



What Taxpayers Should Know About Big Changes to Form 1099-K Reporting

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Block Advisors by H&R Block demystifies a change impacting millions of small businesses, freelancers, and gig economy side hustlers this tax season

KANSAS CITY, Mo., Jan. 22, 2025 (GLOBE NEWSWIRE) -- The millions of Americans with revenue-generating side hustles and casual sellers may be in for a big surprise this January—an unexpected tax form called the 1099-K. Payment platforms, apps and online marketplaces must issue a Form 1099-K to anyone who received \$5,000 or more in payments on any single platform in 2024 to include with their tax return this tax season.

This is a substantial change from the prior threshold, in which 1099-Ks were only sent to individuals who received more than \$20,000 and had more than 200 transactions on any platform. The IRS also [announced](#) that the reporting threshold will continue to decrease in subsequent years and anticipates it will impact roughly [20 million people over](#) the next two years.

Implications for Side-Hustlers and Casual Sellers

What does this mean for taxpayers and the explosive growth of the side-hustle economy? Many Americans are supplementing their incomes to cover necessities and fund their dreams. Some resell highly coveted concert tickets or used designer merchandise. Others sell handmade goods on online marketplaces or drive for a rideshare company. The 1099-K change means these casual online sellers, gig workers, freelancers and small business owners whose online transactions met the new reporting threshold for the first time in 2024 could have a more complex tax filing experience.

Recent data from H&R Block's [Outlook on American Life](#) report found that GenZ is the generation most likely to rely on multiple income streams from a patchwork of revenue-generating activities, and most often online. These individuals must now account for and report their income more diligently to ensure compliance with the IRS regulations.

Many people are surprised that as gig workers they actually own a small business in the eyes of the Internal Revenue Service. And small businesses have extra tax rules—and potentially more IRS audits and notices—making filing taxes complicated. Whether gig revenue is the primary source of income or a side hustle, these individuals have more requirements and responsibilities that may lead them to interact more with the IRS and state revenue offices.

“Although these changes could result in more paperwork at tax time, the bigger concern is about accuracy,” said Carl Breedlove, a leading expert at H&R Block's The Tax Institute. “Block Advisors and H&R Block small business certified tax pros have the expertise to help cut through the confusion, ensure you file accurately, and get you every possible deduction so you can keep more of your hard-earned money.”

While these new tax requirements may seem daunting, taxpayers filing as self-employed or small business owners also have more opportunities to offset their tax burden. Tax deductions, such as expenses you incur during your gig or side hustle, can help lower your income and overall tax bill. Self-employed and gig workers can often take advantage of small business tax deductions that individuals can't.

Recommendations to Minimize Tax Liability

- **Create separate business and personal profiles:** Using the same account for business and personal transactions, such as splitting rent or sending gifts, may make distinguishing business income and expenses difficult.
- **Maintain detailed records:** Keep thorough records of all transactions, including the amount received, the date, and the nature of the transaction. This includes sales receipts, invoices, and any relevant correspondence.
- **Track expenses:** Document any expenses related to your side hustle or casual selling activities. This includes costs for materials, shipping, advertising, and any platform fees, as these can often be deducted from your income when filing your taxes.
- **Consider professional assistance:** If managing these new requirements feels overwhelming, consider seeking help from a tax professional. They can provide personalized advice and ensure you meet all IRS requirements accurately.
- **Utilize tax preparation software:** For DIYers, utilize reliable tax preparation software that can help you track income and expenses, generate necessary forms, and ensure compliance with the new 1099K requirements.
- **Plan for taxes:** Set aside a portion of your income to cover potential tax liabilities. This proactive approach can prevent unexpected financial burdens when it comes time to file your tax return.

Individuals who receive a 1099-K for the first time this year should keep in mind that they may be able to deduct against their reported business income in several ways. Home office expenses, business meals and travel, advertising expenses, retirement contributions, and even the cost of tax prep can often be deducted. Furthermore, if their business activities continue to expand, they may want to consider forming an LLC and filing taxes as an S Corp. This tax strategy often saves small business owners hundreds or even thousands at tax time.

While tallying up potential business deductions, individuals should consider that reporting a loss for multiple years can also threaten their new self-employed business owner status. Walking the line between hobby and business can be tricky, but a primary indicator is seeking to make a profit. If your expenses outweigh your revenue, the IRS may eventually wonder if your activity is more of a hobby.

Entering the world of self-employment brings a new level of complexity to taxes. The Block Advisors Resource Center has articles to help navigate the ins and outs of [1099-Ks](#) and [self-employed tax deductions](#). For professional help, Block Advisors' small business certified tax pros provide support tailored to unique situations. To learn more, visit www.blockadvisors.com.

Editor's Note:

For additional assets, please visit the 1099-K Media Kit at <https://www.hrblock.com/tax-center/media-kit/1099-k/>

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