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leave their platforms, and a majority (55%) of marketplace sellers and gig workers are reconsidering online selling and on-demand work.

Isaac M. O'Bannon • Nov. 28, 2023



A new survey of marketplace sellers, gig workers, and decision makers at online marketplaces shows that previously proposed changes to IRS form 1099-K reporting requirements would be a threat to their business interests.

The changes, which are presently on hold by the IRS, could include a drop in the reporting threshold from \$20,000 to \$600. This change would have impacted

significantly more marketplace sellers and gig workers. On November 21, the IRS

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“Our survey data reveals the need for proactive measures on the part of marketplace sellers, on-demand workers, and online marketplaces to determine how best to comply with a revised 1099-K digital payments threshold,” said Scott Peterson, VP, US Tax Policy at Avalara. “Gig workers and sellers anticipating significant impacts from the proposed IRS changes should seek advisory assistance from a bookkeeper or tax/accounting professional around newfound reporting complexity prior to making big decisions. And businesses, bookkeepers and accounting firms can access cloud-based automation solutions that scale with reporting and form preparation and distribution demands associated with a decreased 1099-K threshold.”

Marketplaces and marketplace sellers disagree on readiness for 1099-K changes

Online platforms and their sellers differed on opinions around readiness for the proposed IRS 1099-K threshold change. Of those surveyed, 90% of marketplaces believe that third-party sellers on their platforms are prepared, and a majority (60%) of marketplaces believe that third-party sellers on their platforms are very prepared for proposed changes. In contrast, just over half (51%) of marketplace sellers say they are prepared.

Online sellers, gig workers and marketplaces anticipate material business impacts

As a testament to the perceived impact of the proposed IRS rule change, the survey found a resounding 83% of marketplaces anticipate sellers to leave their platforms as a result of 1099-K compliance issues, and a majority (64%) of marketplace sellers and gig workers are considering alternatives as a result of the proposed IRS requirements and tax implications. And geography matters – sellers and gig economy workers in the Midwest and West (71% and 70%, respectively) are most likely to consider

alternatives due to compliance requirements. Those in the South region are least

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the task of delivering many more of the forms in coming tax years. The General Accountability Office estimates the IRS would receive 44 million 1099-K forms (up from 14 million) following a threshold change. Two thirds (65%) of marketplace platforms plan to deliver 1099-K forms to sellers that meet a new threshold via automated solutions, according to survey results. Just under half (42%) would outsource form delivery to their accounting firm. And 47% of marketplaces would task their internal teams with manually delivering 1099-K forms to sellers that meet a new threshold.

Marketplace sellers look to accounting experts to manage 1099-K compliance

Not surprisingly, tax and accounting professionals will be top of mind for marketplace sellers scrambling to get a handle on the proposed reporting requirements. Nearly half (46%) plan to contact their bookkeeper, tax professional, or accountant to manage the proposed 1099-K rules. Other sellers (40%) plan to either figure out the rules on their own, and an equal number plan to reach out to others in the gig/merchant community for guidance. And just a third (33%) of sellers responded that they'll look to marketplaces for guidance around the proposed rules. Over half (60%) of marketplaces have already informed sellers about the proposed 1099-K reporting requirements, and 15% have gone further to advise sellers around compliance.

Taxes

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