**New Payment App Tax Reporting to Be Required**

Happy New Year! I can’t believe it’s 2023 already!

If you received payments in 2022 using a payment app, don’t be surprised if you receive a new tax reporting form called a ***1099-K*** in January 2023.

Also, it is very important to note that if you are receiving any payments through a payment app as it relates to dental services rendered, these funds must be transferred to your business account and not your personal account. ***I would highly recommend that you print the full year of activity from any payment apps and provide it to us so it can be included as part of your practice transactions and reconciled to your bank statements.***

When President Biden signed the American Rescue Plan stimulus package into law in March 2022, the information reporting requirements changed for third-party payment networks, such as Venmo, Cash App, Amazon, Square, and other payment companies that handle the settlement of funds by transferring them from a buyer to a seller. This does not include Zelle since they do not technically settle funds, but rather provide messaging between the user and a financial institution.

Previously the tax law stated that Form 1099-K must be issued to report transactions from third-party payment networks only if (1) gross payments exceed $20,000, AND (2) more than 200 transactions took place within the current calendar year. ***The new law now requires a Form 1099-K be issued for anyone who received payments over $600 for goods or services, with no minimum number of transactions.***

If you fall into this category, you should expect to see this form issued to you by your third-party network or financial institution for the 2022 tax year in early 2023. These companies may ask you for your Social Security number or Employer Identification Number (EIN) to properly report this information. The form will show your total gross income from these sources, including credit cards and online payments, with no adjustments for discounts or refunds.

It is important to note that Form 1099-K is an informational tax form, meaning that not everything on it will actually need to be reported as income on your tax return. The tax law stating what is and is not taxable has not actually changed, so it is essential that you keep excellent records to be able to prove the nature of these payments. ***It will be up to you as the taxpayer to identify which payments were for services rendered or goods sold so they can be properly reflected in your books and records.***

For example, if a friend or roommate is reimbursing you for something, if someone sends you a gift, or if you sell a personal item at a loss, these would appear on your 1099-K, but would not be taxable and would not need to be reported as income on your tax return.

Since many of your personal payments received may not be taxable, ***if you are a dental practice owner, it is especially helpful to keep your business and personal transactions under separate accounts.*** Keep receipts for everything, and be sure to let us know when we do your bookkeeping or prepare your tax return what these payments were for. Since audit rates are expected to increase very soon, make sure you keep clear records of each transaction in the event of an audit.

***Please remember to provide us with all 1099s, including the 1099-K, before we start preparing your business or personal tax return this year.***

If you have any questions, as always, please do not hesitate to reach out to me or any one of our comprehensive wealth management team members.