

**PayPal Stripe Comments from February 26, 2025,  
Reporting Forms 1099-K**

Note: Page numbers are based on the PDF document consisting of 7 pages (internal page numbering within that document differs).

Page no.	Summary of the PayPal Stripe comments	IRS Response
1-4	Expand the use of Form 4137 for tax years 2025 to 2028, for purposes of claiming a deduction for qualified tips, regardless of who receives them. IRC 224 will provide sanctions for taxpayers whose form 1099 does not reflect the total cash tips actually received.	The IRS does not have the statutory authority to expand the use of Form 4137 in order to provide a means of avoiding the statutory requirement in section 224(a) that tip amounts paid to non-employees must be reported on a Form 1099 to be eligible for the deduction under section 224.
5	<p>Publish clear and robust guidance for taxpayers to include:</p> <ol style="list-style-type: none"> <li>1. What type and level of record-keeping is needed by the taxpayer.</li> <li>2. What alternatives would be acceptable, due to the fact that taxpayers are neither obligated nor incentivized to claim this deduction.</li> <li>3. Identify the level of investigation a taxpayer must engage in to determine whether their employer is a specified service trade or business.</li> <li>4. Is there an expectation that taxpayers clearly understand the tip-related policies of their employers/clients, the operational functionality of the POS providers, and other business decisions/policies outside of their control to understand which amounts are compulsory versus voluntary?</li> <li>5. How can a taxpayer determine whether they received tips during or outside the course of their employer's SSTB?</li> <li>6. Can a taxpayer still claim the deduction if their cash tips were not reported on a Form 1099 or W-2 (due to, for example, not meeting the reporting threshold)?</li> <li>7. If the use of Form 4137 is permitted by non-employees, instructions on how and when taxpayers may use this form.</li> </ol>	<p>Currently, guidance for taxpayers concerning claiming this deduction can be found in the instructions to Schedule 1-A of the Form 1040 and, for the 2025 filing season, in Notice 2025-69. The IRS continues to consider additional means of providing guidance and information to taxpayers concerning the deduction for qualified tips under section 224.</p> <p>Note that the IRS has provided relief concerning the SSTB requirement in Notice 2025-69. Specifically, the notice provides that:</p> <p>“[U]ntil January 1 of the first calendar year following the issuance of final regulations regarding the determination of whether a trade or business is a specified service trade or business for purposes of section 224 and associated employer information reporting, the IRS will treat the employee as having received tips in the course of a trade or business that is not a specified service trade or business if the employee is in an occupation that customarily and regularly received tips on or before December 31, 2024, as provided by the Secretary. The Treasury Department and the IRS intend to issue proposed regulations and solicit public comment on these issues before publishing final regulations.”</p>
5	Recommend that Treasury and the IRS promulgate rules and regulations that are consistent with the simple tax deduction embodied by the colloquial name ‘No Tax on	In promulgating rules and regulations, Treasury and the IRS endeavor to reduce taxpayer burden, encourage proper tax treatment, and also remain consistent with statutory requirements.

	<p>Tips.’ Simplification of the Proposed Regulations could ease taxpayers’ burden and encourage proper tax deduction claims while making Forms 1099 and W-2 more useful to both taxpayers and the IRS.</p> <p>For example, instead of the many situational examples relating to SSTBs in the Proposed Regulations, the occupation list could be made more robust and clear with respect to the interplay between eligible occupations and disqualification due to SSTB status. Many individuals are only looking to the occupation list to determine their eligibility; they are not poring over the Proposed Regulations to understand the nuances of when an eligible occupation is, in fact, no longer eligible.</p>	<p>Note that Notice 2025-69 provides relief concerning the SSTB restriction in section 224 (see previous response).</p>
6	<p>Provide alternatives to tip recipients who do not receive Forms 1099. There will be many instances where the presence and/or amount of cash tips is unknown to the TPSO. Individuals may not meet the reporting threshold of more than \$20,000 and more than 200 transactions for the provision of goods or services.</p> <p>Recommend that tip recipients be allowed to use Form 4137 when cash tips were not reported on Form 1099.</p>	<p>Section 224(a) requires that tips paid to non-employees be reported on a Form 1099 to be eligible for the deduction under section 224. The IRS does not have the statutory authority to provide a means of avoiding this statutory requirement.</p>
7	<p>We recommend that the IRS develop additional certifications for Form 1040 relating to qualified tip deduction eligibility and the taxpayer’s occupation(s) instead of relying on reported occupations from TPSOs and other payors. If this is not feasible, we would appreciate guidance on how TPSOs should navigate complex issues that is practicable for both TPSOs and the IRS, acknowledging that this need is immediate for TPSOs to properly handle cash tips paid beginning on January 1, 2026.</p>	<p>Section 224(a) requires that tips paid to non-employees be reported on a Form 1099 to be eligible for the deduction under section 224. The IRS does not have the statutory authority to provide a means of avoiding this statutory requirement.</p> <p>The IRS continues to consider additional means of providing guidance and information to taxpayers concerning the deduction for qualified tips under section 224 and the related reporting requirements.</p>