

# Payment App Reporting

*How the Changes Impact Families and Caregivers*

## What exactly changed?

Effective the 2022 tax year, third-party payment organizations (TPSOs) such as Venmo and PayPal are required to issue a 1099-K for customers receiving income of \$600 or more through their app. They are also required to file a corresponding copy with the IRS and state tax agencies.

Prior to this new law, TPSOs were only required to issue a 1099-K for individuals receiving more than 200 payments totaling \$20,000 or more during the year.

*Note: Payments received for goods and services were already supposed to be reported as income, so this new rule is technically not a tax increase – just a change in the reporting requirements.*

## What is at 1099-K?

A 1099-K is a tax form issued by a third-party payment organization (TPSO), such as Venmo or PayPal, that reports transactions made via the TPSO. The purpose of the form is to ensure that income received through TPSOs gets reported on the recipient's income tax return.

## What does this change mean for household employers and employees?

To avoid headaches for their nanny at tax time, we recommend that families avoid using TPSOs to make payments to their nanny. In addition to avoiding TPSOs for paying wages, we also recommend avoiding them for processing employee reimbursements. Most payroll services provide a non-taxable line item that can be used for reimbursements.

## **I've been using Venmo to pay my nanny but haven't been handling any of the "nanny tax" requirements. What will it cost me to start paying above board?**

Dealing with the "nanny tax" requirements can feel overwhelming for busy families. The good news is the tax breaks available when paying above board typically offset most of the employer taxes.

For more information about nanny taxes, dependent care tax breaks, or how the HomePay service makes paying legally easy and affordable, visit [partners.myhomepay.com](https://partners.myhomepay.com) or contact our dedicated team of experts at [partners@myhomepay.com](mailto:partners@myhomepay.com) or 877-367-1969.