

VENMO, PAYPAL, ZELLE, CASHAPP tax reporting FAQ.

Why did the tax law change?

The new legislation is not a tax change -- it's a tax reporting change so the IRS can keep tabs on the transactions made through payment apps that often go unreported.

Self-employed people should already be paying taxes on their total income, regardless of how payments are received or whether they are reported to the IRS.

Why didn't I receive a 1099K in prior years?

Prior to this legislation, a third-party payment platform would only report to the tax agency if a user had more than 200 commercial transactions and made more than \$20,000 in payments over the course of a year.

What is the new reporting requirement?

If you're self-employed or have a side business/hobby and get paid through digital apps like PayPal, Cash App or Venmo, any earnings totaling over \$600 annually will be reported to the IRS.

Do I have to complete the W-9 and/or provide my tax information when requested from third-party payers?

Yes, you will need to provide your employer identification number, individual tax identification number or Social Security number. If you own a business, you most likely have an EIN, but if you're a sole proprietor or individual freelance or gig worker, you'll provide an ITIN or Social security number.

Will we be taxed on personal items sold at a loss?

If you sell personal items for less than you paid for them and collect money via third-party payment apps, you will not owe taxes on the sale. We recommend you keep record (receipt of original purchase if possible) of your purchases and online transactions to avoid paying taxes on any nontaxable income, in case you receive a 1099-K by mistake.

Will we be taxed on personal items, handmade goods, etc sold at a gain?

If you have a side business/hobby where you buy items and resell them for a profit using a digital payment app, then earnings over \$600 will be considered taxable and reported to the IRS. Think ESTY.

Will the IRS tax me on money sent for personal purposes?

Personal transactions involving gifts, favors or reimbursements are not considered taxable. Some examples of nontaxable transactions include:

- Money received from a family member as a holiday or birthday gift
- Money received from a friend covering their portion of a restaurant bill or vacation
- Money received from your roommate or partner for their share of the rent and utilities

How can I avoid having personal money reported to the IRS?

We recommend creating separate PayPal, Zelle, Cash App or Venmo accounts just for your professional finances.