



IRS Further Extends Transition Period for Form 1099-K Reporting Threshold

Global Information Reporting

On November 26, 2024, the IRS published [Notice 2024-85](#) (“Notice”) announcing that the Form 1099-K reporting threshold for third party settlement organizations (TPSOs) will be \$5,000 for calendar year 2024 and \$2,500 for calendar year 2025. Tax years 2024 and 2025 will be treated as additional transition periods for purposes of enforcing the Form 1099-K reporting statutory threshold of \$600 applicable to TPSOs. From 2026 and beyond, the threshold is expected to be \$600, absent further transition delays from the IRS.

In 2021, the American Rescue Plan Act (ARPA) amended the de minimis threshold for TPSO reporting for returns covering calendar years after 2021. This change eliminated the 200-transaction threshold and reduced the payment threshold from \$20,000 to \$600. Under this modified threshold, third party network transaction reporting is required for any participating payee receiving greater than \$600 in aggregate payments during the year, regardless of the number of transactions. In notices released in [December 2022](#) and [November 2023](#), the IRS provided relief for calendar years 2022 and 2023, delaying the effective date of the \$600 threshold.

Under the Notice, the IRS is extending the transition period for the implementation of the \$600 threshold through 2025. For calendar year 2024, third party network transaction reporting is not required unless the gross amount of aggregate reportable payments exceeds \$5,000, regardless of the number of transactions. For calendar year 2025, the threshold will be \$2,500, regardless of the number of transactions. Given that the ARPA set the statutory threshold at \$600, the IRS specifically confirmed in the Notice that a TPSO will not be subject to penalties for failing to file correct information returns or payee statements as long as the TPSO produces third party network transaction reporting in accordance with the thresholds under the Notice.

The IRS also changed the relief available to TPSOs regarding backup withholding on payees who fail to provide a correct taxpayer identification number (TIN). Prior guidance set forth in Notice 2011-42 required a TPSO to begin backup withholding only if the TPSO made payments to a payee without a valid TIN in more than 200 transactions within a calendar year. The Notice provides TPSOs with a one-year relief from penalties for failing to withhold and pay backup withholding tax for transactions in calendar year 2024, regardless of the number of transactions and gross amount of aggregate reportable payments. However, if a TPSO has deducted and withheld any backup withholding tax in 2024, the TPSO must report the withheld tax on Forms 945 and 1099-K. For calendar years after 2024, the IRS will assess penalties for failure to withhold and pay backup withholding on any third party network transaction payments to payees without a valid TIN, without regard to the monetary or transaction thresholds.

TPSOs should be on the lookout for any updates to the Form 1099-K reporting thresholds at the state level, as some states have adopted the ARPA \$600 statutory threshold or have implemented a transition period with monetary and transactional thresholds that differ from the federal level thresholds under the IRS notices.

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