

— TOP TAKEAWAYS —

1099-K Tax Reporting Rules

Beginning in 2023, anyone selling items through online marketplaces (i.e. eBay, Etsy, Mercari, PayPal, and more) must file an IRS Form 1099-K (for the tax year 2022) if they grossed over \$600 in sales for any number of transactions.

IMPOSES ECONOMIC BURDEN AND INCREASES COMPLEXITY AND COMPLIANCE COSTS

- Many sales of used goods by casual online sellers and entrepreneurs would not create any tax liability since the items are often sold for less than what was paid.
- Nearly **40% of online sellers** surveyed said the change poses an economic hardship, a significant majority of whom sell online to help pay for necessary personal expenses.
- Two out of three (69%) said they are likely to sell less or stop selling online.
- Family and friends splitting the cost of a meal or sending gifts could also mistakenly receive tax forms.
- Out of confusion, tax filers may not know how to report the sales or over-report income leading to inaccurate filings.
- Tax filers with simple returns may be forced to hire a tax professional to ensure compliance.
- Adjusting tax returns will force the IRS to expend additional resources and may delay the processing of those taxpayers' returns contributing to the IRS backlog

DISPROPORTIONATE EFFECT ON WOMEN

- Women **dominate** gig economy work when separating out ridesharing and delivery services.
- Women are selling used kids' clothes, engaged in food/grocery delivery, tutoring, babysitting, and other activities arranged through online apps

CONGRESS DID THIS, CONGRESS MUST FIX IT

- In 2021, Congress lowered the threshold for reporting online sales from \$20,000 to \$600 and eliminated a transaction minimum.
- Lawmakers sought to raise **\$8.4 billion** from perceived tax avoiders to fund the inflationary \$2 trillion American Rescue Plan.
- Congress can restore the original \$20,000 reporting threshold or a higher threshold.