

NEW IRS MANDATE, SECTION 6050W

This document contains a detailed list of answers to questions you might have about the IRS reporting requirements. Merchants should contact a legal or tax advisor to understand the impact these tax provisions on their business. Information herein does not constitute tax or legal advice and must not be used as such.

What is this all about?

Q: What is Internal Revenue Code (IRC) Section 6050W?

A: IRC Section 6050W was added to the Internal Revenue Code as part of the Housing & Economic Recovery Act of 2008. Its purpose is to improve voluntary tax compliance by businesses that accept payment via payment cards.

Q: What does IRC Section 6050W require?

A: IRC Section 6050W requires that all credit card processors, like Wind River Financial, report the annual gross dollar amount of payment card transactions settled for each of their merchant payees as well as the merchant's legal name and Taxpayer Identification Number (TIN). Every January, credit card processors will furnish an information return (Form 1099-K) to each merchant reporting the prior calendar year's transactions. Every March, a copy of the Form 1099-K will be filed by the payment company with the IRS.

Q: When did IRC Section 6050W go into effect?

A: IRC Section 6050W became effective on January 1, 2011. Credit card processors will report on Form 1099-K the annual gross dollar amount of payment card transactions settled for each merchant starting with transactions that are settled in 2011. Merchants will receive their first Form 1099-K in early 2012.

Q: What happens if a merchant does not provide its business Taxpayer Identification Number (TIN)?

A: Starting in 2012, merchant acquiring entities will be required to withhold 28% of the gross dollar amount of payment card transactions settled for merchants who fail to provide their Taxpayer Identification Number (TIN) to them. As required by law, all monies withheld will be promptly remitted to the IRS.

Q: Is IRC Section 6050W specific to Wind River Financial?

A: No. IRC Section 6050W applies to all credit card processors that make payment to merchants in settlement of payment card transactions.

Q: Does Wind River Financial or the merchant whose transactions are settled issue a Form 1099-K?

A: The IRS places responsibility for Form 1099-K reporting on credit card processors, including Wind River Financial, that make payments to merchants in settlement of payment card transactions.

Q: What is Form 1099-K?

A: Form 1099-K is the information return the IRS has developed for compliance with IRC Section 6050W. This form reports the gross dollar amount of payment card transactions settled for a merchant during the prior calendar year. In addition, the form will reflect the merchant's legal name

and Taxpayer Identification Number (TIN). Form 1099-K will be furnished to merchants every January, and filed by credit card processors with the IRS in March.

Q: When is Form 1099-K sent to merchants?

A: The IRS requires that Form 1099-K be mailed to merchants no later than January 31st of each year, reporting the annual gross dollar amount of payment card transactions settled for a merchant during the prior calendar year. Credit card processors must also file copies of the Form 1099-K furnished to merchants with the IRS approximately two months later.

Q: Does Form 1099-K report a merchant's total transaction amount or net transaction amount?

A: The amount reported on Form 1099-K is the merchant's total transaction amount, not the net transaction amount. The report shows the total dollar amount of aggregated transactions in which a payment card is accepted as payment for each merchant without regard to any adjustments for credits, cash equivalents, discount amounts, fees, refunded amounts, or any other amounts.

Q: Is there an IRS website that provides more detail on this new reporting mandate?

A: Yes, there are two that we can suggest for more information. Access these links [here](#) and [here](#).

What specifically does this mean to me as a merchant?

Q: What steps should a merchant take with regard to IRC Section 6050W and Form 1099-K?

A: To ensure accurate reporting and avoid potential backup withholding, a merchant should verify that its correct legal name and Taxpayer Identification Number (TIN) are on file with Wind River Financial.

Q: How is Wind River Financial validating merchant TINs?

A: Wind River Financial has begun contacting merchants if there is a discrepancy between the legal name and TIN information on file at Wind River Financial and on file at the IRS. In these instances an updated W-9 Form is being requested. Upon receipt of an updated W-9 Form, Wind River Financial will reverify the TIN information directly with the IRS. If any discrepancy remains Wind River Financial will seek further clarification until there is a direct legal name and TIN match with the IRS.

Q: Will a merchant receive a confirmation from Wind River Financial that an updated W-9 form has been received and matches the IRS database?

A: Late in 2011, Wind River will be sending a confirmation to those merchants that have a matching TIN and legal name on file with the IRS. A merchant can also verify this information at any time by contacting Wind River Financial. However, merchants should contact a tax or legal advisor to understand the impact of Form 1099-K reporting on their business.

Q: What happens if a merchant does not supply a Taxpayer Identification Number (TIN) or accurate legal name to Wind River Financial?

A: Beginning on January 1, 2012, the IRS requires Wind River Financial to impose backup withholding at a rate of 28% on the gross dollar amount of payment card transactions settled for a merchant that has failed to provide their TIN to Wind River Financial.

Q: How do I find out what the IRS has on file as my Business Legal Name and TIN?

A: Refer to your last tax return for your business, or contact your tax professional.

Q: What happens if a merchant's legal name and Taxpayer Identification Number (TIN) on file with Wind River Financial do not match their legal name and Taxpayer Identification Number (TIN) on file with the IRS?

A: If a merchant's legal name and Taxpayer Identification Number (TIN) on file with Wind River Financial and reported on a Form 1099-K do not match what the IRS has on file (typically from a Form SS-4, Application for Employer Identification Number), the IRS will issue Wind River Financial a B Notice. Upon receipt of a B Notice, Wind River Financial will follow IRS B Notice procedures and attempt to correct the name and TIN on file by contacting the merchant. If the merchant does not respond in a timely manner with the necessary information, the IRS rules require Wind River Financial to impose backup withholding at a rate of 28% on all future gross payment card transaction amounts owed to the merchant. As required by law, all monies withheld will be promptly remitted to the IRS.

Q: Are non-profits and other tax-exempt businesses subject to IRC Section 6050W and Form 1099-K reporting?

A: All US-based businesses, including non-profits and other tax-exempt businesses, are subject to IRC Section 6050W and the resulting Form 1099-K reporting and, as such, the information they have on file with Wind River Financial should be verified. However, they may not be subject to backup withholding.

Q: What is a Federal Taxpayer Identification Number (TIN)?

A: A Federal Taxpayer Identification Number (TIN) is an identification number used by the IRS in the administration of federal tax laws. In most cases a TIN is either a social security number (SSN) or employer identification number (EIN).

Q: How is legal name defined?

A: A merchant's legal name is typically the name the merchant provided to the IRS when it filed a Form SS-4, Application for Employer Identification Number, and that it uses to file its federal tax returns.

Q: How is legal status defined?

A: Legal status describes how a merchant's business is classified for federal tax purposes. For example: partnership, corporation, or sole proprietorship.

Q: What is backup withholding?

A: Backup withholding is a specific percentage (28%) of tax that payers must withhold from a payee and remit to the IRS in certain situations on most kinds of payments reportable on a Form 1099. Backup withholding on payments reportable on Form 1099-K may be required if a merchant's TIN is missing, or if the payer receives an IRS B Notice due to an incorrect merchant legal name/TIN combination on a filed Form 1099-K. A merchant can claim a credit on their income tax return for any tax withheld from payments due to them.