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Crowdfunding is a method of raising money through websites by soliciting contributions from a large number of people. The contributions may be solicited to fund businesses, for charitable donations, or for gifts. In some cases, the money raised through crowdfunding is solicited by crowdfunding organizers on behalf of other people or businesses. In other cases, people establish crowdfunding campaigns to raise money for themselves or their businesses.

### **Receipt of a Form 1099-K for Distributions of Money Raised Through Crowdfunding**

The crowdfunding website or its payment processor may be required to report distributions of money raised if the amount distributed meets certain reporting

thresholds by filing Form 1099-K, *Payment Card and Third Party Network Transactions*,

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and furnish a Form 1099-K was met if, during a calendar year, the total of all payments distributed to a person exceeded \$20,000 in gross payments resulting from more than 200 transactions or donations.

For calendar years beginning after December 31, 2021, the threshold is lowered and is met if, during a calendar year, the total of all payments distributed to a person exceeds \$600 in gross payments, regardless of the number of transactions or donations.

Accordingly, if a crowdfunding website or its payment processor makes distributions of money raised that meet the reporting threshold, and the contributors to the crowdfunding campaign received goods or services for their contributions, then a Form 1099-K is required to be filed with the IRS. Additionally, if the distributions of the money raised are made to the crowdfunding organizer, a copy of the Form 1099-K must be furnished to the organizer; alternatively, if the distributions of the money raised are made directly to individuals or businesses for whom the organizer solicited funds, the Form 1099-K must be furnished to those individuals or businesses that receive amounts that meet the reporting threshold.

A person receiving a Form 1099-K for distributions of money raised through crowdfunding may not recognize the filer's name on the form. Sometimes the payment processor used by the crowdfunding website, rather than the crowdfunding website itself, will issue the Form 1099-K and be included as the filer on the form. If the recipient of a Form 1099-K does not recognize the filer's name or the amounts included on the Form 1099-K, the recipient can use the filer's telephone number listed on the form to contact a person knowledgeable about the payments reported.

Box 1 on the Form 1099-K will show the gross amount of the distributions made to a person during the calendar year, but issuance of a Form 1099-K doesn't automatically mean the amount reported on the form is taxable to the person

receiving the form. As discussed below, the income tax consequences depend on all

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property received as a gift is not includible in the gross income of the person receiving the gift.

If a crowdfunding organizer solicits contributions on behalf of others, distributions of the money raised to the organizer may not be includible in the organizer's gross income if the organizer further distributes the money raised to those for whom the crowdfunding campaign was organized.

If crowdfunding contributions are made as a result of the contributors' detached and disinterested generosity, and without the contributors receiving or expecting to receive anything in return, the amounts may be gifts and therefore may not be includible in the gross income of those for whom the campaign was organized. Contributions to crowdfunding campaigns are not necessarily a result of detached and disinterested generosity, and therefore may not be gifts. Additionally, contributions to crowdfunding campaigns by an employer to, or for the benefit of, an employee are generally includible in the employee's gross income.

Taxpayers may want to consult a trusted tax professional for information and advice regarding how to treat amounts received from crowdfunding campaigns.

### **Recordkeeping for Money Raised Through Crowdfunding**

Crowdfunding organizers and any person receiving amounts from crowdfunding should keep complete and accurate records of all facts and circumstances surrounding the fundraising and disposition of funds for at least three years.

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