



Media contact:

Nancy Kasten, NATP marketing and communications director
nkasten@natptax.com
800-558-3402, ext. 1172

Samantha Strong, NATP public relations and digital content manager
sstrong@natptax.com
800-558-3402, ext. 1178

New filing threshold for Form 1099-K may be overly burdensome and create undue issues for taxpayers and already overwhelmed IRS

NATP calls on Treasury to delay implementing new reporting rules until suggestions are in place

APPLETON, Wis. (Dec. 19, 2022) – The 2022 requirement for Form 1099-K compliance, which requires issuance for third-party settlements of any transactions that totals \$600 or more for the calendar year, down from the previous requirement of either 200 transactions or \$20,000, will not, in our opinion, address the goal the Treasury is trying to accomplish – that being accurate reporting of taxable income transactions between parties.

The National Association of Tax Professionals (NATP) anticipates these types of issues resulting from the new guidance:

1. Taxpayers receive and ignore Form 1099-K due to a lack of knowledge regarding handling these types of transactions. The IRS systems automatically send out mismatched documentation proposing items of taxable income were omitted from the original filing. Taxpayers will then likely contact the IRS, explain what transpired, and the result is no change to the original return. Pressured IRS resources are used to answer the reply, taxpayers are burdened with replying, and no additional revenue is generated for the Treasury.
2. Taxpayers are uncertain how to report amounts represented on Form 1099-K.

The form could have been generated:

- a) For gifts between, or to, family members or for other non-business transactions such as charitable giving
- b) For business transactions that must be reported on business returns
- c) For hobby activities
- d) For de minimis sales such as yard sales or small transactions through online marketplaces
- e) For the sale of capital items or collectibles, which would be reported eventually on IRS Schedule D, Form 1040

NATP suggests the Treasury delay the implementation of the new rules for issuing Form 1099-K until the following actions are instituted:



1. Request third-party settlement companies establish business and personal accounts to intentionally separate business from personal transactions for taxpayers who use third-party settlement programs.
2. Provide public outreach to educate taxpayers on the proper actions to take when Form 1099-K is received.
3. Provide disclosure as to default income tax reporting the IRS may expect with regard to 1099-K information it receives.

Educating the public about their reporting requirements and the IRS treatment of information received, along with separating business from personal transaction activity, will lessen the burden on both taxpayers and the Treasury.

NATP strongly encourages the IRS to delay implementation of the revised reporting rules until the suggested remedies are addressed.

To speak with someone further about this topic, please contact [Nancy Kasten](#) or [Samantha Strong](#).

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About NATP: The National Association of Tax Professionals (NATP) is the largest association dedicated to equipping tax professionals with the resources, connections and education they need to provide the highest level of service to their clients. 23,000 members rely on NATP to deliver professional connections, content expertise and advocacy that provides them with the support they need to best serve their clients. The NATP headquarters is located in Appleton, WI. To learn more, visit www.natptax.com.

Looking for a tax expert? Tom O'Saben, EA, is the director of tax content and government relations at the National Association of Tax Professionals (NATP). Tom is available for phone or video interviews to discuss federal tax topics including tax law change and its implications, taxpayer issues, tax preparer regulation and more. To schedule an interview with O'Saben, contact nkasten@natptax.com.