

Economic & Policy Update

E-newsletter Volume 25, Issue 1

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You May See a New 1099 Form in Your Mailbox

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Published: January 31, 2025

Farmers may begin receiving a new income-reporting Form 1099-K, Payment Card and Third Party Network Transactions. It reports gross payments to **you** for goods or services made through credit card, gift or debit card, and on-line payment services. These Third Party Settlement Organizations (TPSO) take payment from customers for you. This includes things like Venmo and PayPal.

For 2024, these TPSOs are required to issue a 1099-K if total payments to you exceed \$5,000, but they may send one even if the payments are less. For 2025, the amount is \$2,500, and by 2026 the threshold falls to \$600, like most other Form 1099s. The lower threshold will result in a lot more 1099-Ks being issued to many more taxpayers.

Currently, these kinds of farm transactions are used commonly for direct sales to customers. Think farmers' markets, on-farm retail markets, roadside stands, online sales, nurseries, wineries, and agritourism operations. But they are also being used for sales of hay and livestock.

What to report: Report the full amount of gross payments from Form 1099-K. Use your records to verify accuracy and proper reporting of gross payments on your tax return.

Generally, payments from family and friends will not be reported on Form 1099-K, but the purpose of payments isn't always clear. You may have to ask the TPSO to send a corrected 1099-K to remove non-farm income. You should set up a separate business account with the TPSO for receiving farm income and a personal account for non-farm income to keep the payments separate.

If the transactions are for farm income you should deduct fees, credits, refunds, and shipping costs charged by the credit card company or TPSO as farm expenses.

Where to report: Report gross payments as you would income from other forms of payment. Report payment for farm-related sales, custom work income, and miscellaneous farm income on Schedule F (Form 1040). Report gross payments for sales of farm equipment and breeding livestock on Form 4797. Rent will generally be reported on Schedule E (Form 1040).

Do not subtract expenses from the amount reported on Form 1099-K. The IRS will be looking for the gross payments reported on your return. Include them in expenses on the appropriate return.

Report sales of personal items, like autos and appliances, and sales and services from a hobby, on Form 1040.

Third-party networks will require you to complete a Form W-9 with your Employer ID Number or Social Security Number for reporting purposes so they can report to the IRS. Failure to do so may result in backup withholding of 28% of gross payments, and possibly loss of the service.

For more information see **Understanding your Form 1099-K** at <https://www.irs.gov/businesses/understanding-your-form-1099-k>.

See also the Tax Topic **Form 1099 Information Returns** at <https://extension.usu.edu/ruraltax/>.

Recommended Citation Format:

Pierce, J. "You May See a New 1099 Form in Your Mailbox." *Economic and Policy Update* (25):1, Department of Agricultural Economics, University of Kentucky, January 31, 2025.

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