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## FINANCIAL FOCUS



Lane Gorman Trubitt, PLLC  
Accountants & Advisors

Your Accounting for a New Economy

## New IRS Tax Form 1099-K Reporting of Merchant Card and Third Party Network Payments

Beginning in 2012, businesses that accept credit and debit card payments and other third party network payments for their products and services will receive a new IRS informational Form 1099-K from their banks and credit card processing company. The Form 1099-K will report the total gross sales transactions from these payment cards made during the 2011 tax year.

Form 1099-K reporting was created as part of the Housing Assistance Act of 2008 to increase the matching of sales income reported to the IRS on business tax returns. This compliance reporting is required for banks, credit card processing companies, Internet payment service providers such as PayPal and eBay, Inc., and other “payment settlement entities” who have a contractual obligation to settle and transfer payments for sales transactions between a business merchant and its customers using these payment cards.

A payment card includes credit cards, debit cards, and certain stored-value cards such as gift cards, prepaid telephone cards and various other cards.

Note that not every business will receive a Form 1099-K. Only businesses that have more than 200 card payment transactions and \$20,000 or more in sales will receive a Form 1099-K. Gross sales reported on Form 1099-K is without regard to discounts, refunds, credits, charge-backs, fees, or any other amounts.

A final version of Form 1099-K is not yet available. However, the IRS has posted instructions and a preliminary draft of the form on its website, which can be viewed at the links below:

<http://www.irs.gov/instructions/i1099k/ar02.html>

<http://www.irs.gov/pub/irs-dft/f1099k--dft.pdf>

Merchants should expect to receive a “payee statement” showing the information reported on Form 1099-K from their banks or other payment settlement entities by January 31, 2012. Banks and other reporting entities are required to file Form 1099-K by February 28, 2012 or March 31, 2012, if the form is filed electronically.