



Frequently asked questions about Form 1099-K

FS-2022-41, December 2022

This Fact Sheet issues frequently asked questions about Form 1099-K.

These FAQs are being issued to provide general information to taxpayers and tax professionals as expeditiously as possible. Accordingly, these FAQs may not address any particular taxpayer's specific facts and circumstances, and they may be updated or modified upon further review. Because these FAQs have not been published in the Internal Revenue Bulletin, they will not be relied on or used by the IRS to resolve a case. Similarly, if an FAQ turns out to be an inaccurate statement of the law as applied to a particular taxpayer's case, the law will control the taxpayer's tax liability. Nonetheless, a taxpayer who reasonably and in good faith relies on these FAQs will not be subject to a penalty that provides a reasonable cause standard for relief, including a negligence penalty or other accuracy-related penalty, to the extent that reliance results in an underpayment of tax. Any later updates or modifications to these FAQs will be dated to enable taxpayers to confirm the date on which any changes to the FAQs were made. Additionally, prior versions of these FAQs will be maintained on IRS.gov to ensure that taxpayers, who may have relied on a prior version, can locate that version if they later need to do so.

More information about [reliance is available](#). These FAQs were announced in *IR-2022-230*.

Form 1099-K Frequently Asked Questions

Background

Form 1099-K, Payment Card and Third-Party Network Transactions, is an IRS information return used to report certain payment transactions to improve voluntary tax compliance.

On Dec. 23, 2022, the IRS announced that calendar year 2022 will be treated as a transition year for the reduced reporting threshold of more than \$600. For calendar year 2022, third-party settlement organizations who issue Forms 1099-K are only required to report transactions where gross payments exceed \$20,000 and there are more than 200 transactions.

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General

Q1. Why am I receiving a Form 1099-K, from a payment card or third party settlement organization? (updated December 28, 2022)



A1. Third party information reporting for certain income is required by law. Third party information reporting has been shown to increase voluntary tax compliance, improve tax collections and assessments within the IRS, and thereby reduce the tax gap.

Q2. How is the IRS planning to address the changes to the Form 1099-K reporting requirements? (updated December 28, 2022)

A2. As outlined in [Notice 2023-10](#), the IRS is delaying the implementation of the requirement for third party business reporting more than \$600 for the 2022 calendar year.

More specifically, the IRS is delaying the implementation of the provision of the American Rescue Plan Act of 2021 that:

- Lowered the threshold for reporting third party network transactions from aggregate payments exceeding \$20,000 to aggregate payments exceeding \$600 during the calendar year.
- Eliminated the 200 transaction threshold for reporting third party network transactions entirely.

Q3. Is the gain or loss on the sale of a personal item used to compute my taxable income? Is that reported on a Form 1099-K? (added December 28, 2022)

A3. Gain or loss on the sale of a personal item is generally the difference between the amount you paid for the item (the purchase price) and the amount you receive when you sell it (the sales price).

For example, if you bought a refrigerator for \$1,000 (the purchase price) and sold it for \$600 (the sales price), you have a **loss** of \$400. \$600 sales price - \$1,000 purchase price = (\$400) loss amount.

On the other hand, if you bought concert tickets for \$500 (the purchase price) and sold them for \$900 (the sales price), you have a **gain** of \$400. \$900 sales price - \$500 purchase price = \$400 gain amount.

The **gain** on the sale of a personal item is taxable. You must report the transaction (gain on sale) on [Form 8949, Sales and Other Dispositions of Capital Assets](#), and Form 1040, U.S. Individual Income Tax Return, [Schedule D, Capital Gains and Losses](#). See [Publication 551, Basis of Assets](#), for guidance in determining your basis.

The gain on the sale of a personal item might be reported on a Form 1099-K. If you receive a Form 1099-K reporting the \$900 that you received from the sale of your concert tickets that cost you only \$500, you must report the gain on Form 8949 and Schedule D.

The **loss** on the sale of a personal item is not deductible. For calendar year 2022 tax returns, if you receive a [Form 1099-K](#), for the sale of a personal item that resulted in a loss, you should make offsetting entries on Form 1040, U.S. Individual Income Tax Return, Schedule 1, Additional Income and Adjustments to Income, as follows:

Report your proceeds (the Form 1099-K amount) on Part I – Line 8z – **Other Income**, using the description "Form 1099-K Personal Item Sold at a Loss."

Report your costs, **up to but not more than the proceeds amount** (the Form 1099-K amount), on Part II – Line 24z – Other Adjustments, using the description "Form 1099-K Personal Item Sold at a Loss."

In the example of the refrigerator sale above, if you received a [Form 1099-K](#) for \$600 for the refrigerator for which you originally paid \$1,000, you should report the loss transaction as follows:

Form 1040, Schedule 1, Part I – Line 8z, **Other Income**. List type and amount: "Form 1099-K Personal Item Sold at a Loss ... \$600" to show the proceeds from the sale reported on the Form 1099-K



and,

Form 1040, Schedule 1, Part II – Line 24z, **Other Adjustments**. List type and amount: "Form 1099-K Personal Item Sold at a Loss.... \$600" to show the amount of the purchase price that offsets the reported proceeds. Do not report the \$1,000 you paid for the refrigerator because the loss on the sale of a personal item is not deductible.

Q4. How do I account for the fees I paid to an online marketplace related to the sale of my personal items? (added December 28, 2022)

A4. You should include all fees (e.g., selling fees, payment processing fees, etc.) associated with the sale of your personal items in your basis when computing your gain or loss on the sale. See Publication 551 for additional information. In general, you should adjust your gain or loss on the sale of your property by the amount of expenses and fees paid to facilitate the sale. If you realize a gain on the sale of your property, report the selling expenses as a downward adjustment to the gain that you report on Form 8949 or Schedule D.

Box 1a of the [Form 1099-K](#) reports the gross amount of payment card/third party network transactions. This amount is not adjusted to account for fees, refunds, chargebacks, or other costs included in the unadjusted dollar amount of the payment transactions. If the Form 1099-K reports the total unadjusted dollar amount of the payment transactions and you separately paid selling expenses, you may need to make a separate adjustment to the resulting gain or loss. You should maintain and consult your own records to determine these amounts.

Q5. To make sure that I report properly on the Form 8949, how do I determine if the capital gain on the sale of my personal item is short-term or long-term? (added December 28, 2022)

A5. Generally, if you hold a personal item for more than one year before you sell it, your capital gain is long-term. If you hold it one year or less before you sell it, your capital gain is short-term. For additional guidance, see [Publication 544, Sales and Other Dispositions of Assets](#).

Q6. During the year, I sold my personal guitar for \$800 on a social media platform's marketplace and I received Form 1099-K. I purchased the guitar several years ago for \$3,000. How do I prove how much I paid if requested by the IRS? (added December 28, 2022)

A6. Generally, you should keep accurate records for personal items you may sell. If your records are lost, destroyed, or are not available due to circumstances beyond your control and your return is audited, examiners may allow you to present reconstructed records. Additionally, examiners may accept oral testimony when records do not exist.

In this example you have a nondeductible personal loss. \$800 sales price - \$3,000 purchase price = (\$2,200) loss amount. You can offset the proceeds reported on the Form 1099-K using some of your purchase price as shown here:

Form 1040, Schedule 1, Part I – Line 8z, **Other Income**. List type and amount: "Form 1099-K Personal Item Sold at a Loss.... \$800" to show the proceeds from the sale reported on the Form 1099-K.

and

Form 1040, Schedule 1, Part II – Line 24z, **Other Adjustments**. List type and amount: "Form 1099-K Personal Item Sold at a Loss.... \$800" to show the amount of the purchase price that offsets the reported proceeds. Do not report the \$3,000 you paid for the purchase because a personal loss is not deductible.

Q7. In a single online transaction on an online marketplace, I sold two sets of four tickets (I bought for personal use) to two separate sporting events for \$1,000 (one set for \$800 and the second set for \$200) and I received Form 1099-K.



I purchased each set of tickets for \$250 (\$500 total) two months prior to selling them. How do I report the sale on my tax return? (added December 28, 2022)

A7. You must report the gain and loss separately because the loss on the second set of tickets cannot offset the gain on the first set of tickets.

The \$550 **gain** from the sale of one set of tickets (\$800 sales price - \$250 purchase price = \$550 gain) must be reported as short-term gain on [Form 8949](#) and [Schedule D](#).

The \$50 **loss** transaction from the other set of tickets (\$200 sales price - \$250 purchase price = (\$50) loss) should be reported as follows:

Form 1040, Schedule 1:

Part I – Line 8z, **Other Income**. List type and amount: "Form 1099-K Personal Item Sold at a Loss.... \$200" to show the proceeds from the sale reported on the Form 1099-K

and

Part II – Line 24z, **Other Adjustments**. List type and amount: "Form 1099-K Personal Item Sold at a Loss.... \$200" to show the amount of the purchase price that offsets the reported proceeds.

Q8. My friend and I went to a concert, and my friend reimbursed money to me for her concert ticket through an online application. If I get a Form 1099-K for the reimbursement, do I need to pay taxes on it? (added December 28, 2022)

A8. Because the money is not payment for the sale of goods or the provision of services, generally the reimbursement would not be taxable to you.

If you believe the information on [Form 1099-K](#), is incorrect, the form has been issued in error, or you have a question relating to the form, contact the filer, whose name and contact information appears in the upper left corner on the front of the form. You may also contact the payment settlement entity whose name and phone number are shown in the lower left side of the form.

If you cannot get the form corrected, the error should be reported on Form 1040, Schedule 1, Part I, **Additional Income**, Line 8z, **Other Income**, with an offsetting entry in Part II, **Adjustments to Income**, Line 24z, **Other Adjustments**.

For example, if you received \$800 from a friend reimbursing you for a concert ticket and you received a Form 1099-K reporting this as gross proceeds, your Schedule 1 should reflect the following:

Form 1040, Schedule 1

Part I – Line 8z, **Other Income**. List type and amount: "Form 1099-K Received in Error.... \$800" to show the proceeds reported on the Form 1099-K.

Part II – Line 24z, **Other Adjustments**. List type and amount: "Form 1099-K Received in Error.... \$800" to offset the proceeds reported to you in error. Not reporting this adjustment could result in you improperly reporting gain on the reimbursement.

Q9. Does the delayed reporting requirement in Notice 2023-10 mean that I don't have to report income reported to me on a Form 1099-K? (added December 28, 2022)



A9. The IRS is delaying the requirement for third party settlement organizations to report income at the more than \$600 threshold for calendar year 2022 (tax filing season 2023). However, the legal requirement for reporting income has not changed, regardless of the reporting threshold for providing a Form 1099-K.

Reporting does not impact a taxpayer's responsibility to accurately report ALL income, whether or not they receive a Form 1099-K or other information return (e.g., Form 1099-MISC, Miscellaneous Information; Form 1099-NEC, Nonemployee Compensation; etc.).

Except as otherwise provided in the Internal Revenue Code, gross income includes income from whatever source derived. A taxpayer can receive income in the form of money, property, or services. [Publication 525, Taxable and Nontaxable Income](#), discusses many kinds of income and explains whether they are taxable or nontaxable.

Q10. Who can a taxpayer call if they have a question about their Form 1099-K? (updated December 28, 2022)

A10. Taxpayers who have questions about the information on a [Form 1099-K](#) they received should contact the filer. The contact information is in the upper left corner on the form. If a taxpayer does not recognize the filer shown in the upper left corner of the form, they should contact the payment settlement entity whose name and phone number are shown in the lower left corner of the form above their account number.

If you have general questions about the Form 1099-K, please consult the Instructions for Form 1099-K. If you have general questions about information returns, please consult the [General Instructions for Certain Information Returns](#).

Q11. Who can a payment settlement entity, or electronic payment facilitator/other third party call if they have a question on Form 1099-K? (updated November 21, 2022)

A11. For questions about [Form 1099-K, Payment Card and Third Party Network Transactions](#), see the [general instructions](#) for information returns.

Definitions

Q1. What is Form 1099-K? (added October 21, 2022)

A1. [Form 1099-K, Payment Card and Third Party Network Transactions](#), is an information return that reports the gross amount of reportable transactions for the calendar year to the IRS. See [Understanding Your Form 1099-K](#) for more information.

Q2. What qualifies as a payment card? (updated December 28, 2022)

The term “payment card” includes credit cards, debit cards, and stored-value cards (including gift cards), as well as payment through any distinctive marks of a payment card (such as a credit card number).

A payment card is issued according to an agreement that provides all of the following: one or more issuers of the cards; a network of persons unrelated to each other, and to the issuer, who agree to accept the cards as payment; and standards and mechanisms for settling the transactions between a merchant acquiring entities and the persons who accept the cards as payment.

Q3. What is a Merchant Category Code (MCC)? (added October 21, 2022)

An MCC is a four-digit number used by the payment card industry to classify businesses by the goods or services they provide. There are approximately 600 MCCs, representing different types of businesses. Some examples are: 4411- Cruise Lines; 5462 - Bakeries; and 5532 - Automotive Tire Stores



Q4. What is a third party settlement organization? (updated December 28, 2022)

A4. The Internal Revenue Code uses the term “third party settlement organization.” A third party settlement organization is the central organization that has the contractual obligation to make payments to participating payees (generally, a merchant or business) of third party network transactions. An example could include apps used to handle the money transfer between buyers and sellers.

Q5. What are the characteristics of a third party payment network? (updated December 28, 2022)

A5. Characteristics of a third party payment network include:

- The existence of a central organization with whom a substantial number of providers of goods and services (who are unrelated to the central organization) have established accounts,
- An agreement between the central organization and the providers to settle transactions between the providers and purchasers,
- The establishment of standards and mechanisms for settling such transactions, and
- The guarantee of payment in settlement of such transactions.

An example of a third party settlement organization is an online auction payment facilitator like an online marketplace, which operates as an intermediary between buyer and seller by transferring funds from the buyer to the seller for the provision of goods or services and otherwise meets the characteristics described in the bullet points above.

Under the reporting requirements, these third party settlement organizations must report the gross reportable transactions of the participating payee to which they make payments provided the payee has gross reportable transactions of more than \$600, regardless of the number of transactions.

Q6. What are payment settlement entities? (updated December 28, 2022)

A6. A payment settlement entity is an entity that makes payment in settlement of a payment card transaction or third party network transaction. PSE’s may be domestic or foreign entities and they can take one of two forms:

- **Merchant Acquiring Entity:** A bank or other organization that has the contractual obligation to make payment to participating payees in settlement of payment card transactions.
- **Third Party Settlement Organization:** The central organization that has the contractual obligation to make payment to participating payees of third party network transactions.

Q7. Does an automated clearing house qualify as a third party settlement organization? (updated December 28, 2022)

A7. No. An automated clearing house processes electronic payments between buyers and sellers through wire transfers, electronic checks, and direct deposits. Further, there is no contractual relationship between the automated- clearing house and payees. Thus, an automated clearing house does not qualify as a third party settlement organization and payments made through its network are not reportable under IRC 6050W.

Q8. What is a merchant acquiring entity? (added October 21, 2022)

A8. Often called an acquiring or merchant bank, a merchant acquiring entity is the bank or other organization that has the contractual obligation to make payment to participating payees in settlement of payment card transactions. Merchant acquiring entities are responsible for reporting reportable payment card transactions.



Q9. What is a participating payee? (added October 21, 2022)

A9. A participating payee is:

- Any person who accepts a payment card as payment, or
- Any person who accepts payment made by a third party settlement organization in settlement of a third party network transaction.

Q10. What constitutes the gross amount of reportable transactions? (added October 21, 2022)

A10. The “gross amount” means the total dollar amount of total reportable payment transactions for each participating payee without regard to any adjustments for credits, cash equivalents, discount amounts, fees, refunded amounts, or any other amounts. The dollar amount of each transaction is determined on the date of the transaction.

Q11. Do healthcare networks fit the definition of a third party settlement organization? (added December 28, 2022)

A11. Health carriers operating a healthcare network do not fit the definition of a third party settlement organization because they do not operate a third party payment network that enables purchasers to transfer funds to providers of goods and services. Rather, health carriers accept payment, in the form of premiums, from buyers (employers or persons covered under the carrier’s plan) to give those buyers access to a network of healthcare providers; separately, health carriers then pay compensation to the medical professionals within their networks pursuant to predetermined rates. Accordingly, healthcare networks are not third party settlement organizations.

Q12. Do accounts payable departments fit the definition of a third party settlement organization? (added December 28, 2022)

A12. No. In-house accounts payable departments do not fit the definition of a third party settlement organization because they are internal processors of payments. They are not a third party.

Individuals

Q1. What do I do with the information on Form 1099-K? (added October 21, 2022)

A1. [Form 1099-K, Payment Card and Third Party Network Transactions](#), is an information return. Use this information return in conjunction with your other tax records to determine your correct tax. To get further information on recordkeeping, check out [Publication 583, Starting a Business and Keeping Records](#).

Q2. What do I do if I think my Form 1099-K is incorrect? (updated December 28, 2022)

A2. If you believe the information on [Form 1099-K, Payment Card and Third Party Network Transactions](#), is incorrect, the form has been issued in error, or you have a question relating to the form, contact the filer, whose name and contact information appears in the upper left corner on the front of the form.

You may also contact the payment settlement entity whose name and phone number are shown in the lower left side of the form.

If you cannot get the form corrected, the error should be reported on [Form 1040, Schedule 1, Additional Income and Adjustments to Income](#), Part I, Additional Income, Line 8z, Other Income, with an offsetting entry in Part II, Adjustments to Income, Line 24z, Other Adjustments.



For example, you took a trip with your friend and you paid for the airline tickets. If your friend reimburses you \$2,500 for their airline tickets, and you received a Form 1099-K reporting the \$2,500 as gross proceeds, your Schedule 1 should reflect the following:

Form 1040, Schedule 1, Additional Income and Adjustments to Income

Part I – Line 8z, **Other income**. List type and amount: “Form 1099-K Received in Error \$2,500” to show the proceeds reported on the Form 1099-K.

and

Part II – Line 24z, **Other adjustments**. List type and amount: “Form 1099-K Received in Error.... \$2,500” to offset the proceeds reported to you in error.

Q3. If I use a payment card or pay through a third party settlement organization for a purchase, will I receive a Form 1099-K? (updated December 28, 2022)

A3. No. Individuals and businesses should not receive a [Form 1099-K, Payment Card and Third Party Network Transactions](#), for making a purchase.

Q4. If I have a holiday craft business, will I receive a Form 1099-K? (updated December 28, 2022)

A4. You may receive a Form 1099-K depending on the type of transactions.

If you accept payment cards (for example, credit card or debit cards) as a form of payment for goods you sell or services you provide, you will receive a [Form 1099-K](#) for the gross amount of the payments made to you through the use of a payment card during the calendar year. This reporting requirement has not changed, and there is no minimum reporting threshold for these payments to trigger a reporting requirement.

Further, for calendar years after 2021, if you accept payments from a third party settlement organization, you may receive [Form 1099-K](#) from that organization. A third party settlement organization connects the parties together (for example, an internet sales site).

You will receive a Form 1099-K if you accepted payments from a third party settlement organization where,

- the total number of your transactions exceeded 200, and
- the aggregate amount of payments you received with respect to any participating payee exceeded \$20,000 in the calendar year.

Note: The American Rescue Plan Act lowered the threshold to trigger a reporting requirement on a Form 1099-K to from more than \$20,000 to more than \$600 (regardless of the number of transactions). The IRS issued Notice 2023-10, which temporarily delays the enforcement of the lowered reporting requirement. However, you may receive a Form 1099-K in error at the lower threshold, despite Notice 2023-10.

Q5. I own a small business and have a not-for-profit hobby. I do not accept payment cards for either, but I do use a credit card and third party settlement organizations to make purchases for both. Will I receive a Form 1099-K? (updated December 28, 2022)

A5. No, you should not receive [Form 1099-K, Payment Card and Third Party Network Transactions](#), for your purchases.



Reporting

Q1. What requires payment card and third party network reporting? (added October 21, 2022)

A1. [IRC 6050W, Returns Relating To Payments Made In Settlement Of Payment Card And Third Party Network Transactions](#), requires payment settlement entities (merchant acquiring entities and third party settlement organizations) to report payment card and third party network transactions.

Q2. How do I report Form 1099-K on my tax return? (added October 21, 2022)

A2. Information on your Form 1099-K may be used to compute your gross receipts or sales. You should follow the return instructions on the form you are completing to report your gross receipts or sales.

Q3. How are reportable transactions reported to IRS? (added October 21, 2022)

A3. Gross payment card and third party network transaction amounts are reported to the IRS on [Form 1099-K, Payment Card and Third Party Network Transactions](#).

Q4. When are Forms 1099-K due? (added October 21, 2022)

A4. [Form 1099-K](#) information is required to be filed with the IRS by February 28 of the year following the transactions if filed on paper. If filing electronically, it is required to be filed by the last day of March of the year following the transactions.

Q5. What are payee statements and when are they due? (added October 21, 2022)

A5. Entities required to file [Form 1099-K, Payment Card and Third Party Network Transactions](#), must also furnish a statement to the payee with the same information reported to the IRS. Statements may be furnished in paper format (i.e., Copy B of Form 1099-K, Payment Card and Third Party Network Transactions) or electronically with the consent of the payee in accordance with Treas. Reg. 1.6050W-2. The statements must be furnished to the payee by January 31, of the year following the transactions.

Q6. What information must the payment settlement entity report on Form 1099-K? (added October 21, 2022)

A6. The gross amount of reportable payment transactions by month and the calendar year are required to be reported for each participating payee. The name, address and taxpayer identification number of each participating payee must also be reported on the form.

Q7. Do payment settlement entities adjust the gross amount to account for fees, refunds, chargebacks or other costs and refunded amounts? (added October 21, 2022)

A7. No. The gross amount is the total unadjusted dollar amount of the payment transactions for a participating payee. It is not adjusted to account for any fees, refunds, or any other amounts.

Q8. Why do merchant acquiring entities report the gross amount of transactions instead of the net amount without fees, chargebacks, etc.? (added October 21, 2022)

A8. IRC 6050W(a)(2) requires entities report the gross amount of the reportable payment transactions.

Filing Form 1099-K

Q1. Can Forms 1099-K be filed electronically? (added October 21, 2022)



A1. Yes. Forms 1099-K can be filed electrically through the [FIRE \(Filing Information Returns Electronically\)](#) system. Any person that files 250 or more Forms 1099-K for any calendar year must file those Forms 1099-K electronically. The IRS encourages filers who have less than 250 information returns to file electronically as well.

For more information, review [Publication 1220, Specifications for Filing Forms 1097, 1098, 1099, 3921, 3922, 5498, 8935, and W-2G Electronically](#) PDF. If you are considering filing on paper, review [General Instructions for Certain Information Returns](#).

Q2. Can payee statements be furnished to participating payees electronically? (added October 21, 2022)

A2. Yes. With the participating payee's prior consent, payee statements may be provided electronically. This consent must be made electronically in a way that shows the recipient can access the statement in the electronic format in which it will be furnished (see [Treas. Reg. 1.6050W-2, Electronic furnishing of information statements for payments made in settlement of payment card and third party network transactions](#), for instructions for receiving consent from participating payees). If a payee statement is furnished electronically, an email address for the payment settlement entity may be provided in lieu of a phone number.

Q3. Who is responsible for reporting payment card transactions? (added October 21, 2022)

A3. The merchant acquiring entity that transfers funds to the participating payee is responsible for reporting the gross amount of reportable transactions.

A merchant acquiring entity can outsource the processing of the transactions to a processor that may share the contractual obligation to pay the merchant. When both a merchant acquiring entity and a processor have a contractual obligation to pay the merchant, the entity that submits the instructions to transfer funds to the merchant's account is responsible for preparing and furnishing a payee statement to the participating payee and filing [Form 1099-K, Payment Card and Third Party Network Transactions](#), with the IRS.

Q4. Who is responsible for reporting third party network transactions? (added October 21, 2022)

A4. The third party settlement organization or its electronic payment facilitator is responsible for reporting the gross amounts of reportable transactions paid to participating payees in their network.

Q5. Is there a de minimis exception for reporting payments to participating payees of third party network transactions on Forms 1099-K for a third party settlement organization? (added October 21, 2022)

A5. Yes. There is a de minimis exception from reporting for third party settlement organizations with respect to third party network transactions. For returns for calendar years beginning after 2021, if payments to a participating payee for goods and services during the calendar year do not exceed \$600, there is no filing requirement with respect to that participating payee.

Note: For calendar years beginning prior to 2022, if payments to a participating payee exceed \$20,000 during the calendar year, and the total number of transactions exceeds 200, there is a filing requirement for that participating payee. If either (or both) of the limitations are not met, then there is no reporting requirement with respect to that participating payee.

Q6. Is there a de minimis exception for reporting on Forms 1099-K for payment card transactions? (added October 21, 2022)

A6. No. There is not a de minimis exception for reporting payment card transactions. ALL payment card transactions must be reported on Form 1099-K.



Q7. Are sales paid for by stored-value cards or gift cards reportable payment card transactions? (added October 21, 2022)

A7. It depends. Sales paid for by stored-value cards or gift cards are:

- Reportable if the card is accepted by a network of persons unrelated to the issuer and each other.
- Not reportable when the card is only accepted as payment by the issuer or someone who is related to the issuer of the card (e.g., a subsidiary company or the company itself). Under these circumstances, the stored-value cards do not fit the definition of a payment card and sales made with such cards are therefore not reportable.

For the definition of unrelated persons see [IRC 267\(b\), Relationships, of the Internal Revenue Code](#), and [IRC 267\(e\)\(3\), Constructive Ownership in the Case of Partnerships](#), or [IRC 707\(b\)\(1\), Certain Sales or Exchanges of Property with Respect to Controlled Partnerships, Losses Disallowed](#).

Q8. How is reporting conducted when multiple payees receive allocable revenue from a person to whom payments are made by a payment settlement entity? (added October 21, 2022)

A8. The most common example of this situation is when a franchisor processes all the merchant card transactions of multiple franchisees and distributes payments accordingly. For example, when a corporation receives payments from a bank on behalf of multiple payees, the corporation is treated as a participating payee with respect to the bank and as a payment settlement entity with respect to the payees to whom the corporation distributes the payments. The bank is required to report the gross amount of reportable transactions settled through the corporation. In turn, the corporation is required to report the allocable transactions of the payees to whom the corporation distributes the payments. Under the statute and regulations, the corporation is an “aggregated payee.”

Q9. Can the entity responsible for filing Form 1099-K contract with a third party to prepare and file these returns? (added October 21, 2022)

A9. Yes. However, the entity responsible for filing (i.e., the entity that submits the instructions to transfer funds) is liable for any applicable penalties under [IRC 6721, Failure To File Correct Information Returns](#), and [IRC 6722, Failure To Furnish Correct Payee Statements](#), if the reporting requirements are not met. In addition, the name, address and Taxpayer Identification Number of the entity responsible for filing must be reported on [Form 1099-K, Payment Card and Third Party Network Transactions](#), in the box for the filer’s information.

Q10. How can payee Taxpayer Identification Numbers (TIN) be verified? (added October 21, 2022)

A10. Verification of payee TINs is done through the Taxpayer Identification Number (TIN) Matching Program. For further information please visit [General Instructions for Certain Information Returns - Introductory Material](#) or call [866-255-0654](tel:866-255-0654)

Q11. Whose merchant card payments must be reported? (added October 21, 2022)

A11. Merchant acquiring entities must report the gross amount of reportable payment transactions of any participating payee for whom they settle payment card transactions. A payment card transaction is any transaction in which a payment card or any indicia thereof (such as a credit card number) is accepted as payment.

Q12. Whose third party network transactions must be reported? (added October 21, 2022)

A12. For calendar years beginning after 2021, third party settlement organizations must report the gross amounts of reportable payment transactions of any participating payee for whom they settle payments using their third party



payment network provided that the gross amount of the payee's third party network transactions exceed \$600 during the calendar year, regardless of the number of transactions.

Note: For calendar years prior to 2022, third party settlement organizations reported the gross amount of reportable payment transactions of any participating payee for whom they settled payments using their third party payment network provided that a payee's third party network t

Q13. Who reports payment card transactions when a payment settlement entity contracts with a third party, such as an electronic payment facilitator, to settle reportable transactions? (added October 21, 2022)

A13. The entity submitting the instructions to transfer funds to the participating payee's account is responsible for reporting payment card transactions. In this case, the third party entity is responsible for reporting, because it is the entity submitting the instructions to transfer the funds in settlement of the transactions.

Q14. If transactions are already reportable under IRC 6041 or IRC 6041A, must they be reported again by payment settlement entities (PSE)? (added October 21, 2022)

A14. No, these transactions are not reported twice. If a transaction is reportable by a PSE under both [IRC 6041, Information At Source](#), or [IRC 6041A\(a\), Returns Regarding Payments Of Remuneration For Services And Direct Sales](#), and under [IRC 6050W, Returns Relating To Payments Made In Settlement Of Payment Card And Third Party Network Transactions](#), the transaction must be reported on [Form 1099-K, Payment Card and Third Party Network Transactions](#). They are not reported on [Form 1099-MISC, Miscellaneous Income](#).

Q15. Can the person required to make the information return under section 6050W and to secure the TIN necessary to make the return shift the economic burden to the participating payee? (added October 21, 2022)

A15. No. The Internal Revenue Code (IRC) requires payment settlement entities or in some cases an electronic payment facilitator to file information returns and to furnish payee statements with respect to each participating payee to whom payments in settlement of reportable payment transactions are made. These statutory obligations apply regardless of whether the participating payee pays a fee. Moreover, if a payment settlement entity or an electronic payment facilitator fails to comply with these statutory obligations, it is subject to penalties under [IRC 6721, Failure To File Correct Information Returns](#), and [IRC 6722, Failure To Furnish Correct Payee Statements](#). Because federal law requires payment settlement entities or electronic payment facilitators to file information returns and to furnish payee statements, such entities are precluded from collecting fees for costs incurred in fulfilling these requirements.

Q16. How should a merchant acquiring entity report transactions if a payee has receipts classified under more than one Merchant Category Code (MCC)? (added October 21, 2022)

A16. If a payee has receipts classified under more than one MCC, the merchant acquiring entity may either:

- File separate [Form 1099-K, Payment Card and Third Party Network Transactions](#), reporting the gross reportable transaction amounts attributable to each MCC, or
- File a single Form 1099-K reporting gross reportable transaction amounts and the MCC that corresponds to the largest portion of total gross receipts.

Additionally, if a merchant acquiring entity (or its processor) employs an industry classification system other than or in addition to MCCs, the merchant acquiring entity should assign to each payee an MCC that most closely corresponds to the description of the payee's business.



Q17. Does a third party settlement organization have to report Merchant Category Codes (MCC)? (added October 21, 2022)

A17. No. Third party settlement organizations do not use MCC codes to classify payees. Therefore, they do not complete Box 2 of [Form 1099-K, Payment Card and Third Party Network Transactions](#).

Q18. If another code provision already requires backup withholding of a reportable transaction, does the backup withholding provision under IRC 6050W still apply? (added October 21, 2022)

A18. The regulations do not eliminate the backup withholding requirements under [IRC 6050W, Returns Relating To Payments Made In Settlement Of Payment Card And Third Party Network Transactions](#), under any circumstances, even where the potential for duplicate withholding exists.

Q19. Are payment settlement entities required to report the transactions of governmental units, whether state or federal? (added October 21, 2022)

A19. Yes. The term participating payees includes any governmental unit.

Q20. Are foreign payment settlement entities subject to the reporting requirements? (added October 21, 2022)

A20. Yes. A payment settlement entity may be a domestic or foreign entity.