

Hi, it's Siobhan here and this is a brief video about the 1099-K form. Now I know most of you have probably not even heard of this form, but many more of you will by the time we hit February. So this form, the 1099-K, I'll explain what it is, how it's been used in the past, how the rules have changed (the IRS has changed the rules of the game with this form), why this is going to affect a bunch more of you, and what to do about it.

In the past, the 1099-K form was issued to businesses by credit card processing companies when they process more than \$20,000 in payments. So for example, if you have a business and you use Stripe or Square or PayPal for running credit cards and receiving payments in your business, if you have more than \$20,000 that runs through your business through that system, that system will send you a 1099-K form. They go out at the end of January and so people have them end of January, early February. So a lot of business owners are familiar with this form as issued by credit card processing companies.

However, the IRS changed the rules and the way they changed the rules is they said if these companies process more than \$600, they need to issue a 1099-K and they need to do that whether it's going to a business or an individual. So this is why it's going to affect so many more people. The dollar threshold has come way down from \$20,000 to \$600 and it's going out to businesses and individuals.

What this means is if you decided this is the year you are going to get your basement cleared out and sell all that stuff on eBay, if you sold more than \$600 worth of stuff on eBay, you will get a 1099-K form from eBay. If you have a craft hobby and you make really cool stuff and you're selling it on Etsy on the side for fun, cover some of your costs of yarn or whatever your supplies are. If you sold more than \$600 worth through Etsy, you're going to get a 1099-K form from Etsy. Maybe you're heavy Venmo user. I see this more and more. If you have a lot of funds getting transferred through Venmo, maybe you go out a lot with friends and you share expenses one person pays and everybody else venmos them their portion. Or you had a big garage sale this summer and a lot of people paid you via Venmo. If you received more than \$600 through Venmo, you'll get a 1099-K form.

So here's the deal. You're going to get a 1099-K form whether or not this money coming to you is taxable. If you had a garage sale, that income is not taxable income. If you go out with friends and you pay the bill for dinner and drinks and everybody venmos you a portion of it, that's not taxable income. If you're selling stuff out of your basement on eBay, that's usually not taxable income. If you are selling stuff on Etsy, usually you're not generating taxable income, although it might be reportable on your tax return, it's usually not taxable. So here's the thing, all of these companies are going to be sending out all these 1099-K forms and some of it is not taxable income, but the IRS will assume that it is. So the reason the IRS changed the rules is they want to catch more people who are earning money and not reporting it, right? That's their job. Sadly, I don't think this is a great strategy for it because it's going to make more headaches than it is valuable to them. But that's a whole other discussion. We won't go there.

When you receive a 1099-K form, the IRS receives it too and they do a crosscheck. When you file your tax return, they look on your tax return and they look for that form as taxable income. So if you do not report this income on your tax return, what's going to happen? You're going to get a nastygram from the IRS. You're going to get a notice that says, Hey, you didn't report all your income and actually we think you owe a bunch more tax, right? We hate those notices. It freaks people out. We have a lot of

experience dealing with these notices, and if you haven't yet watched the video above about our worry free client care package, this is one of the reasons we've created it.

We're going to see a lot of people getting these notices because some of these 1099-K forms are going to be delivered electronically, right? They're just going to be in your eBay account or your Etsy account. They're not going to come in the mail, you're not even going to know to look for them. And then a year later, a year and a half later, you're going to get a nastygram from the IRS saying you owe them more tax.

We want to avoid that as much as we can and then we want to help protect you if and when it happens. So the other video up above about our worry-free client care package talks about those notices and how we handle those. But this video is really about the 1099-K form and ultimately the bottom line is if a 1099-K form is issued to you, we need to put it on your tax return. Now this does not mean it's going to be taxable income. There are ways to put this data on your tax return and then deduct it right back out so you're not paying tax on income that's not taxable. Now obviously if it is taxable income, we're going to put out on your tax return and you're going to pay tax on it. We're not doing anything illegal or unethical here. But if you do have a 1099-K for income that is not taxable income or is not business income, it needs to report it somewhere else in your tax return, we need to put it on your tax return. So we need those forms.

Watch for the forms, watch for them in the mail. They'll come late January, early February on any of those types of platforms. eBay, Etsy Amazon is another one that people do selling. Go online in the end of January into your account, look for the reports and look for the tax reports. You very well may have a 1099-K hiding in there. So watch for them and go look for them. If you use any of those platforms and upload those forms to us as part of your tax documents. You're going to see in your questionnaire from us this year, we're going to ask you about these kinds of activities. We're going to ask you if you sold on eBay, if you sold on Etsy, if you sold on Amazon and so forth. Because we're looking for these forms. We want to get as many of them as possible so we get them reported on the tax return and we avoid those nasty rooms from the IRS. Again, if you get them, we can help you handle those. That's part of what that worry-free client care package is about. But best scenario is we have the forms up front, we can handle it on the tax return and we don't have to deal with the IRS at all. Right?

So that's about it on this topic. Watch for the 1099-K forms in the mail. Go look for them on online selling platforms or payment processing platforms that you have used, whether it's been for business or personal, whether it's associated with taxable income or not, doesn't matter. You still might have those forms coming. Make sure you submit to us all of those forms. Take a little time on that q and A section in the questionnaire because it is new and hopefully we will have them all for everybody or call us, do it and avoid a bunch of IRS notices down the road.