threshold. This means the IRS will not impose penalties on payment card processors and third party settlement organizations if they fail to file the Forms 1099-K with the IRS or fail to provide Forms 1099-K to payees.

Of course, in any event, if a taxpayer provides goods or services and receives any compensation for those goods or services, then that taxpayer has taxable income that should be reported.

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*If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings lawyers:*

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