



TaxNewsFlash

United States

No. 2026-173
August 7, 2026

Final regulations: Backup withholding on third party network transactions

The U.S. Treasury Department and IRS today issued [final regulations](#) (T.D. 10053) amending the regulations on backup withholding on third party network transactions to reflect changes to sections 6050W and 3406 made under Pub. L. No. 119-21 (the “One Big Beautiful Bill Act” (OBBBA)).

Background

Section 6050W requires a third party settlement organization (TPSO) to file Form 1099-K (Payment Card and Third Party Network Transactions) for payments made to participating payees with respect to transactions for the sale of goods or services that are settled through a third party payment network. As originally enacted, section 6050W provided a de minimis reporting threshold that permitted a TPSO to exclude payments to a participating payee unless the gross amount paid exceeds \$20,000 and the number of transactions exceeds 200 for the calendar year. Section 6050W was amended by the American Rescue Plan Act of 2021 (ARPA) to lower the reporting threshold to payments totaling \$600 for the calendar year, regardless of the number of transactions. This lower reporting threshold was delayed by the IRS, due to the complexity of the change, and currently is being phased-in to take full effect starting with calendar year 2026.

Section 70432 of the OBBBA retroactively (for calendar years beginning after December 31, 2021) reverted the reporting threshold under section 6050W to the pre-ARPA level, requiring reporting by a TPSO when payments to a payee exceed \$20,000 and 200 transactions in a calendar year. OBBBA also made a conforming change to the backup withholding dollar threshold under section 3406 to align with the restoration of the original de minimis reporting threshold. However, the de minimis backup withholding threshold applies to calendar years beginning after December 31, 2024, and does not apply to payments to a participating payee if payments made in the preceding calendar year were subject to Form 1099-K reporting.

Final regulations

The final regulations adopt proposed regulations issued in January 2026 without change.

- Because the existing regulations under section 6050W already reflect the reporting threshold as codified in the OBBBA, the final regulations do not alter the existing regulations under section 6050W.

- However, the final regulations update the regulations under section 3406 to reflect the statutory changes made by the OBBBA.

The final regulations apply to payments made in calendar years beginning after December 31, 2024.

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