

# 1099-K: Scope & Reporting on the Tax Return

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## Will I receive a 1099-K?

That depends. Payment apps and online marketplaces are required to report distributions of money on **Form 1099-K** if the amount meets certain thresholds.

	<b>Form 1099-K is required if:</b>
Tax Year 2023 & Prior Years	The total of all payments distributed to a person exceeded \$20,000 in gross payments from more than 200 transactions.
Beginning with Tax Year 2024	The total of all payments distributed to a person exceeded \$5,000 in gross payments regardless of the number of transactions.

But the issuance of **Form 1099-K** does NOT automatically mean that the amount reported on the form is taxable to the person who received the form. And, vice-versa, not receiving **Form 1099-K** does not mean that any funds received are not taxable.

*Note:* In November 2023, the IRS announced the **delay of the implementation of a lower threshold** for payment apps and online marketplaces to issue Form 1099-K to taxpayers.

## Is Form 1099-K in scope for VITA?

**Form 1099-K must be reported on the tax return.** If the taxpayer should not have been issued a 1099-K but they cannot get it corrected by the payer, then the taxpayer will have to report it on their tax return. The following table describes when a 1099-K is in scope for VITA.

*Chart on next page...*

Form 1099-K received for...	Is the 1099-K in scope for VITA?
Taxable income received for self-employment income Examples: rideshare driving, food truck business, vendor at a farmers market	Yes
Rental income	Yes - Military certification required
Any other type of taxable income (like the sale of a personal item)	No
<p>If the taxpayer just <b>sold a single sofa or a few personal items</b> (like on eBay or Mercari or Facebook Marketplace), then it is a <b>personal sale</b> and the <b>1099-K makes the tax return out of scope for VITA</b> regardless of whether there was a gain or loss.</p> <p>A <b>loss on the sale of a personal item is not deductible</b>. If a 1099-K is received, the sale must be reported on the tax return and therefore is <b>out of scope</b>.</p> <p>(For the taxpayer's knowledge, this <a href="#">IRS guidance</a> outlines the two options the taxpayer has for reporting the nondeductible loss on their tax return.)</p> <p><b>If the taxpayer has a business selling items on ebay</b>, then the 1099-K information is entered on the Schedule C and is <b>considered self-employment</b> (see first row of chart).</p>	

### If Form 1099-K is incorrect:

Taken from [IRS guidance](#) last updated 8/15/23.

You may get a Form **1099-K in error** when the form:

- Reports payments that were **gifts or reimbursements from family or friends**
- **Doesn't belong to you** or is a **duplicate**

If this happens:

- **Contact the issuer immediately** – see FILER on the top left corner of Form 1099-K. If you don't recognize the issuer, contact the Payment Settlement Entity (PSE) on the bottom left corner of the form above your account number.
- Keep a copy of the original and corrected forms 1099-K and all correspondence with the issuer for your records.
- Don't contact the IRS; they cannot correct the Form 1099-K.

We acknowledge that **it may not be realistic to expect many 1099-Ks to be corrected by the payer**. Therefore, **we recommend that the taxpayer attempt to get a corrected 1099-K from the payer but will prepare the tax return with the incorrect 1099-K** during the taxpayer's visit if they prefer to continue without first attempting to get the 1099-K corrected.

## If you can't get a corrected 1099-K:

Report the erroneous/non-taxable amount on Schedule 1.

**Example:** You receive Form 1099-K for \$650 your roommate sent you for their share of rent (that you will then pay to your joint landlord).

In TaxSlayer Pro (as of 9/19/23 for tax year 2022):

- **Navigate to Income > Other Income > Other Income Not Reported Elsewhere.**
- **Select "Other Income" from the dropdown. Enter "Form 1099-K received in error" or as much as will fit given the character count restrictions. Enter the amount from the 1099-K that is not taxable.**

### Other Income

Form belongs to  
Taxpayer

Other Income Description \*

Other Income

Description of other income \*

1099-K received in error

Amount of other income \*

\$ 650

- Then **navigate to Deductions > Adjustments > Other Adjustments** and **scroll down to "Adjustments Not Listed Elsewhere."**
- Enter (again) **"Form 1099-K received in error"** or as much as will fit given the character count restrictions. Enter (again) the **amount from the 1099-K** that is non-taxable.

Olympic Medal

\$

Adjustments Not Listed Above

Description

1099-K in error

Amount

\$ 650

- **Always check the tax return** print set to ensure everything is showing up correctly!
  - Confirm on **Schedule 1 Part I line 8z** the **income** description and amount appear correctly.

**z Other income. List type and amount:** \_\_\_\_\_ **8z** 650  
**1099-K RECEIVED IN ERROR**

- Confirm on **Schedule 1 Part II line 24z** the **adjustment** description and amount appear correctly.

**z Other adjustments. List type and amount:** \_\_\_\_\_ **24z** 650  
**1099-K IN ERROR: 650**

- **On Form 1040**, lines 8 (other income), line 9 (total income), and line 10 (adjustments) will be impacted by the entries. But **line 11 (adjusted gross income) and below should not be impacted.**

**Example:** You receive Form 1099-K from Venmo for \$2600. Of that total, \$600 represents reimbursements from friends for concert tickets and \$2000 represents rental income received from your tenant.

You will report these partial amounts in different locations on the tax return. The \$600 is non-taxable reimbursements from friends, and \$2000 is taxable rental income.

On Schedule 1:

- **Navigate to Income > Other Income > Other Income Not Reported Elsewhere.**
- **Select “Other Income” from the dropdown and enter “Form 1099-K received in error” with the amount \$600.**
- **Navigate to Deductions > Adjustments > Other Adjustments and scroll down to “Adjustments Not Listed Elsewhere.” Enter “Form 1099-K received in error” and \$600.**

- **Confirm the entries appear on Schedule 1 Part I line 8z and Part II 24z and that they do not have any net effect on Form 1040 line 11 adjusted gross income.**

**The remaining \$2000 for taxable rental income should be reported on Schedule E.**

- This requires the **Military certification** and should be sent to Drop Off.
- The taxpayer should also fill out the Military and Rental Worksheet on CTC Resources.

**Note:** We recommend that taxpayers **confirm in their third-party app** (e.g. Venmo, Cash App, Paypal) that they have **correctly indicated in their settings** (or during individual transactions) whether the account is for personal or business purposes. It may be beneficial to **keep a separate account for business/taxable transactions.**