



States revising Form 1099-K filing thresholds

Global information reporting update

Vermont and Massachusetts have new rules for Form 1099-K filings effective for payments made beginning January 1, 2017.

Background

Section 6050W of the Internal Revenue Code (Section 6050W) requires Payment Settlement Entities (PSEs) to report gross payments they settle on Forms 1099-K to the IRS annually. Section 6050W allows PSE that are Third Party Settlement Organizations (TPSOs) to use a de minimus threshold when reporting payments on Form 1099-K. Under the de minimus threshold, PSEs are only required to report where payees have more than 200 transactions and settlement amounts exceeding \$20,000 annually (the "de minimus threshold"). In comparison, the annual reporting threshold for payments of compensation on IRS Forms 1099-MISC is only \$600 or more.

Certain states also require PSEs to file Forms 1099-K with state taxing authorities. Historically, state Form 1099-K requirements generally followed the de minimus threshold. Recently, however, certain states have taken steps to remove the de minimus threshold for Form 1099-K reporting. Specifically, Vermont and Massachusetts have announced that they will require Form 1099-K reporting at a lower threshold for payments made during 2017.

Vermont

Vermont passed legislation in 2017 requiring TPSOs to file Forms 1099-K with the Vermont Department of Taxes if the amount of transactions reportable to the state exceeds \$600 annually for any payee (instead of at the \$20,000 and over 200 transactions level under the de minimus threshold). Vermont's new rule also requires TPSOs to report transactions at the lower threshold to payees. The new rule is effective retroactively to payments made beginning January 1, 2017, and applies to Form 1099-K filings for the 2017 year that will be filed in 2018.

Massachusetts

Similarly, Massachusetts passed legislation in 2017 that enabled the Massachusetts Commissioner of Revenue (the "Commissioner") to lower the Form 1099-K reporting thresholds. On November 29, 2017, the Commissioner published a Technical Information Release announcing a requirement that a TPSO must report on a Form 1099-K to the Massachusetts Department of Revenue when the gross amount paid in settlement to a payee that is taxable to Massachusetts is \$600 or greater, irrespective of the number of transactions. The TPSO must also report to the payee at the lower threshold. (Note that the reporting threshold for Massachusetts is \$600 **or greater**, a slightly different threshold than for Vermont).

How Does this Impact Your Form 1099-K Reporting?

TPSOs with Massachusetts or Vermont Form 1099-K reporting obligations should analyze their payee onboarding, backup withholding, and reporting processes and prepare to (1) file accurate Forms 1099-K with those states and (2) issue accurate Forms 1099-K to their payees with respect to the 2017 year and future years at the applicable thresholds.

Deloitte Tax is ready to help

The Deloitte Tax Global Information Reporting practice leads in experience with reporting matters pertaining to Section 6050W. Please reach out to the individuals below with any questions.

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