



2023 Annual Conference 1099-K

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Objectives



- At the end of this course, you will be able to:
 - Explain the information reported on the Form 1099-K
 - Nominee the 1099-K income to another person, business, or entity
 - Differentiate business income from hobby income
 - Report sales of personal property reported on Form 1099-K

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About the 1099-K



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1099-K



- Form 1099-K, Payment Card and Third-Party Network Transactions, is an IRS information return that reports certain payment transactions.
- The IRS expects use of the 1099-K to improve “voluntary tax compliance.”



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1099-K History



- The 1099-K form was first introduced in 2012 as a requirement for reportable payment transactions defined as payment card transactions or third-party network transactions.
- Per the 2012 instructions:
- A TPSO [Third Party Settlement Organization] is required to report any information concerning third party network transactions of any participating payee only if for the calendar year:
 - The gross amount of total reportable payment transactions exceeds \$20,000 AND
 - The total number of such transactions exceeds 200.

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And Nothing Changed Until...



- The American Rescue Plan of 2021 changed that \$20,000 threshold to SIX HUNDRED DOLLARS, beginning with payments transactions settled after December 31, 2021!
- No number of transactions is mentioned

Wow, that's a
HUGE change!!

Go big or go home, I
always say.

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Maybe Too Big of a Change?



- A lot of people thought so
- Sen. Bill Hagerty (R-Tenn.) and Sen. Joe Manchin (D-W.Va.) announced an amendment that would have increased the threshold to \$10,000
- That amendment didn't appear in the final version of the omnibus—but the clamor for an increased threshold grew...

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Maybe Too Big of a Change?



- The AICPA sent a letter to the Senate Finance Committee and the House Ways and Means Committee, expressing “deep concerns” about the \$600 threshold
- It was noted that the \$600 threshold was based on § 6041 of the tax code, called Information at Source, established in 1954
- And never adjusted for inflation
- (Today that \$600 would be about \$6,640...just sayin'...)

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Delayed Implementation



- Friday, December 23rd, 2022, the IRS issued Notice 2023-10, announcing that calendar year 2022 would be regarded as a **transition period** for the new 1099-K reporting requirements.
- The previous reporting threshold of \$20,000 and 200 transactions remains in place throughout 2021, with reporting in 2022.
- New threshold slated for transactions in 2022, reporting in 2023.
- It's possible the IRS realized they couldn't possibly handle the flood of 1099-Ks this new requirement would release.

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When a 1099-K May Be Issued



- If a taxpayer sells goods and/or services and accepts payment cards or compensation through a third-party settlement organization, a 1099-K may be issued.
- Simply making a purchase using a credit card or third-party settlement organization does not generate a 1099-K.
- (The IRS is interested in people **receiving** money, not **spending** money.)

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So...Business Income?



- Yes, business income
- Also hobby income, gig income, sale of personal items
- And possibly nontaxable transactions between friends and family
 - Most payment entities have some sort of way to distinguish business from non-business payments
 - (But not everyone does this correctly)

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1099-K Form



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The Form



VOID CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		FILER'S TIN	OMB No. 1545-2205	Payment Card and Third Party Network Transactions
		PAYEE'S TIN	Form 1099-K (Rev. January 2022)	
		1a Gross amount of payment card/third party network transactions \$	For calendar year 20__	Copy 1 For State Tax Department
1b Card Not Present transactions \$	2 Merchant category code	3 Number of payment transactions	4 Federal income tax withheld \$	
Check to indicate if FILER is a (an): Payment settlement entity (PSE) <input type="checkbox"/> Electronic Payment Facilitator (EPF) <input type="checkbox"/> Other third party <input type="checkbox"/>	Check to indicate transactions reported are: Payment card <input type="checkbox"/> Third party network <input type="checkbox"/>	5a January \$	5b February \$	
PAYEE'S name		5c March \$	5d April \$	
Street address (including apt. no.)		5e May \$	5f June \$	
City or town, state or province, country, and ZIP or foreign postal code		5g July \$	5h August \$	
PSE'S name and telephone number		5i September \$	5j October \$	
Account number (see instructions)		5k November \$	5l December \$	
		6 State	7 State identification no.	8 State income tax withheld \$

Form **1099-K** (Rev. 1-2022) www.irs.gov/Form1099K Department of the Treasury - Internal Revenue Service

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Details, Details



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FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.	
Check to indicate if FILER is a (an): Payment settlement entity (PSE) <input type="checkbox"/> Electronic Payment Facilitator (EPF) <input type="checkbox"/> Other third party <input type="checkbox"/>	Check to indicate transactions reported are: Payment card <input type="checkbox"/> Third party network <input type="checkbox"/>
PAYEE'S name	
Street address (including apt. no.)	
City or town, state or province, country, and ZIP or foreign postal code	
PSE'S name and telephone number	
Account number (see instructions)	

- This is who created and sent the form.
- Is the filer a "payment settlement entity" (PSE) or an "electronic payment facilitator" (EPF) or "Other third party"?
- Were the transactions done through a payment card or third-party network?

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And More Details

Your client's info

Payment Settlement Entity's name and telephone number

Account number

VOID CORRE

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

Check to indicate if FILER is a (an): Check to indicate transactions reported are:

Payment settlement entity (PSE) Payment card

Electronic Payment Facilitator (EPF)/Other third party Third party network

PAYEE'S name

Street address (including apt. no.)

City or town, state or province, country, and ZIP or foreign postal code

PSE'S name and telephone number

Account number (see instructions)

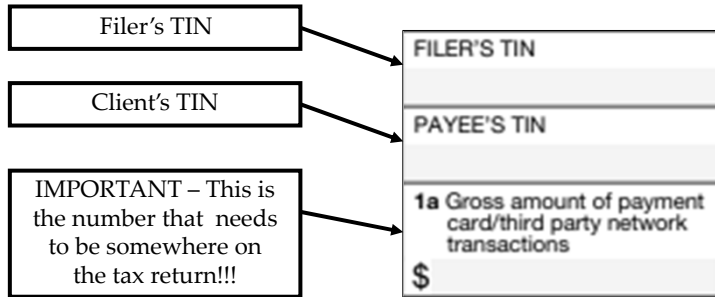
And Yet More Details

Dollar amount of transactions broken down by month

}

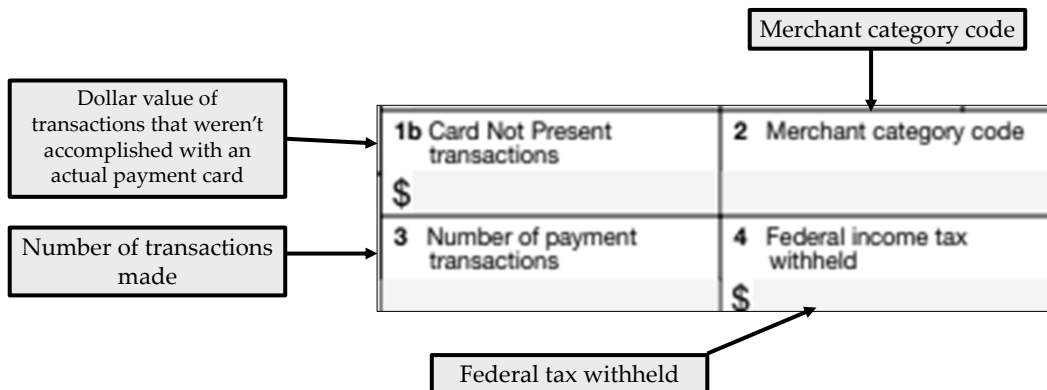
5a January	5b February
\$	\$
5c March	5d April
\$	\$
5e May	5f June
\$	\$
5g July	5h August
\$	\$
5i September	5j October
\$	\$
5k November	5l December
\$	\$

Will It Ever End?



The dollar value in Box 1a is GROSS. NOTHING IS SUBTRACTED OUT, INCLUDING FEES PAID TO THE THIRD PARTY OR CREDIT CARD PROCESSOR!

Some Extra Info



Finally, State Stuff



6 State	7 State identification no.	8 State income tax withheld
		\$
		\$

This section would be filled out if state tax had been withheld.

Working with Clients



What Should I Look For?

- The most important question will be this: Why did the client get this form?
- After that is answered, you'll check to make sure the 1099K is accurate!
- Is the dollar amount correct? Is the correct TIN reported?

Why did my client get a 1099-K?



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Getting a 1099-K Corrected

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- If the taxpayer believes the information on a Form 1099 K is incorrect or has been issued in error, that taxpayer can contact the filer, whose name appears in the upper left corner on the front of the form.
- Or the taxpayer may contact the payer, or the payment settlement entity (PSE), name and phone number shown in the lower left corner of the form.
- If the taxpayer cannot get this form corrected, then it must be reported on the tax return and adjusted as needed so that the taxpayer pays the correct amount of tax.

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Gross Amount



- Gross really does mean gross.
- There are no adjustments for credits, cash equivalents, discount amounts, fees, refunded amounts, or anything else.
- Care must be taken to **report the gross amount on the tax return** and then to subtract out any fees, credits, refunds, discounted amounts, etc.

Why should the gross amount be reported on the tax return?

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Loss on Personal Items

- Janice bought a refrigerator for \$1,000 and sold it later for \$600.
- Payment was made through a 3d party payment settler and that \$600 was reported on a 1099-K.
- Janice can report that \$600 on Schedule 1, Line 8z as "Other income" with a description of "Form 1099K Personal Item Sold at a Loss" and then report \$600 as an offsetting entry on Schedule 1 Part II, Line 24z....
OR
- She can use Form 8949 to report a non-deductible loss.

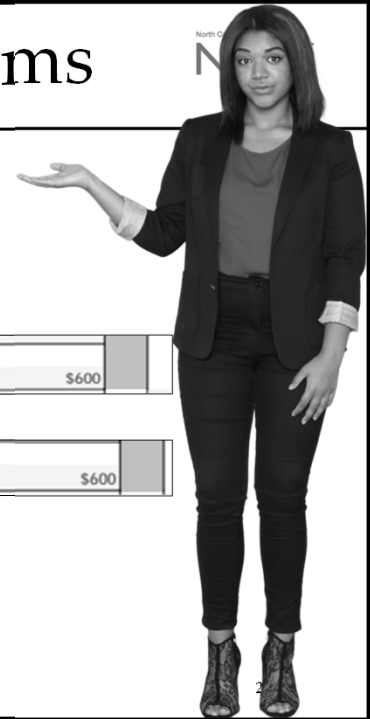


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Loss on Personal Items

- The IRS matching software is satisfied, and Janice pays no tax on that \$600.

z Other income. List type and amount: Form 1099K Personal Item Sold at a Loss	8z	\$600
z Other adjustments. List type and amount: Form 1099K Personal Item Sold at a Loss	24z	\$600



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Gain on Personal Items

- Bob bought concert tickets for \$500. A few weeks later, he sold them for \$900 through Paypal.
- Paypal sent him a 1099-K for \$900.
- Bob paid Paypal a fee of \$26.
- Bob does not sell concert tickets for a living; this was a one-off thing.
- This is a taxable transaction, reported on Form 8949, code c.



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Gain on Personal Items

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Schedule D, line 1a; you aren't required to report these transactions on Form 8949 (see instructions).

You must check Box A, B, or C below. Check only one box. If more than one box applies for your short-term transactions, complete a separate Form 8949, page 1, for each applicable box. If you have more short-term transactions than will fit on this page for one or more of the boxes, complete as many forms with the same box checked as you need.

- (A) Short-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see Note above)
- (B) Short-term transactions reported on Form(s) 1099-B showing basis **wasn't** reported to the IRS
- (C) Short-term transactions not reported to you on Form 1099-B

1	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed of (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis See the Note below and see Column (g) in the separate instructions.	Adjustment, if any, to gain or loss If you enter an amount in column (g), enter a code in column (f). See the separate instructions.		(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g).
						(f) Code(s) from instructions	(g) Amount of adjustment	
	CONCERT TICKETS	02/01/2022	02/15/2022	\$900	\$526			\$374

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Multiple Personal Items Sold

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- Steven purchased tickets for two separate sporting events, each \$250.
- A month later, he realized he wouldn't be able to attend the events and he sold the tickets in two separate transactions.
- One set of tickets sold for \$800 and the other set sold for \$200.
- Steven received a 1099K for \$1,000.
- The loss on the second set cannot offset the gain on the first set; therefore, these events must be reported separately.

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Steven's Tickets Form 8949



- Here's the reporting for the tickets that were purchased for \$250 and sold for \$800.

You must check Box A, B, or C below. Check only one box. If more than one box applies for your short-term transactions, complete a separate Form 8949, page 1, for each applicable box. If you have more short-term transactions than will fit on this page for one or more of the boxes, complete as many forms with the same box checked as you need.

(A) Short-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see Note above)

(B) Short-term transactions reported on Form(s) 1099-B showing basis **wasn't** reported to the IRS

(C) Short-term transactions not reported to you on Form 1099-B

1	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed of (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis See the Note below and see Column (e) in the separate instructions.	Adjustment, if any, to gain or loss if you enter an amount in column (g), enter a code in column (f). See the separate instructions.		(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g).
						(f) Code(s) from instructions	(g) Amount of adjustment	
	SPORTING EVENT TICKETS	02/01/2022	03/01/2022	\$800	\$250			\$550

Steven's Tickets Sold at a Loss



- Here's the reporting for the tickets that were purchased for \$250 and sold for \$200.

u Wages earned while incarcerated	8u		
z Other income. List type and amount: Form 1099K Personal Item Sold at a Loss	8z	\$200	

1041	24k		
z Other adjustments. List type and amount: Form 1099K Personal Item Sold at a Loss	24z	\$200	

Personal Reimbursements



- Jennifer and Jane went to a concert together.
- Jennifer bought the tickets and Jane reimbursed her via an online payment processor.
- A 1099-K should not be issued because the money is not payment for the sale of goods or the provision of services.
- But if Jane didn't hit the right buttons, Jennifer might get a 1099-K!
- If Jennifer is unable to get it corrected by the online payment processor, she can report it as other income and then subtract it out.

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Jennifer's Schedule 1



- IRS matching software is satisfied and Jennifer pays no tax.

z Other income. List type and amount: _____ Form 1099K Received in Error	8z	\$200
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z Other adjustments. List type and amount: _____ Form 1099K Received in Error	24z	\$200
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It Can Get Confusing

- Lisa cleaned house.
- She sold various items of furniture and jewelry on eBay.
- Lisa received a 1099-K for \$3,050
- She's in a panic and you're not too happy yourself.



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Lisa Cleans House

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- You ask for a list of what sold and for how much, and what she had originally paid for the items.
- She (eventually) comes up with a list.
 - Dining room set cost her \$5,000 six years ago, sold for \$1,000
 - Couch cost her \$1,500 five years ago, sold for \$200
 - FAX machine cost her \$500 3 years ago, sold for \$25
 - Necklace that cost \$500, sold for \$750
 - Ruby ring that cost \$650, sold for \$1,000
 - Painting that cost \$1,000, sold for \$75

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Lisa Cleans House



- “See?” she says. “I took a loss of about SIX GRAND! Tax deductible!”
- And now you get to be the bearer of bad news.
- She’ll pay tax on the items that were sold at a gain, but cannot take a loss on the items sold at a loss.
- Nor can the gains and losses be netted out.
- This is the “Heads I win, tails you lose” principal of personal property taxation.

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Breaking It Down



- Each item that sold for a gain is reported on Form 8949 or Schedule 1.

You must check Box D, E, or F below. Check only one box. If more than one box applies for your long-term transactions, complete a separate Form 8949, page 2, for each applicable box. If you have more long-term transactions than will fit on this page for one or more of the boxes, complete as many forms with the same box checked as you need.

(D) Long-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see Note above)

(E) Long-term transactions reported on Form(s) 1099-B showing basis **wasn't** reported to the IRS

(F) Long-term transactions not reported to you on Form 1099-B

1	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed of (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis See the Note below and see Column (e) in the separate instructions.	Adjustment, if any, to gain or loss If you enter an amount in column (g), enter a code in column (f). See the separate instructions.	(f) Code(s) from instructions	(g) Amount of adjustment	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g).
	NECKLACE	VARIOUS	03/10/2022	\$750	\$500				\$250
	RUBY RING	VARIOUS	03/11/2022	\$1,000	\$650				\$350

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Breaking It Down

- We can report the items sold at a loss on Form 8949 or on Schedule 1.

z Other income. List type and amount: _____ Form 1099K Personal Items Sold at a Loss	8z	\$1,300
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z Other adjustments. List type and amount: _____ Form 1099K Personal Items Sold at a Loss	24z	\$1,300
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Lisa's Taxes

- If she paid any fees on these transactions, those would be added to basis to reduce the amount of her gain.
- Clients need to be warned to keep records of what they sold!



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Cryptocurrency 1099-Ks



- Many exchanges are issuing 1099-Ks reporting total proceeds on sales and trades of digital assets
 - Gemini
 - Bitstamp
 - eToro
 - Cash App (yes, you can sell crypto in the Cash App app)
 - Venmo (yes, you can sell crypto in the Venmo app)
 - Crypto.com

Cryptocurrency 1099-Ks



Box 1a: Gross amount of payment card/third party network transactions \$429,837.94		Box 3: Number of payment transactions 1063			
Box 5a: Jan. \$141,098.21	Box 5b: Feb. \$74,396.70	Box 5c: Mar. \$7,171.91	Box 5d: Apr. \$16,838.56	Box 5e: May. \$59,040.85	Box 5f: Jun. \$131,291.71
Box 5g: Jul. \$0.00	Box 5h: Aug. \$0.00	Box 5i: Sep. \$0.00	Box 5j: Oct. \$0.00	Box 5k: Nov. \$0.00	Box 5l: Dec. \$0.00

Instructions for Payee - 1099-K
 You have received this form because you have either: (a) accepted payment cards for payments, or (b) received payments through a third party network that exceeded \$20,000 in gross dollar reportable transactions and the aggregate number of those transactions exceeded 200 for the calendar year. Merchant acquirers and third party settlement organizations, as payment settlement entities (PSE), must report the proceeds of payment card and third party network transactions made to you on Form 1099-K, under Internal Revenue Code section 6045(b). The PSE may have contracted with an electronic payment facilitator (EPF) or other third party payer to make payments to you.
 If you have questions about the amounts reported on this form, contact the PSE that issued information shown in the upper left corner on the front of this form. If you do not recognize the PSE, please contact the IRS. See the PSE, whose name and phone number are shown in the lower left corner of the form above your account number.
 See the separate instructions for your income tax return for using the information reported on this form.
Payee's identification number. For your protection, this form may show only the last four digits of your social security number (SSN), individual taxpayer identification number (ITIN), adoptee taxpayer identification number (ATIN), or employee identification number (EIN). However, the issuer has reported your complete identification number to the IRS.
Account number. May show an account number or other unique number the PSE assigned to identify your account.
Box 1a. Shows the aggregate gross amount of payment card/third party network transactions made to you through the PSE during the calendar year.
Box 1b. May show the aggregate gross amount of all reportable payment transactions made to you through the PSE during the calendar year where the card was not present at the time of the transaction or the card number was keyed into the terminal. Typically, this relates to online sales, phone sales, or catalogue sales. If the box for third party network is checked, or if these are third party network transactions, card not present transactions will not be reported.
Box 2. Shows the merchant category code used for payment card/third party network transactions (if available) reported on this form.
Box 3. Shows the number of payment transactions (not including refund transactions) processed through the payment card/third party network.
Box 4. Shows backup withholding. Generally, a payee must backup withhold if you did not furnish your taxpayer identification number (TIN) or you did not furnish the correct TIN to the payer. See Form W-9, Request for Taxpayer Identification Number and Certification, and Publication 505, Tax Withholding and Estimated Tax, for information on backup withholding. Include this amount on your income tax return as tax withheld.
Boxes 5a-l. Shows the gross amount of payment card/third party network transactions made to you for each month of the calendar year.
Boxes 6-8. Shows state and local income tax withheld from the payments.
Future developments. For the latest information about developments related to Form 1099-K and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form1099-k.

Shows gross amount! Taxpayer actually had a loss that year!

QUIZ

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- True or false?
 - a. It doesn't matter why the client got a 1099-K; the tax treatment doesn't change.
 - b. If income isn't reported to the IRS, taxpayers don't need to put it on their tax returns
 - c. The gross amount reported on Line 1a of the 1099-K form is net of the payment settler's fees.
 - d. Taxpayers can net gains and losses when selling personal items.
 - e. Cryptocurrency transactions are never reported on 1099-Ks.

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Common Problems

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Multiple Businesses



- If a taxpayer has receipts classified under more than one MCC, the merchant acquiring entity gets to choose to 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.
- Which means it's then up to the taxpayer and tax preparer to sort out the income between the different businesses.

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Multiple People



- Robert sells ceramics on Etsy and reports activities on Schedule C.
- He let his kid sister, Laurie, use his Etsy account to sell some jewelry that she had made herself
 - Laurie sold \$1,000 worth of jewelry
- Laurie got the \$1,000, but that amount was included in Robert's 1099K!
- Robert sold only \$25,000 worth of stuff, but the 1099K says \$26,000
- What should Robert do?



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Robert's Ceramics

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- Report the full 1099K amount in gross receipts on his Schedule C.

Part I Income		1099-K	
1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1	\$26,000
2	Returns and allowances	2	

- Nominee that \$1,000 to Laurie as an "Other Expense."

Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.		1099-K	
NOMINEE TO LAURIE KING SSN 123-45-6789			\$1,000

Not a perfect solution – WHY?



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Shared Terminals

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- Peter brings in a 1099-K showing gross income of \$100,000
- It seems way too high to him!
- After comparing his own records with the monthly amounts shown on the 1099-K, he recalls that Wendy, who shares the office with him, uses the same payment terminal for her business.
- So some of this \$100,000 must belong to Wendy!
- What now?

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Peter and Wendy



- Peter produces his P&L, showing gross income of \$65,000.
- Peter calls the PSE on the 1099-K but is told that they don't have any information about Wendy's business and all this income. therefore needs to be reported under his EIN.
- The full \$100,000 must show up on Peter's Schedule C.
- The remaining \$35,000 gets nominee'd to Wendy.
- Unfortunately, Peter doesn't know Wendy's EIN but he does know her name and the name of the business.
- Again, potential issues with this solution! A sales tax audit may expect sales tax to be paid by Peter for the full \$100,000!

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Moving Forward



- It would be a good idea for Peter to talk to Wendy to let her know this is happening. And he might even ask for her EIN so he can add that to the description of the \$35,000 adjustment.
- And Peter should cut Wendy off from using his terminal.

My tax accountant told me I had to cut you off. Nothing personal, Wendy.

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Wrong EIN on the 1099-K



- Bill is upset.
- He received a 1099-K for \$250,000 under his SSN instead of his S-Corp's EIN!
- He tried calling the PSE and filer of the 1099-K to get this corrected and got nowhere.
- Now what?

PAYEE'S TIN	
123-45-6789	
1a Gross amount of payment card/third party network transactions	
\$	\$250,000

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Bill's 1099-K



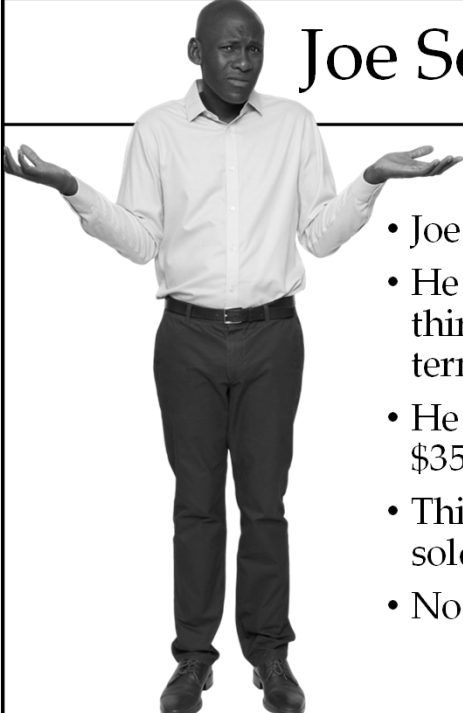
- No IRS guidance, but possibly report it on Schedule 1 and nominee it to the S Corp.

u Wages earned while incarcerated	8u	
z Other income. List type and amount: _____ Form 1099K NOMINEE TO EIN 86-000000	8z	\$250,000

z Other adjustments. List type and amount: _____ Form 1099K NOMINEE TO EIN 86-000000	24z	\$250,000
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Joe Sold His Business

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- Joe sold his S Corp during the year
- He forgot to cancel his agreement with the third-party settler that provided his payment terminal!
- He has a 1099-K showing gross income of \$350,000
- This includes income after the business was sold
- Now what??

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Joe Sold His Business

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- Joe's bookkeeper produces a P&L showing that his gross income was \$225,000.
 - \$150,000 was through the third-party payment settler and \$75,000 was through other methods of payments (cash and checks).
- Joe should report the 1099K of \$350,000 plus the \$75,000 of other types of payment, total \$425,000.
- The extra of \$200,000 of 1099K money must be nominee'd to the new owner.

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Double Counting



- Brigitte is a bookkeeper
- She receives 1099-NEC forms from her clients, reporting how much money they paid her
- Several of her clients use a third-party payment processor so she gets a 1099-K from that processor for the same money that the 1099-NECs are reporting!
- (Those clients don't need to send her 1099-NEC forms if they are using a third-party payment settler for payments, but they don't know that!)

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Double Counting



- She finds this out when she gets an IRS letter asking for more tax money.
- You send a letter to the IRS explaining the situation, which they accept.
- The following year, you add together the income reported on the 1099-NECs that she created for her clients PLUS the amount on the 1099-K...
- And then subtract the excess amount as double-counting.

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Brigette's Schedule C



SCHEDULE C (Form 1040)		Profit or Loss From Business (Sole Proprietorship)		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		Go to www.irs.gov/ScheduleC for instructions and the latest information. Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships must generally file Form 1065.		2022 Attachment Sequence No. 09	
Name of proprietor BRIGETTE BISHOP		Social security number (SSN) 123-45-6789			
A Principal business or profession, including product or service (see instructions) BOOKKEEPER		B Enter code from instructions 541219			
C Business name, if no separate business name, leave blank. BRIGETTE'S BOOKS LLC		D Employer ID number (EIN) (see instr.) 8600000000			
E Business address (including suite or room no.) City, town or post office, state, and ZIP code					
F Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify)					
G Did you "materially participate" in the operation of this business during 2022? If "No," see instructions for limit on losses				Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	
H If you started or acquired this business during 2022, check here				Yes <input type="checkbox"/> No <input type="checkbox"/>	
I Did you make any payments in 2022 that would require you to file Form(s) 1099? See instructions				Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
J If "Yes," did you or will you file required Form(s) 1099?				Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Part I Income					
1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked	1		\$100,000	
2	Returns and allowances	2			
3	Subtract line 2 from line 1	3			
4	Cost of goods sold (from line 42)	4			
5	Gross profit. Subtract line 4 from line 3	5			
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6			
7	Gross income. Add lines 5 and 6	7		\$100,000	
D If Yes, is the evidence written?				Yes <input type="checkbox"/> No <input type="checkbox"/>	
Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.					
DOUBLE ACCOUNTING OF INCOME FROM 1099-K				\$20,000	

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Dave's Divorce




- Dave was divorced as of December 31st of the previous year.
- He received a 1099-K for his ex-wife's Etsy sales showing gross sales of \$30,000.
- It's under his SSN because he was the primary taxpayer, so that's what made sense to them at the time.
- Now what?

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Dave's Divorce



- Dave called his ex-wife, Donna, and asked for her help.
- Donna called the issuer of the 1099-K and got the form corrected.
- Dave should get a corrected 1099-K showing zero dollars and Donna should receive a 1099-K reporting the income under her TIN.




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Dave's Divorce

- Dave received a corrected 1099-K showing no income!

<input checked="" type="checkbox"/> CORRECTED (if checked)		FILER'S TIN	OMB No. 1545-2205
FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		PAYEE'S TIN	Form 1099-K
ETSY 1111 E ETSY ST ANYWHERE ANYSTATE		123-45-6789	(Rev. January 2022)
Check to indicate if FILER is a (a): <input type="checkbox"/> Payment settlement entity (PSE) <input type="checkbox"/> Electronic Payment Facilitator (EPF)/Other third party		1a Gross amount of payment card/third party network transactions For calendar year 20 \$ 0	
		1b Card Not Present transactions \$	
<input type="checkbox"/> Check to indicate transactions reported are: <input type="checkbox"/> Payment card <input type="checkbox"/> Third party network		2 Merchant category code	4 Federal income tax withheld \$
3 Number of payment transactions		Copy B For Payee This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.	
PAYEE'S name DAVE SMITH		5a January \$	5b February \$
Street address (including apt. no.) 6041 E 33RD ST		5c March \$	5d April \$
		5e May \$	5f June \$
City or town, state or province, country, and ZIP or foreign postal code ANYTOWN, ANY STATE		5g July \$	5h August \$
		5i September \$	5j October \$
PSE'S name and telephone number		5k November \$	5l December \$
Account number (see instructions)		6 State	7 State identification no. \$
Form 1099-K (Rev. 1-2022) (Keep for your records) www.irs.gov/Form1099K Department of the Treasury - Internal Revenue Service		8 State income tax withheld \$	\$



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Cash Back

- Harriet operates a small hair salon
- She allows customers to request cash back so that the customers can give cash tips to stylists
- She didn't realize that this "cash back" money was going to show up on her 1099-K
- Expense that cash back money on Schedule C!

b If "Yes," is the evidence written? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.	
CASH BACK REPORTED ON 1099K	\$500

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QUIZ

- True or false?
 - Income from different businesses may end up reported on the same 1099-K if they share a payment terminal.
 - The payment settlers know how much is "cash back" and therefore don't include it in box 1a of the 1099-K form.
 - Nominee-ing income to someone else will inevitably result in an audit.
 - An individual may nominee income to an S Corporation.
 - It's a good idea for businesses to share payment terminals, as it reduces expenses.

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Fraudulent 1099-Ks



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Fraudulent Accounts



- There are reports of people who have had their identities stolen and used to sell products on platforms such as eBay.
- The person whose identity was stolen then received a 1099-K with their SSN on it.
- One 1099-K was for \$180,000!

Re: Received a 1099-k form yesterday from ebay, I haven't sold anything on ebay.

wrote: - I know this week is crazy with the seller update, but could you please pump this one up the ladder? Between the community,...

The eBay logo, consisting of the word "ebay" in a lowercase, sans-serif font with a stylized "e".

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Fraud.org's Advice



- **If you receive a tax document showing unrecognized income**
 - Contact the business that distributed the 1099-K, W-2, or other income report. Finding out if the business actually believes you (or whoever used your Social Security number) may owe taxes or if it was simply a clerical error could help in determining if you were a victim of identity theft.
 - Visit [IdentityTheft.gov](https://www.identitytheft.gov). If you believe you are the victim of identity theft (someone else has used your Social Security number or other credentials to take actions on your behalf), [IdentityTheft.gov](https://www.identitytheft.gov) has more detailed steps you can take that are specific to your situation.

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PayPal



I was notified by the IRS of unreported income from PayPal via 1099K in 2018. After pulling my own transcripts from the IRS, I found that PayPal did in fact report over \$20K of income in 2018 against my name and SSN. I just got one as well for hundreds of thousands of dollars over 1700 transactions that I have ever been associated with and does not seem to be mine. I was never made by me....get your %^# together paypal. Worst company I have ever had a PayPal merchant account. Since it is not mine, I have dealt with the actual customer service representative, how do I get this claimed so I can prove to the IRS I did not actually receive these funds and make sure this does not happen again?

Did you ever get help? We just got a 1099k from PayPal for my husband and he doesn't have a PayPal account and we don't sell anything.

Unfortunately I did not get help from PayPal. After hours and hours of trying to get through to someone I gave up. I had to write a letter to the IRS to explain this whole mess. I haven't heard back from them yet, but this whole thing has cost me a ton of time and stress. Maybe a class action lawsuit will get their attention.

I just received one too. I am in the same situation I don't sale anything and I don't have a merchant account.

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What Do We Do?

- The client should certainly do whatever they can to report the fraud...
- But having them pay tax on a fraudulent 1099-K makes no sense

z Other income. List type and amount:			
FRAUDULENT FORM 1099K RECEIVED		8z	\$25,000

z Other adjustments. List type and amount:			
FRAUDULENT FORM 1099K RECEIVED		24z	\$25,000

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Questions?



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