



## Letter on Form 1099-K IRS Reporting Requirement

The Honorable Ron Wyden  
Chairman  
Senate Finance  
United States Senate  
Washington, D.C. 20510

The Honorable Mike Crapo  
Ranking Member  
Senate Finance  
United States Senate  
Washington, D.C. 20510

The Honorable Richard Neal  
Chairman  
House Ways and Means  
United States House of Representatives  
Washington, D.C. 20515

The Honorable Kevin Brady  
Ranking Member  
House Ways and Means  
United States House of Representatives  
Washington, D.C. 20515

November 21, 2022

Dear Chairman Wyden and Neal and Ranking Member Crapo and Brady:

Independent Women's Voice fights to enhance people's freedom, opportunities, and well-being. We write to you today urging you to fix a tax issue that is needlessly burdening lower- and middle-income Americans, especially women, with complex and confusing tax reporting requirements.

E-commerce and online marketplaces are lifelines for individuals looking to maintain their quality of life, pursue hobbies, or turn their passions into income-generating opportunities. With inflation near a 40-year-high, Congress should encourage new ways for Americans to make ends meet, especially those that lead to entrepreneurship and independence.

Women benefit tremendously from engaging in e-commerce and online marketplaces. Moms sell pre-owned clothing and toys that their children have outgrown to generate extra cash for the family. Old items such as bikes, furniture, and electronics can find new homes rather than ending up in landfills thanks to the online resale market. Even tutoring neighbors' kids or delivering food via apps can provide flexible and steady income.

These individuals are not big businesses and are not likely generating taxable income, but are often casual sellers. In a **survey of casual sellers** conducted by the 1099-K Fairness Coalition, 89% said online selling is not their primary income source and 86% said they made less than \$5,000 gross from items sold in 2021.

These individuals stand to suffer economic hardship from new IRS reporting requirements. When Congress passed the American Rescue Plan (ARP) in 2021, it approved a provision that altered the

reporting rules for IRS Form 1099-K. This form is intended for credit cards and other third-party payment processors to report to companies the income that flows from customers and to businesses.

Previously, a Form 1099-K was issued only if a business charged customers at least 200 times in a year and \$20,000 in total. ARP eliminated the 200-transaction threshold and lowered the dollar threshold to just \$600. Consequently, millions of individuals will now have to report such income when they file their taxes for the 2022 tax year in 2023. They will receive Form 1099-K from the marketplaces which facilitated any transactions.

This new reporting requirement introduces new complexity to the tax situation of many people triggering confusion. Tax filers may not know how to report the sales or over-report income leading to inaccurate filings. The Congressional Research Service (CRS) warned in a **report**: “Increasing information reporting for payment settlement entity transactions may increase tax complexity... Taxpayers who typically have relatively simple tax situations may not know how to report this transaction on their income tax return while also claiming the correct deduction for it.”

The new reporting threshold will also cause many people financial issues. Nearly **40%** of casual sellers said the change poses an economic hardship to them and, of these, three out of four (74%) said they sell online to help pay for necessary personal expenses. If a taxpayer ignores Form 1099-K on their tax return, they could be taxed for the full amount reported on the 1099-K, even if they sold at a loss.

The CRS predicts that the IRS will expend added resources adjusting tax filings to fix errors caused by this reporting requirement. The IRS is already struggling with unprocessed returns and other issues.

This tax reporting issue was avoidable but thankfully, it is correctable. Congress should restore the original \$20,000 threshold or one significantly higher than \$600. There are several bipartisan bills that aim to do that. The lame-duck session is the perfect time to fix this issue to prevent unwarranted tax bills and economic burdens next tax filing season.

We urge lawmakers to raise the reporting threshold before the 2023 tax filing season begins to correct this wrong.

Respectfully,



**Patrice Onwuka**

*Director, Center for Economic Opportunity*

*Independent Women's Voice*