

GAO Highlights

Highlights of [GAO-20-366](#), a report to the Ranking Member, Subcommittee on Taxation and IRS Oversight, Committee on Finance, U.S. Senate

Why GAO Did This Study

Platform companies typically classify workers offering services as independent contractors and do not withhold taxes from their payments for remittance to IRS.

GAO was asked to review issues related to platform workers and tax compliance. This report, among other things, examines (1) what is known about the platform workforce, and (2) options to promote compliance among its workers.

GAO reviewed research on the U.S. platform economy and interviewed stakeholders on the tax-related challenges platform workers face; reviewed IRS documents; interviewed IRS officials; and assessed potential impacts of some options that could address platform worker tax-related challenges.

What GAO Recommends

GAO is making seven recommendations to IRS, including actions to enhance its communications plan, increase information reporting for platform workers, and allow voluntary withholding. IRS agreed with the recommendation to enhance its communications plan. For four recommendations related to information reporting and voluntary withholding, IRS either disagreed or said it was unable to agree because it could not commit to an implementation date due to higher priorities. GAO continues to believe that all the recommendations are valid, as discussed in the report.

View [GAO-20-366](#). For more information, contact James R. McTigue, Jr at (202) 512-9110 or mctiguej@gao.gov.

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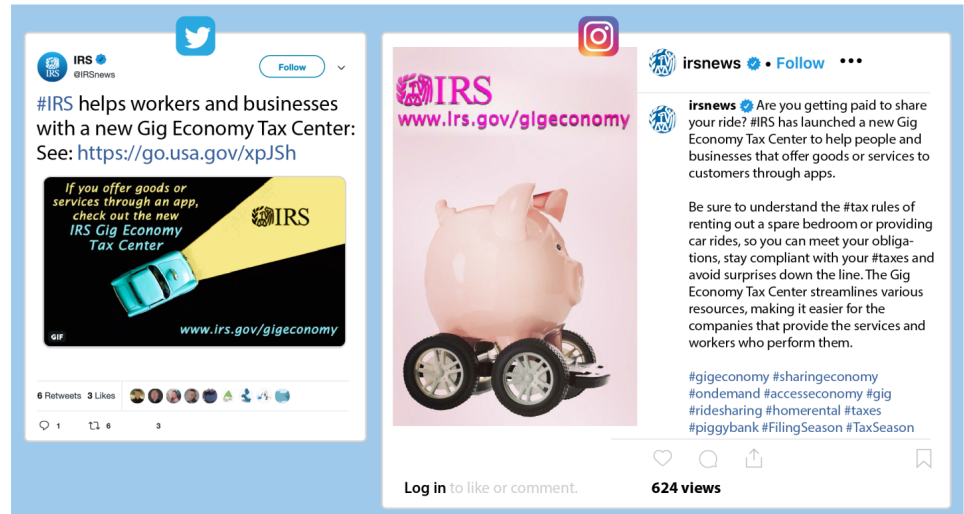
TAXPAYER COMPLIANCE

More Income Reporting Needed for Taxpayers Working through Online Platforms

What GAO Found

The platform economy is an arrangement where workers offering goods or services connect with customers through an app or other online platform. Estimates of the population of platform workers lack certainty, but generally range from around 1.5 million to 2 million workers for recent years and suggest that the platform workforce may be growing. According to stakeholders, such as researchers and tax preparers, platform workers may not realize that a company is treating them as independent contractors rather than employees and that they must comply with different tax requirements. To help address this challenge, the Internal Revenue Service (IRS) developed a communications plan aimed at workers in the platform economy (which IRS calls the gig economy).

Examples of IRS's Social Media Communications Tailored for Platform Workers



Source: Internal Revenue Service (IRS) social media. | GAO-20-366

The communications plan incorporates leading practices for redesigning web pages and improving the online user experience, but lacks a monitoring plan to help assure IRS's efforts address platform workers' tax challenges.

GAO found that platform workers may not receive information on their earnings, creating compliance challenges for them and enforcement challenges for IRS. GAO identified actions that could promote compliance. For example, some platform companies only report total annual payments for workers if they exceed \$20,000 and 200 transactions—an amount that exceeds the average gross pay from a single company for many platform workers. Amending this rule to lower the reporting thresholds would provide workers with more information to help them comply with their tax obligations. The change could also enhance IRS's ability to ensure that these workers are correctly reporting their income. Additionally, IRS could implement voluntary withholding on payments to independent contractors (including platform workers). IRS data indicate that tax withholding substantially increases the compliance rate.