



Tax IRW Ops Insights Quick Tips & Updates

KPMG Information Reporting & Withholding
Tax Services



Form 1099-K Reporting and 6050W Updates

February 17, 2022

By Elis Prendergast

The de minimis threshold for section 6050W reporting on Forms 1099-K by third-party settlement organizations (TPSOs) was reduced substantially. The new instructions to Box 1a require TPSOs to report under 6050W any payment totals exceeding \$600, regardless of the number of transactions. Under the prior de minimis threshold, TPSOs were not required to report under section 6050W until the total payments made to a payee exceeded \$20,000 and the aggregate number of transactions for such payee exceeded two hundred. The new de minimis threshold applies to transactions made after December 31, 2021.

The change will require TPSOs to obtain U.S. Tax Identification Numbers (TIN) from payees sooner than before and bring a substantial number of transactions back into scope for Form 1099-K reporting.

Direct State Reporting

In addition, a number of states require Form 1099-K direct reporting with the state despite being listed as Participating States for CF/SF program in Publication 1220—a consequence of the changes of threshold and filing requirements of each state. These states include Alabama, Connecticut, Delaware, Massachusetts, Montana, and North Carolina. What is more, the following states are required to file Forms 1099-K directly with the state but are not listed in Publication 1220: Washington DC, Florida, Illinois, New York, Oregon, Tennessee, Vermont, and Virginia.

Backup Withholding Update

The prior provisions suggested that backup withholding could be imposed on the first dollar paid to payees that have failed to provide a TIN. The Build Back Better Act would clarify the prior provisions by amending section 3406 of the Internal Revenue Code. TPSOs are required to impose backup withholding, for purposes of section 6050W, on payments of \$600 or more. In addition, transitional relief will be in place for calendar year 2022. During 2022, TPSOs are not required to impose backup withholding until total payments made to a payee exceed \$600 and the aggregate number of transactions for such payee exceeds two hundred. For

payments made after December 31, 2022, relief is no longer available, and backup withholding may be imposed on payments of \$600 or more made to a payee who has not provided a TIN, regardless of the aggregate number of transactions.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.com/socialmedia



The information contained herein is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

© 2022 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. NDP378103

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.