



YOUR GUIDE TO UNDERSTANDING THE IRS 6050W RULE

1010 VOID CORRECTED

PAYMENT SETTLEMENT ENTITY'S (PSE) name, street address, city, state, ZIP code, and telephone no.

PSE'S federal identification no.

OMB No. 1545-XXXX

2011

Form **1099-K**

Merchant Card and Third-Party Payments

Copy A

For Internal Revenue Service Center

File with Form 1096.

For Privacy Act and Paperwork Reduction Act Notice, see the **2011 General Instructions for Certain Information Returns.**

1 Gross amount of merchant card/third-party payments

2

3

4 Federal income tax withheld

PAYEE'S employer identification no.

PAYEE'S social security number

5a January

5b February

PAYEE'S name

5c March

5d April

Street address (including apt. no.)

5e May

5f June

5g July

5h August

City, state, and ZIP code

5i September

5j October

THIRD-PARTY PAYER'S name, street address, city, state, ZIP code, and telephone no.

5k November

5l December

THIRD-PARTY PAYER'S federal identification no.

Account number (see instructions)

Form **1099-K**

Cat. No. 54118B

Department of the Treasury - Internal Revenue Service

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IN EFFORTS TO VALIDATE MERCHANT TAYPAYER REPORTING, the government has passed legislation that requires more information from us (your credit card processor).



CHANGE IS HERE

Historically, the IRS has not required third parties to track and report merchant payment card transactions. Beginning in 2011 this changed; third parties are required to report merchant payment card transactions to the IRS therefore merchants should be aware the IRS will have the necessary information to compare the third party reporting to what is reported on the merchants tax return.

MERCHANT IDENTIFICATION

One of the most challenging aspects of this regulation is ensuring that the merchant's information submitted on the merchant application matches the documentation on file with the IRS. This includes the merchant's legal name, Employer Identification Number, Tax Identification Number and/ or social security number. *See example on the back page.*

ASSOCIATED CONSEQUENCES

Fines

Fines will be assessed, starting in 2012, for each merchant account in which the 1099 records submitted to the IRS do not match the IRS database. These fines will be charged to the credit card processor and passed down to the merchant.

Backup Withholding

Commencing in 2012, merchants who do not provide accurate information that matches IRS records will be subject to backup of their daily processing volume at the rate of 28% or greater. These amounts must be withheld by the credit card processor on gross card payments. The credit card processor can only release held funds from back up withholding that are in its possession with the approval of the IRS.

This could put the merchant in serious risk of financial hardships, including potential business closure.

EXCEPTIONS

Every merchant in the U.S. who processes electronic payments, regardless of volume, will have their transactions reported to the IRS by their credit card processor.

IN THE WORDS OF THE IRS: "Section 6050W requires merchant acquiring entities and third party settlement organizations to file an information return with the IRS for each calendar year reporting all payment card transactions for which the merchant acquiring entity actually made payment to the merchant. This requirement to file information returns applies to returns for calendar years beginning after December 31, 2010. This section also requires statements to be furnished to impacted merchants on or before January 31st of the year following the year for which the return is required."



GLOSSARY

Backup Withholding

An IRS action requiring third parties to withhold taxes at a minimum rate of 28% from payments the third party makes to taxpayers.

B-notice

Backup withholding notice sent by the IRS to merchant acquiring entities.

Employee Identification Number (EIN) / Tax Identification Number (TIN)

Identification number assigned by the IRS to taxpayers.

Gross Amount

The total dollar amount of payment card transactions, without regard to adjustments for credits, cash equivalents, discount amounts, fees, chargebacks or any other deductions.

Legal Name

Name the merchant uses to file its federal tax returns, or the legal name the merchant provided to the IRS filed on Form SS-4.

Merchant Acquiring Entity (Credit Card Processor)

Bank or other organization contractually obligated to make payment to merchants in settlement of payment card transactions.

Payment Card Transaction

Any transaction in which a payment card is accepted as payment.

Third Party Network Transaction

Any transaction that is settled through a third party payment network.

Third Party Settlement Organization

The central organization that has the contractual obligation to make payment to participating payees of third party network transactions, like PayPal.

TIMELINE

2011: Implement compliance with regulation, commences in January.

2012: File information returns for 2011; Amounts paid after December 31, 2011 are susceptible to backup withholding.

IRS 6050W FACTS

A LOOK AT THE CODE



Form **SS-4** Application for Employer Identification Number (OMB No. 1545-0043)
 (Rev. January 2010) (For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.)
 Department of the Treasury Internal Revenue Service

Legal name of entity (or individual) for whom the EIN is being requested: **A ABC Store, Inc.**

Trade name of business (if different from name on line 1):

3. Executor, administrator, trustee, "care of" name:

4a. Mailing address (room, apt., suite no. and street, or P.O. box):

5a. Street address (if different) (Do not enter a P.O. box.):

4b. City, state, and ZIP code (if foreign, see instructions):

5b. City, state, and ZIP code (if foreign, see instructions):

6. County and state where principal business is located:

7a. Name of responsible party:

7b. SSN, ITIN, or EIN: **B 00000000**

8a. Is this application for a limited liability company (LLC) (or a foreign equivalent)? Yes No

8b. If "Yes," enter the number of members:

9. Is this application for a partnership? Yes No

A. The merchant's full legal name of the business must match **EXACTLY** what is on the Merchant Application.

B. The merchant's Employer Identification Number, Tax Identification Number or Social Security Number must match **EXACTLY** what is on the Merchant Application.

MERCHANT APPLICATION & AGREEMENT

BUSINESS NAME(S) (PLEASE PRINT CLEARLY)

Exact Legal Name (as shown on Federal Tax Return): **ABC Store, Inc.**

Business DBA Name:

Mailing/Billing Address:

Physical Street Address (if different from mailing address):

City, State, Zip:

City, State, Zip:

Corporate Phone #: DBA Contact:

Corporate Email Address: DBA Email Address:

Website Address: Mail Correspondence To: Physical Street Address Mailing/Billing Address

Mail Monthly Statement: Yes No

MERCHANT PROFILE (BE ACCURATE-MERCHANT MUST BE APPROVED BY BANK)

Type of Ownership: Sole Proprietor Partnership PA or PC Corporation Limited Liability Co. Not for Profit City/Government **Federal Tax #: 0,0,0,0,0,0,0,0,0,0**

Type of goods or services sold:

Have you ever accepted a MasterCard? Yes No

If Yes, list name of processor:

Correct Merchant Application
 Full legal name of the business and Employer Identification Number, Tax Identification Number or Social Security Number match **EXACTLY**.

MERCHANT APPLICATION & AGREEMENT

BUSINESS NAME(S) (PLEASE PRINT CLEARLY)

Exact Legal Name (as shown on Federal Tax Return): **ABC Store**

Business DBA Name:

Mailing/Billing Address:

Physical Street Address (if different from mailing address):

City, State, Zip:

City, State, Zip:

Corporate Phone #: DBA Contact:

Corporate Email Address: DBA Email Address:

Website Address: Mail Correspondence To: Physical Street Address Mailing/Billing Address

Mail Monthly Statement: Yes No

MERCHANT PROFILE (BE ACCURATE-MERCHANT MUST BE APPROVED BY BANK)

Type of Ownership: Sole Proprietor Partnership PA or PC Corporation Limited Liability Co. Not for Profit City/Government **Federal Tax #: 1,0,0,0,0,0,0,0,0,0**

Type of goods or services sold:

Have you ever accepted a MasterCard? Yes No

If Yes, list name of processor:

INCORRECT Merchant Application
 If the legal name of the business or the Employer Identification Number, Tax Identification Number or Social Security Number **DOES NOT MATCH EXACTLY**.