

117TH CONGRESS
2D SESSION

S. 3840

To amend the Internal Revenue Code of 1986 to increase the threshold for the de minimis exception for information reporting by third party settlement organizations.

IN THE SENATE OF THE UNITED STATES

MARCH 15, 2022

Ms. HASSAN (for herself and Ms. SINEMA) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to increase the threshold for the de minimis exception for information reporting by third party settlement organizations.

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 “Cut Red Tape for On-
5 line Sales Act”.

1 **SEC. 2. MODIFICATION OF DE MINIMIS THRESHOLD FOR**
2 **INFORMATION REPORTING BY THIRD PARTY**
3 **SETTLEMENT ORGANIZATIONS.**

4 (a) IN GENERAL.—Section 6050W(e) of the Internal
5 Revenue Code of 1986 is amended by striking “exceed
6 \$600” and inserting “equal or exceed \$5,000”.

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

10 **SEC. 3. APPLICATION OF BACKUP WITHHOLDING WITH RE-**
11 **SPECT TO THIRD PARTY NETWORK TRANS-**
12 **ACTIONS.**

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

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

24 “(A) the aggregate amount of such pay-
25 ment and all previous such payments made by
26 the third party settlement organization to the

1 participating payee during such calendar year
 2 equals or exceeds \$5,000, or

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

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

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

19 **SEC. 4. PLAIN LANGUAGE NOTICE TO PAYEES REGARDING**
 20 **FORM 1099-K.**

21 (a) **IN GENERAL.**—Section 6050W of the Internal
 22 Revenue Code of 1986 is amended by redesignating sub-
 23 section (g) as subsection (h) and by inserting after sub-
 24 section (f) the following:

1 “(g) PLAIN LANGUAGE DESCRIPTION REQUIRED.—
 2 Every person required to furnish a written statement
 3 under subsection (f) shall simultaneously issue to the re-
 4 cipient of such statement a plain language notice explain-
 5 ing the contents of such statement using a Form or notice
 6 issued by the Internal Revenue Service.”.

7 (b) EFFECTIVE DATE.—The amendments made by
 8 this section shall apply to statements issued in taxable
 9 years beginning after the date of the enactment of this
 10 section.

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

13 (1) IN GENERAL.—Not later than 90 days after
 14 the date of the enactment of this section, the Sec-
 15 retary of the Treasury (or the Secretary’s delegate)
 16 shall amend Form 1099-K to include, in plain lan-
 17 guage, a notice with respect to such Form.

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

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