

# Congress of the United States

## Washington, DC 20510

December 19, 2022

The Honorable Nancy Pelosi  
Speaker of the House  
United States House of Representatives  
Washington, DC 20515

The Honorable Kevin McCarthy  
Minority Leader  
United States House of Representatives  
Washington, DC 20515

Dear Speaker Pelosi and Leader McCarthy:

As you continue to craft a year-end legislative package, we want to bring your attention to concerns regarding the new reporting threshold for Form 1099-K filings.

As you know, the American Rescue Plan Act (ARPA) of 2021 amended section 6050W(e) of the Internal Revenue Code and lowered reporting thresholds for Form 1099-K filings from \$20,000 in aggregate payments and 200 transactions to denominations of \$600 in aggregate payments, with no minimum transaction requirement. This legislation went into effect on December 31, 2021, meaning all payments that occur throughout 2022 are subject to this lower threshold.

Online platforms and third-party payment networks like Venmo, PayPal, Etsy, and eBay will begin issuing Form 1099-Ks to users in January 2023. Previously, these platforms only had to send these reporting forms to users and the IRS if users received at least \$20,000 in 200 or more separate transactions. This drastically lower threshold means that millions of individuals will receive Form 1099-Ks for the first time in 2023 – often in instances where there is no tax liability whatsoever, creating significant confusion and administrative challenges.

For example, selling a used good such as a college textbook or an old piece of furniture for less than the original purchase price will not create any taxable income. However, these transactions will now trigger reporting requirements, yielding confusion for online platforms and taxpayers, which could result in overreporting of income and therefore overpayment of taxes as well as ineligibility for certain tax benefits. Numerous individuals could be forced to hire costly tax professionals and keep onerous records and receipts or could be misled into thinking the arrival of a Form 1099-K represents taxable income they must report.

This lower threshold places unnecessary scrutiny on people who sell used items online as part of a virtual garage sale or who sell old clothes – payments that are generally non-taxable in any case. This increased reporting will further complicate the already difficult tax compliance burden that filers face.

Millions of Americans have sold an item online without running a business of any kind. A recent survey<sup>1</sup> showed that out of adults who sold goods online in 2021 and made less than \$20,000 in

---

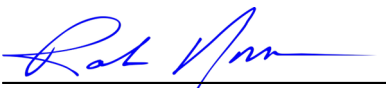
<sup>1</sup><https://bipac-momentum-media.s3.amazonaws.com/Media/assets/000/035/087/original/coalition-for-1099-K-fairness-2021-survey-results-report.pdf>

online sales, nearly 40 percent said the new mandate poses an economic hardship. 74 percent of these individuals sell online to help pay for critical personal expenses, like medicine, groceries, rent, and other bills. Unfortunately, nearly 70 percent of respondents said they are likely to stop selling online or sell less online based on these new requirements. Tax laws surrounding online sales should account for the millions of Americans using online marketplaces only for occasional transactions and transactions that do not produce a tax liability.

Additionally, already-strained IRS resources will be spent processing hundreds of millions of new forms – even when no reportable income was generated, which will only exacerbate processing delays for taxpayers and small businesses. At the end of May 2022, the IRS had a backlog of 21.3 million unprocessed returns.<sup>2</sup> Tax professionals estimate the number of 1099-Ks issued next year alone could be as high as 20 million.<sup>3</sup>

The drastic reduction to the reporting threshold for transactions on third-party networks will hurt millions of Americans. We encourage you to consider the immediate need for bipartisan reform to the Form 1099-K reporting requirements, and we urge you to significantly raise the \$600 reporting threshold before the end of the year.

Sincerely,



Ralph Norman  
Member of Congress



Chris Pappas  
Member of Congress



Raja Krishnamoorthi  
Member of Congress



Nancy Mace  
Member of Congress

---

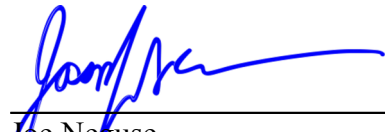
<sup>2</sup><https://www.irs.gov/newsroom/national-taxpayer-advocate-issues-midyear-report-to-congress-expresses-concern-about-continued-refund-delays-and-poor-taxpayer-service>

<sup>3</sup><https://www.wsj.com/articles/internal-revenue-service-taxes-irs-1099-k-form-tracking-payment-transactions-credit-card-venmo-privacy-breach-cybersecurity-11648745007>



---

Daniel T. Kildee  
Member of Congress



---

Joe Neguse  
Member of Congress



---

Steven Horsford  
Member of Congress



---

Stephanie Bice  
Member of Congress



---

Maria Elvira Salazar  
Member of Congress



---

Ken Buck  
Member of Congress



---

Tim Burchett  
Member of Congress



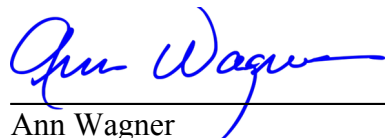
---

Barry Moore  
Member of Congress



---

Ted Budd  
Member of Congress



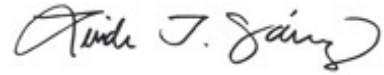
---

Ann Wagner  
Member of Congress



---

Ted W. Lieu  
Member of Congress



---

Linda T. Sánchez  
Member of Congress



---

Katie Porter  
Member of Congress



---

Sheila Jackson Lee  
Member of Congress



---

Chrissy Houlahan  
Member of Congress



---

Dwight Evans  
Member of Congress



---

Nicole Malliotakis  
Member of Congress



---

Brian Fitzpatrick  
Member of Congress



---

Eric Swalwell  
Member of Congress



---

Barry Loudermilk  
Member of Congress



---

Bill Posey  
Member of Congress



---

Steve Cohen  
Member of Congress



---

Tom O'Halleran  
Member of Congress



---

Anna G. Eshoo  
Member of Congress



---

Ann McLane Kuster  
Member of Congress