

House-passed “One Big Beautiful Bill” includes significant information reporting provisions

May 29, 2025

In brief

What happened?

The House on May 22 voted 215 to 214 to pass H.R. 1, the “One Big Beautiful Bill Act” (the bill), including proposed tax law changes, increased funding for border security and national defense, and spending reductions affecting a large number of federal programs. The bill also includes a provision to increase the federal statutory debt limit by \$4 trillion.

The bill, as passed by the House, reflects a “manager’s amendment” adopted by the House Rules Committee that modified a number of provisions that had been reported by the Ways and Means Committee and other House committees. The bill contains several information reporting and withholding provisions related to payments to non-employees, including reporting requirements in connection with the provision providing for no tax on qualified tips, the repeal of a previous revision to the de minimis rules for third-party network transactions, the increase in the threshold for information reporting with respect to certain payments (service fees, rent, etc.), the deduction for specified car loan interest, the new Section 4475 remittance excise tax, and the information reporting and withholding requirements relating to new Section 899.

All of these provisions will either require the use of a new information return or modifications to existing forms. These provisions (except the general increase in the reporting threshold) are effective January 1, 2025.

Why is it relevant?

House passage of H.R. 1 clears the way for Senate action on the bill in June, after Congress returns from a Memorial Day recess. The bill is being considered under reconciliation instructions provided in the fiscal year 2025

budget resolution approved in April by Congress that will allow the legislation to be approved by Republicans in the Senate with a simple majority vote, instead of the 60-vote majority usually required. Congressional leaders have set a goal of sending a final bill to be signed by President Trump before Congress begins a July 4 recess, but the House and Senate will need to agree on a final identical version of the bill that can be approved by both chambers. Agreeing on a final bill could delay final passage of the legislation until later in July, before Congress begins its traditional August recess.

Action to consider

Businesses that may be affected by these information reporting and withholding provisions will need to quickly evaluate the potential effect of proposed tax law changes in the bill, as passed by the House, and consider whether to pursue opportunities to influence the legislation as it advances in the Senate.

In detail

No tax on qualified tips paid to non-employees

The bill proposes a federal income tax deduction (the tip deduction) equal to the amount of qualified tips that an individual receives during any tax year that are reported on either Form 1099-K, *Payment Card and Third Party Network Transactions*; or Form 1099-NEC, *Nonemployee Compensation*. “Qualified tips” are defined as any cash tip received by an individual in an occupation that traditionally and customarily receives tips (to be identified by Treasury within 90 days of enactment).

Observation: This Insight focuses on information reporting obligations associated with non-employees. The tip deduction also applies to employees. Employers should separately evaluate what additional obligations the bill imposes.

The bill provides that independent contractors and sole proprietors are eligible for the tip deduction only in the following situations:

- Payments made to non-employees and reported to the IRS and the payee on an information return (Forms 1099-NEC) that identifies the portion of payments that are qualified tips;
- Payments made for services and direct sales reported to the IRS and the payee on an information return (Forms 1099-NEC or -MISC) that identifies the portion of payments that are qualified tips; and
- Payments relating to third-party settlement organizations reported to the IRS and the payee on an information return (Forms 1099-K) that identifies the portion of payments that are qualified tips.

The proposal applies to tax years beginning after December 31, 2024, and ends December 31, 2028.

Observation: Payors will have a very short period of time to prepare for the information reporting on qualified tips. This provision is effective for payments that have occurred on and after January 1, 2025. Payors may need to revisit the accounting related to payments that have occurred prior to the bill’s enactment to create the appropriate records. Payors that make or facilitate qualified tips should take time now to evaluate whether they can retrieve the required data. With the planned passage of the bill being before July 4, or possibly late July, the IRS may not publish the list of traditional tip occupations until October, leaving payors potentially less than 90 days to determine if their business is specifically identified by the IRS.

No tax on car loan interest

For tax years beginning in 2025, 2026, 2027, and 2028, the bill proposes the exclusion of qualified passenger vehicle loan interest from the definition of nondeductible personal interest. The proposal provides a new information reporting requirement (in new Section 6050AA) for interest received on a specified passenger vehicle loan. Specified passenger vehicles are cars assembled in the United States. Any person who is engaged in a trade or business, and who receives in the course of that trade or business at least \$600 in a calendar year from an individual on a specified passenger vehicle loan, must, by a deadline to be prescribed by Treasury, make a return for each individual from whom the interest was received.

The prescribed return must contain the following information:

- the name and address of the individual from whom the interest was received;
- the amount of interest received for the calendar year;
- the amount of outstanding principal on the specified passenger vehicle loan at the beginning of the calendar year;
- the date of the origination of the loan;
- the year, make, and model of the applicable passenger vehicle that secures the loan (or another description of the vehicle as Treasury may prescribe); and
- any other information that Treasury may prescribe.

A person that is required to file an information return under this rule must furnish to each individual whose name is required to be set forth on that return a written statement that includes (1) the name, address, and phone number of the person required to file the information return, and (2) the information described above.

This written statement must be furnished by January 31 of the year following the calendar year for which the corresponding return was required to be made.

Observation: This provision creates a new information reporting requirement for recipients of car loan interest when the loan is associated with a passenger vehicle. Interest recipients must begin gathering information on all new passenger car loans made to individuals during 2025. This type of interest is not currently reported. As a result, lenders will need to adjust existing processes to create new reporting procedures to comply with the reporting requirement. Interest related to mortgages is reported on Form 1098 and interest related to student loans is reported on Form 1098-E. Car loan lenders could use these forms as examples of the type of information return that the IRS may require. Given the January 31 filing deadline, and consistent with other Form 1099 reporting, lenders will need to begin preparing for the initial filing in the last quarter of 2025.

The proposal is effective for indebtedness incurred after December 31, 2024.

Repeal of revision to de minimis rules for third-party network transactions

The bill proposes a reversion to the previously higher de minimis reporting exception for third-party settlement organizations (TPSO), with the same threshold the IRS followed for calendar years 2022 and 2023. Under current law, reporting of third-party network transactions is required when a TPSO processes \$600 in transactions. The IRS has phased in this threshold by requiring information reporting at \$5,000 for 2024, \$2,500 for 2025 and \$600 for 2026. Under the bill, a TPSO is not required to report unless the aggregate value of third-party network transactions

with respect to a participating payee for the year exceeds \$20,000 and the aggregate number of such transactions with respect to a participating payee exceeds 200. This is the original reporting threshold. The bill does not change the clarification that reporting is not required on transactions that are not for goods or services.

The bill leaves obligations of a merchant acquiring entity unchanged. For example, if a company is considered a merchant acquiring entity, it must issue Form 1099-K, *Payment Card and Third Party Network Transactions*, to all participating payees who have received payments of any amount starting with the first dollar. Conversely, if a business that provides an online marketplace for sales of goods, such as clothing, cars, or furniture, is considered a TPSO, under this proposal, it does not need to provide a Form 1099-K to sellers participating on its web-based platform who have received payments of \$20,000 or less and who have engaged in 200 or fewer transactions.

The proposal also makes a conforming change to the backup withholding dollar threshold to align with the restoration of the previous de minimis reporting threshold. However, under the proposal, the de minimis reporting threshold does not apply with respect to payments to any participating payee during any calendar year if one or more payments in settlement of third-party network transactions to the participating payee during the preceding calendar year were reportable payments.

With respect to the reinstatement of the exception for de minimis payments, the proposal applies to returns for calendar years beginning after December 31, 2021. With respect to the application of the de minimis rule for third-party network transactions to backup withholding, the proposal applies to calendar years beginning after December 31, 2024.

Increase in threshold for requiring information reporting with respect to certain payments

Under current law, payments for services, rent, or other income made in the course of a trade or business to US non-exempt recipients are subject to information reporting when the annual payments in the aggregate total \$600 or more. The bill proposes changes to the information reporting threshold, increasing it to \$2,000 in aggregate annually, with the threshold amount indexed annually for inflation in calendar years after 2026. No change is made to the information reporting threshold for direct sales.

The bill makes a conforming change to the backup withholding dollar threshold to align with the new \$2,000 reporting threshold. Both the information reporting thresholds and the backup withholding thresholds are for transactions that equal or exceed \$2,000 (indexed for inflation for calendar years after 2026).

This legislation would affect reporting on Form 1099-MISC, *Miscellaneous Income*; Form 1099-NEC, *Nonemployee Compensation*, and 1099-INT, *Interest Income* (for interest payments made by non-financial institutions).

Observation: The increase in the reporting threshold for certain payments to US non-exempt recipients will potentially reduce the number of Forms 1099-NEC and 1099-MISC required to be filed annually by payors. However, to take advantage of this change, payors will need to reconfigure their existing reporting policies and procedures. Adjustments for appropriate reporting thresholds will need to be made annually, given that the reporting threshold will adjust based on inflation.

The proposal applies with respect to payments made after December 31, 2025.

Reporting and collection for the excise tax on remittance transfers

The bill introduces a new excise tax on remittance transfers implemented in new Section 4475. This tax imposes a 3.5% levy on the amount of any remittance transfer. The responsibility for paying this tax falls on the sender of the remittance transfer. The remittance transfer provider (RTP) is required to collect the tax from the sender and remit it

quarterly to the Treasury. If the tax is not paid at the time of transfer, the RTP becomes secondarily liable for the tax. However, there is an exception for transfers sent by citizens and nationals of the United States through certain qualified providers. These providers must enter into a written agreement with the Secretary to verify the status of senders as US citizens or nationals.

A "verified United States sender" is defined as a sender who is confirmed by a qualified RTP as being a citizen or national of the United States. The term "U.S. national" generally refers to individuals who are either citizens of the United States or non-citizen nationals, such as those born in American Samoa or on Swains Island.

A remittance transfer is defined in the Electronic Fund Transfer Act to include electronic fund transfers (EFT). EFTs include transfers of cash by a money transmitter or financial institution, automated clearing house transfers from consumer accounts, automatic bill payments, prepaid payment cards, and other financial transfers that involve consumers.

RTPs are required under new Section 6050BB to file information returns that include specific information. For qualified providers, the returns must detail the aggregate number and value of transfers exempt from the tax due to the sender's status as a verified US citizen or national. For other transfers, the returns must include the sender's name, address, social security number, the amount of tax paid by the sender, and the amount remitted by the provider. RTPs also must furnish a written statement to each person whose name is included in the return, detailing the contact information and the relevant tax information. The same information reporting penalties described in Section 6721 and 6722 that apply to Forms 1099, 1042-S, etc. will apply to information reporting required by Section 6050BB.

Observation: This excise tax on money transfers facilitated by RTPs is broad and generally applies to financial institutions and money transmitters. RTPs must identify who is sending money and the intended recipients. Money transfers that are not facilitated by an RTP or that are not considered money (i.e., digital asset transfers) do not appear to be in scope.

Reporting and withholding requirements relating to new Section 899

The bill adds new Section 899 to retaliate against discriminatory foreign countries that implement an undertaxed profits rule, a digital services tax, a diverted profits tax, an extraterritorial tax, a discriminatory tax, or other "unfair" tax enacted with a public or stated purpose that the tax be economically borne, directly or indirectly, disproportionately by US persons. The proposal provides that extraterritorial and discriminatory taxes do not include any generally applicable tax that constitutes a withholding tax or gross-basis tax on any amount described in Section 871(a)(1) or 881(a) (generally, fixed determinable annual or periodic (FDAP) income withholding), other than a withholding tax or gross-basis tax imposed with respect to services performed by persons other than individuals. The bill increases US net income, withholding, and gross-basis tax rates on residents and governments of those countries, as well as certain of their subsidiaries, by up to 20 percentage points and disallows an exemption for foreign governments.

The withholding tax increase will apply to US-source FDAP income, foreign investment in real estate (FIRPTA), and effectively connected taxable income (ECTI) earned through a partnership. When a country is designated as discriminatory, the first year the withholding tax rate will increase 5%. The rate will continue to increase in 5% increments each year to a maximum of 20%. The increased tax applies to non-US individuals (excluding students), governments, corporations, corporations with more than 50% vote or value held by persons in a designated country, private foundations, trusts with more than 50% of beneficiaries in designated countries, partnerships, and branches.

Withholding agents generally will have until January 1 of the year following a country being designated as discriminatory to implement the increased withholding requirement. Treasury must provide a list of designated countries and update the list quarterly. Withholding agents will not be subject to penalties or interest prior to January 1, 2027, if they can demonstrate that they used their best efforts to comply.

Observation: It is unclear at this time how and when the discriminatory foreign countries would be designated by the US government. It also is uncertain how frequently such designations would be updated. With the uncertainty caused by this provision, companies that currently make, or anticipate making, payments subject to Sections 1441, 1442, 1445, and 1446 (i.e., Forms 1042/1042-S, 8288/8288-A, and 8804/8805) will want to monitor developments in this area closely. Once the United States begins designating jurisdictions as discriminatory, withholding agents must increase their efforts to comply by reviewing all payments to recipients in those countries and adjusting the withholding rates (while taking into account treaty rates) accordingly to avoid potential penalties and interest for underwithholding.

The proposal is effective on the date of enactment.

For more information

Click [here](#) for the Congressional Record text of H.R. 1 as passed by the House.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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