

IRS Merchant Tax Reporting Mandate Frequently Asked Questions for Partners

Q. “What is the IRS merchant tax reporting mandate?”

A. At the beginning of 2011, the IRS put into effect Section 6050W for all businesses – including government services and non-profits – that accept credit card, debit card or ACH payments. This mandate requires all merchant acquiring entities – including TransFirst – to file information reports with the IRS, and to do so, we must validate and report back to the IRS each merchant’s business tax identification number (TIN) and legal business name and address as they appear the merchant’s W-9 form.

Q. “Why does the IRS need this information?”

A. Section 6050W also requires that all merchant acquiring entities – including TransFirst – report to the IRS all revenues associated with a merchant’s processing account, beginning January 2011.

Q. “Why does TransFirst need to validate this information?”

A. To accommodate this mandate, we need to ensure that our records regarding the merchant’s TIN and business name and address match those of the IRS.

Q. “How do you know that a merchant’s W-9 information is incorrect or invalid?”

A. We have provided the IRS with our W-9 records for all merchants and they have let us know which of their records do not match ours; these merchants must confirm the TIN and business name and address. We will be proactively cross-checking these records going forward.

Q. “Why is a merchant’s W-9 information being flagged as invalid?”

A. There could be several reasons – for example, a merchant may have given us a DBA name rather than the legal name given to the IRS. It is extremely important that merchants provide their information exactly as it appears on their W-9 form or last year’s tax forms.

Q. “How does a merchant validate its W-9 information?”

A. TransFirst has created an easy online form for merchants to use. Merchant can visit www.w9validation.com and follow the simple steps. This process should take only a few minutes, and the information is fully secure.

Q. “What if a merchant is concerned about the security of providing W-9 information online?”

A. TransFirst cares about the security and confidentiality of all merchant information. Data is stored and transmitted using strong encryption technologies exceeding all federal and state data privacy requirements. Our website uses 128-bit Secure Socket Layer (SSL) that encrypts (or scrambles) the information during transmission; this prevents it from being read while it is transferred through cyberspace. Then, once we receive the information, it is stored as encrypted data until we are ready to process the request. SSL is supported by Netscape 2.0+, Microsoft IE 3.0+ and most frame-enabled browsers.

Q. “Some of my merchants will still not want to use the Internet to provide their W-9 information. Can it be supplied some other way?”

A. If a merchant absolutely refuses to use the website, please advise them to call us at 800-654-9256.

Q. “What if a merchant does not want to validate his or her W-9 information?”

A. If a merchant's information is not confirmed, he or she could be subject to fines, penalties and withholdings that have been established by the IRS. For further information please advise your merchants to contact their business tax advisor.

Q. "How will withheld funds be returned?"

A. Per IRS regulations, TransFirst is not permitted to return funds to merchants. Merchants should be advised to consult their tax advisors or the IRS directly to find out more information. More information is available at the IRS website: <http://www.irs.gov/pub/irs-pdf/p1281.pdf> or <http://www.irs.gov/efile/article/0,,id=98145.00.html>.

Q. "What are the main timelines associated with this mandate?"

A. Some of the most important dates are as follows:

- **May 2011:** Merchants without valid TIN information will receive inserts in their merchant statements
- **Throughout 2011:** As we continually review data, merchants that are still not validated will receive quarterly reminders in their merchant statements
- **4Q 2011:** Merchants that are still not validated will be contacted via e-mail and/or telephone
- **November 2011:** All merchants will receive statement inserts reminding them that W-9 information must be kept up-to-date in TransFirst's records
- **By January 31st:** Merchants will receive Form 1099-K from TransFirst
- **March 2012:** TransFirst will electronically send all Forms 1099-K to IRS
- **October 2012:** TransFirst will receive B notices from the IRS at the beginning of October. TransFirst will have 15 days to send a W-9 packet to the merchant and the merchant will have 15 days to respond by sending in a Form W-9 or withholding will begin.

Q. "Why would a merchant receive a B notice?"

A. If the information provided to the IRS doesn't match with the IRS has on file, a merchant will receive a B notice. For further information please advise your merchants to contact their business tax advisor. More information is available at the IRS website: <http://www.irs.gov/pub/irs-pdf/p1281.pdf> or <http://www.irs.gov/efile/article/0,,id=98145.00.html>.

Q. "If a merchant received a Form 1099-K and is a government or non-profit organization, what does that mean to them?"

A. IRS regulations state that TransFirst must report data for these types of businesses but those regulations specifically exempt them from withholding. If your merchants have additional questions about this, please refer them to <http://www.irs.gov/irb/2010-43/ar08.html> or advise them to speak to their business tax advisor.

Q. "What is an exempt payee?"

A. Specific information about tax exempt payees is available at <http://www.irs.gov/pub/irs-pdf/fw9.pdf>.

Q. "If a merchant has multiple merchant ID numbers (MIDs) under the same TIN, does the merchant need to validate each MID number?"

A. No, only one entry is required. TransFirst will handle the other MIDs and reach out to the merchant if there are any issues. All reporting under MIDs will be on one Form 1099-K.

Q. "When TransFirst reports a merchant's transaction information on the Form 1099-K, will pre-paid Visa, MasterCard or Discover (gift cards, etc.) be reported as sales volume?"

A. Yes, anything with a Visa, MasterCard or Discover logo will be reportable.

Q. “Will cash back portions on PIN debit transactions be reported?”

A. Yes, both the cash back and the amount of the sale will be reported.

Q. “Will transactions that are run as customer credits be deducted from the sales volume reported to the IRS?”

A. No, the amount reported to the IRS will be gross sales, which does not account for returns or refunds.

Q. “Some merchants have transactions reversed by our TransFirst risk department; will there be an opportunity to catch these issues before they are reported?”

A. Yes, TransFirst is permitted to make corrections to the Form 1099-K, as long as it is reported to us by August 1, 2012.

Q. “How will Forms 1099-K forms be sent annually to the merchants?”

A. TransFirst plans to send as many 1099-K notifications as possible via e-mail. If the merchant has not authorized us via www.w9validation.com to provide this information by e-mail, we will mail the form.

Q. “Can partners provide information to the IRS, including corrections or updates, on behalf of our merchants?”

A. No, TransFirst is required to do this reporting under the IRS regulation. However, we appreciate your assistance in obtaining correct W-9 information from your merchants, as well as any new merchants who are boarded.

Q. “Will merchants be able to use TransLink to reconcile or balance the amount reported to the IRS (monthly or annually)?”

A. Yes, the TransLink system is being enhanced to support reporting for this initiative. However, merchant statements will not reconcile exactly due to the timing of transactions and the month-end cycle of the statements.