The American Rescue Plan's Impact on Form 1099-K Reporting Requirements for Third-Party Payment Networks

Feb 08, 2022

Categories:

Blockchain and Digital Assets
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Another tax year, another change. The annual Form 1099-K issuance (Payment Card [1] and Third-Party Network Transactions [2]) by payment settlement entities (PSEs) for payments made in settlement of reportable payments transactions has seen a change in minimum reporting thresholds for settlement of third-party payment network transactions. The threshold change is as follows:

- **For returns for a calendar year prior to 2022**:
  - Gross payments that exceed $20,000, AND
  - More than 200 such transactions
- **For returns for calendar year after 2021**:
  - Gross payments that exceed $600, AND
  - Any number of transactions

While the change does not affect 1099-K issuance this year, it will affect 2023 reporting for the 2022 calendar year and will be reflected on 1099-Ks issued by January 31, 2023. The threshold decrease will result in greater 1099-K filings by PSEs in subsequent years. All payment settlement entities, which are defined as merchant acquiring entities and third-party settlement organizations, whether domestic or foreign, are required to file Form 1099-Ks if they have gross payments that exceed $600 after 2021. Note that these reporting requirements also apply to certain stored-value card payments. If you have questions, please contact Chris Brubaker, Courtney Rogers Perrin, or Nancy Presnell.

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[1] Payment card transaction means any transaction in which a payment card, or any account number or other identifying data associated with a payment card, is accepted as payment.

[2] Third-party network transaction means any transaction that is settled through a third-party payment network, but only after the total amount of such transactions exceeds the minimum reporting thresholds. The gross amount of a reportable payment does not include 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.