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(Original Signature of Member)

117TH CONGRESS
2D SESSION

H. R. _____

To amend the Internal Revenue Code of 1986 to increase the de minimis exception for third party settlement organizations to \$5,000, and for other purposes.

Mr. PAPPAS introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to increase the de minimis exception for third party settlement organizations to \$5,000, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Protecting Americans
5 from Tax Overpayment Act”.

1 **SEC. 2. MODIFICATION OF EXCEPTION FOR REPORTING OF**
2 **THIRD PARTY NETWORK TRANSACTIONS.**

3 (a) IN GENERAL.—Section 6050W(e) of the Internal
4 Revenue Code of 1986 is amended by striking “exceed
5 \$600” and inserting “equal or exceed \$5,000”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 this section shall apply to returns for calendar years begin-
8 ning after December 31, 2021.

9 **SEC. 3. PLAIN LANGUAGE NOTICE TO PAYEES REGARDING**
10 **FORM 1099-K.**

11 (a) IN GENERAL.—Section 6050W of the Internal
12 Revenue Code of 1986 is amended by redesignating sub-
13 section (g) as subsection (h) and by inserting after sub-
14 section (f) the following:

15 “(g) PLAIN LANGUAGE DESCRIPTION REQUIRED.—
16 Every person required to furnish a written statement
17 under subsection (f) shall simultaneously issue to the re-
18 cipient of such statement a plain language notice explain-
19 ing the contents of such statement, either through using
20 a Form or notice issued by the Internal Revenue Service
21 or by providing a written explanation that is substantially
22 similar in content to plain language on the Form or notice
23 issued by the Internal Revenue Service.”.

24 (b) EFFECTIVE DATE.—The amendments made by
25 this section shall apply to statements issued in taxable

1 years beginning after the date of the enactment of this
2 section.

3 (c) ESTABLISHMENT OF NOTICE TO TAXPAYERS
4 WITH RESPECT TO FORM 1099-K.—

5 (1) IN GENERAL.—Not later than 90 days after
6 the date of the enactment of this section, the Sec-
7 retary of the Treasury (or the Secretary's delegate)
8 shall amend Form 1099-K to include, in plain lan-
9 guage, a notice with respect to such Form which—

10 (A) directs payees to refer to the instruc-
11 tions for such Form to determine if a tax re-
12 turn must be filed,

13 (B) summarizes rules for taxability of in-
14 come reported on such Form, including as to
15 under what circumstances—

16 (i) income reported on such Form
17 may be subject to tax, and

18 (ii) income from personal items sold
19 at a loss or for no gain may not be subject
20 to tax, and

21 (C) provides a reminder to participating
22 payees that they may qualify for relevant small
23 business deductions.

24 Such notice shall be similar in form to the Notice to
25 Employee included in Form W-2 (as in effect on the

1 date of the enactment of this Act) and shall also be
2 issued as a stand-alone flier.

3 (2) REGULATIONS AND GUIDANCE.—The Sec-
4 retary of the Treasury may prescribe such regula-
5 tions or other guidance as may be necessary or ap-
6 propriate to carry out this subsection.

7 **SEC. 4. APPLICATION OF BACKUP WITHOLDING WITH RE-**
8 **SPECT TO THIRD PARTY NETWORK TRANS-**
9 **ACTIONS.**

10 (a) IN GENERAL.—Section 3406(b) of the Internal
11 Revenue Code of 1986 is amended by adding at the end
12 the following new paragraph:

13 “(8) OTHER REPORTABLE PAYMENTS INCLUDE
14 PAYMENTS IN SETTLEMENT OF THIRD PARTY NET-
15 WORK TRANSACTIONS ONLY WHERE AGGREGATE FOR
16 CALENDAR YEAR IS \$5,000 OR MORE.—Any payment
17 in settlement of a third party network transaction
18 required to be shown on a return required under sec-
19 tion 6050W which is made during any calendar year
20 shall be treated as a reportable payment only if—

21 “(A) the aggregate amount of such pay-
22 ment and all previous such payments made by
23 the third party settlement organization to the
24 participating payee during such calendar year
25 equals or exceeds \$5,000, or

1 “(B) the third party settlement organiza-
2 tion was required under section 6050W to file
3 a return for the preceding calendar year with
4 respect to payments to the participating
5 payee.”.

6 (b) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to calendar years beginning after
8 December 31, 2021.

9 (c) TRANSITIONAL RULE FOR 2022.—In the case of
10 payments made during calendar year 2022, section
11 3406(b)(8)(A) of the Internal Revenue Code of 1986 (as
12 added by this section) shall be applied by inserting “and
13 the aggregate number of third party network transactions
14 settled by the third party settlement organization with re-
15 spect to the participating payee during such calendar year
16 exceeds 200” before the comma at the end.