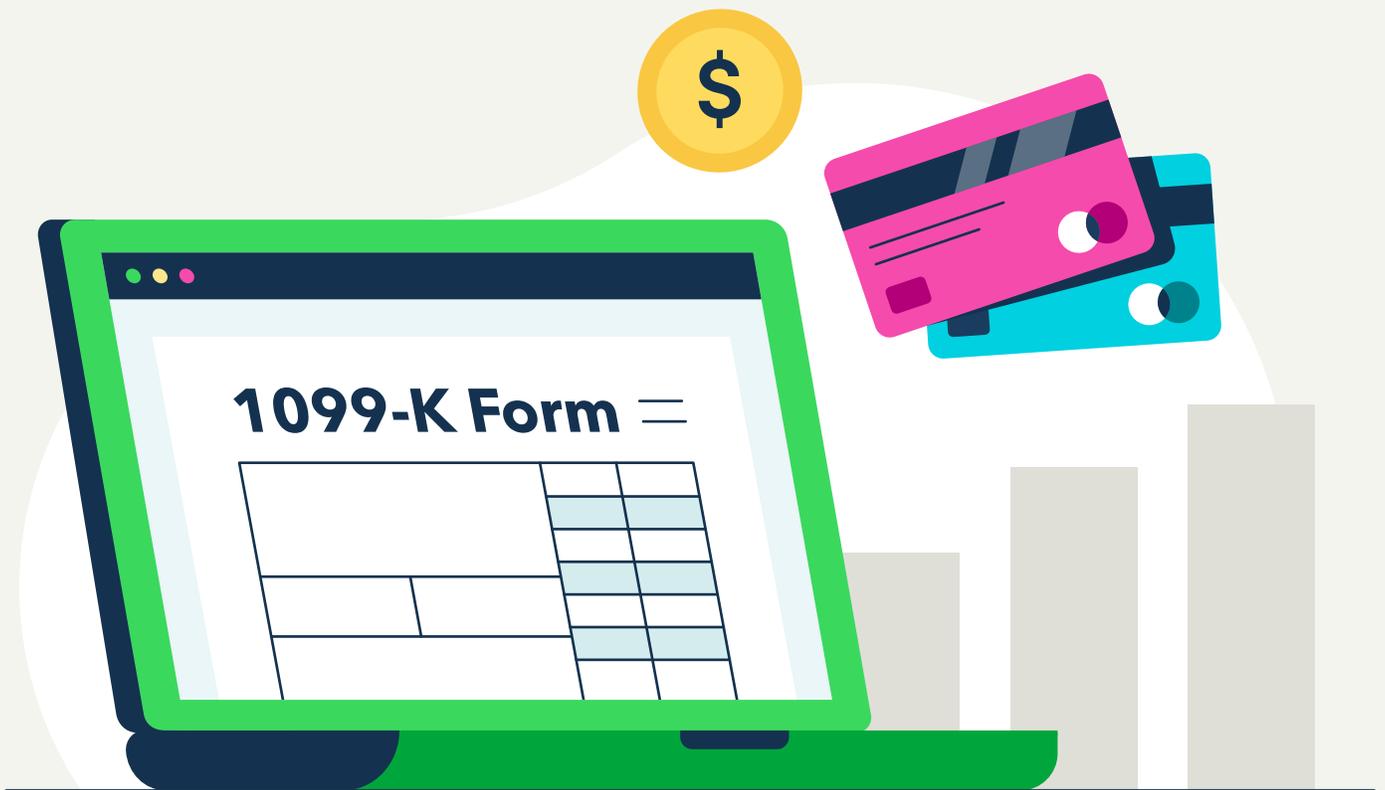




Understanding your 1099-K form

Who gets one, the new reporting thresholds, and how to file correctly



Critical update for 2025-2026 tax season: 1099-K reporting thresholds

Form 1099-K reports payments you received via payment cards (like credit/debit) and third-party networks (like PayPal, Venmo, Etsy).

The IRS has repeatedly changed the threshold for third-party payment organizations (TPSOs) to phase in new rules. The table below illustrates the specific minimum reporting criteria that apply to TPSO payments for each tax year, **which determines whether you should expect to receive a Form 1099-K.**

Tax year	Total payments	Minimum transactions
2023 (Taxes filed in 2024)	Over \$20,000	Over 200
2024 (Taxes filed in 2025)	Over \$5,000	None
2025 (Taxes filed in 2026)	Over \$2,500	None

Important: The threshold for payment card transactions (e.g., credit card terminals) remains unchanged, so there is no minimum. You will receive a 1099-K for all amounts.



What is a 1099-K used for?

The IRS uses Form 1099-K to track digital business payments. And validate that all businesses (including freelancers, gig workers, and sole proprietors) report their correct gross sales.

Who sends you a 1099-K?

The form is sent to you (and the IRS) by the Payment Settlement Entity (PSE)—the company that processed the transaction. You may receive one from each platform or service you use, such as:

- **Payment card processors:** Merchant services processing credit, debit, or gift cards (e.g., Square, Stripe).
- **Third-party payment networks (TPSOs):** Online marketplaces (eBay, Etsy), payment apps (Venmo, PayPal), and gig economy platforms (Uber, Upwork).

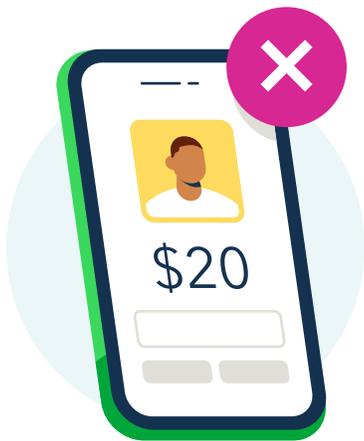
1099-K vs. 1099-NEC: Know the difference

Form	Reports	Who issues it?	Threshold for payer
1099-K	Gross sales/payments from cards and apps	The payment processor (PayPal, Visa, Etsy, etc.)	Varies by year (see table on page 2)
1099-NEC	Nonemployee compensation (services paid by check/wire/cash)	The business payer (your client/customer)	\$2,000 or more

Crucial information: Payments received via a TPSO (like PayPal) are reported on Form 1099-K by the TPSO and should not be reported on a 1099-NEC by the client. This prevents duplicate reporting.

Handling personal payments on business income

Form 1099-K is for **business-related income** only. If you use your business payment account (or an app set up as a business account) to receive personal payments, you may get a 1099-K for nontaxable income.



Non-taxable payments

Payments for splitting costs with roommates, buying gifts, or selling a personal item at a loss.

Action required: You must use the new spaces on Schedule 1 (Form 1040) to offset these payments, so you are not taxed on them. Always separate business and personal accounts.

1099-K deductions: Maximizing your write-offs

The 1099-K reports the **gross amount** you received, which means it includes fees, shipping costs, and refunds. You must deduct these expenses to find your true taxable profit.

Deductible expenses include:

- ✓ Credit card or payment processing fees
- ✓ Online marketplace fees (eBay, Etsy commissions, etc.)
- ✓ Shipping costs and refunds
- ✓ Web hosting and advertising costs
- ✓ Home office deduction (if applicable)

4 steps for reporting 1099-K income

Reporting your 1099-K income correctly is similar to reporting other business income.

Step 1

Get organized and review forms

- Gather all 1099-K forms you received.
- Confirm the name, TIN, and gross payment amounts on each form are correct. If incorrect, contact the issuer immediately to request a corrected form.

Step 2

Prepare your Schedule C

All business income—including the gross receipts reported on your 1099-K(s)—must be reported on Schedule C (Form 1040).

- Combine all sales income (cash, checks, and 1099-K amounts) into your total gross receipts (Schedule C, Line 1).
- If your books show less income than your 1099-K total, the IRS will assume you underreported. Your reported income must be equal to or greater than the sum of all your 1099 forms.

Step 3

Deduct all expenses

Use Part II of your Schedule C to deduct all applicable business expenses, including the processing fees you incurred to receive the 1099-K income.

Step 4

Know your tax rate

As a self-employed individual, you are responsible for the full 15.3% self-employment tax on your net profit (reported on Schedule SE). This is in addition to your standard income tax rate.



Form 1099-K example

VOID CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. Path Golf, LLC 1544 Market St, Suite 400 San Francisco, CA 94103		FILER'S TIN 81-0896455	OMB No. 1545-2205 Form 1099-K (Rev. January 2022)	Payment Card and Third Party Network Transactions
		PAYEE'S TIN 777-77-7777	For calendar year 20__	
		1a Gross amount of payment card/third party network transactions \$ 74,207.11		
Check to indicate if FILER is a (an): Payment settlement entity (PSE) <input type="checkbox"/> Electronic Payment Facilitator (EPF)/Other third party <input type="checkbox"/>		Check to indicate transactions reported are: Payment card <input type="checkbox"/> Third party network <input type="checkbox"/>	1b Card Not Present transactions \$	2 Merchant category code
		3 Number of payment transactions 2,110	4 Federal income tax withheld \$	
PAYEE'S name BILL EVANS		5a January \$	5b February \$	
Street address (including apt. no.) 777 BRANNAN ST.		5c March \$	5d April \$	
City or town, state or province, country, and ZIP or foreign postal code SAN FRANCISCO, CA 94107		5e May \$ 3,232.89	5f June \$ 4,105.89	
PSE'S name and telephone number		5g July \$ 4,527.05	5h August \$ 5,828.03	
Account number (see instructions) 6PHETHEOG6AOPPF9005		5i September \$ 3,661.58	5j October \$ 4,421.97	
		5k November \$ 4,634.58	5l December \$ 3896.67	
		6 State CA	7 State identification no. \$	
			8 State income tax withheld \$	

Copy 1
For State Tax Department

Form 1099-K (Rev. 1-2022)

www.irs.gov/Form1099K

Department of the Treasury - Internal Revenue Service

1a is the box you'll use when reporting your earnings.

1099-K Total: \$74,207.11
 +1099-MISC Total: \$18,739.88
 Path Golf Gross Total: \$92,946.99

Put this Gross number on your **Schedule C Part 1, Line 1**

Part I Income	
1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked.	1

Path Golf Total Commission and Fees: \$26,933.55

Put this Deduction on your **Schedule C Part 2, Line 10**

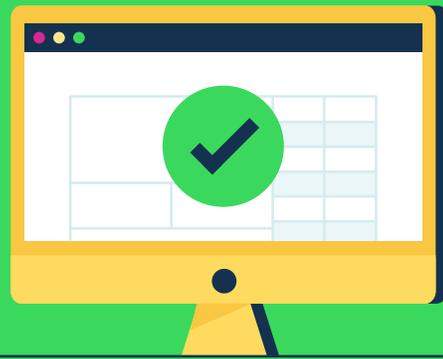
Part II Expenses. Enter expenses for business use of your home only on line 30.			
8 Advertising	8	18 Office expense (see instructions)	18
9 Car and truck expenses (see instructions)	9	19 Pension and profit-sharing plans	19
10 Commissions and fees	10	20 Rent or lease (see instructions):	
		a Vehicles, machinery, and equipment	20a

Find peace of mind come tax time

The changing 1099-K thresholds and the need to track fees against gross receipts make accurate bookkeeping essential. Relying on manual spreadsheets puts you at risk of paying tax on money you didn't actually keep.

QuickBooks accounting software helps streamline 1099-K compliance by:

- Linking directly to your bank and payment apps to ensure all income is reported.
- Automatically categorizing payment processing fees so they are correctly deducted.
- Providing the accurate Schedule C data you need for filing.



Learn how
**QuickBooks can
reconcile your
gross payments and
deductible fees.**

[Explore QuickBooks tax tools](#)

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