

IRS Puts a Hold on Rule Change Affecting Venmo, Etsy Users

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Digital entrepreneurs, freelancers, and small business owners everywhere are likely glad to learn the IRS is pausing implementation of a rule change that would have required payment processing platforms to issue 1099 forms for transactions totaling over \$600. Payments for goods and services, including tips, are considered taxable business transactions by law.

Previously, the IRS only issued 1099-K forms if a business recorded 200 transactions totaling \$20,000 in a year.

CNN quoted IRS Commissioner Doug O'Donnell regarding the delay, who said that the "IRS and Treasury heard a number of concerns regarding the timeline of implementation of these changes under the American Rescue Plan." O'Donnell said the IRS wants to help smooth the transition, and "additional time will help reduce confusion during the upcoming 2023 tax filing season and provide more time for taxpayers to prepare and understand the new reporting requirements."

Ideally, small business owners and independent contractors now have more time to understand the new reporting requirements and ensure they are ready to go.

CNN notes that when it goes into effect, the rule won't result in additional taxation and won't affect personal Venmo transactions such as splitting the check at a restaurant.

However, the 1099-K report is expected to reduce tax evasion effectively.

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