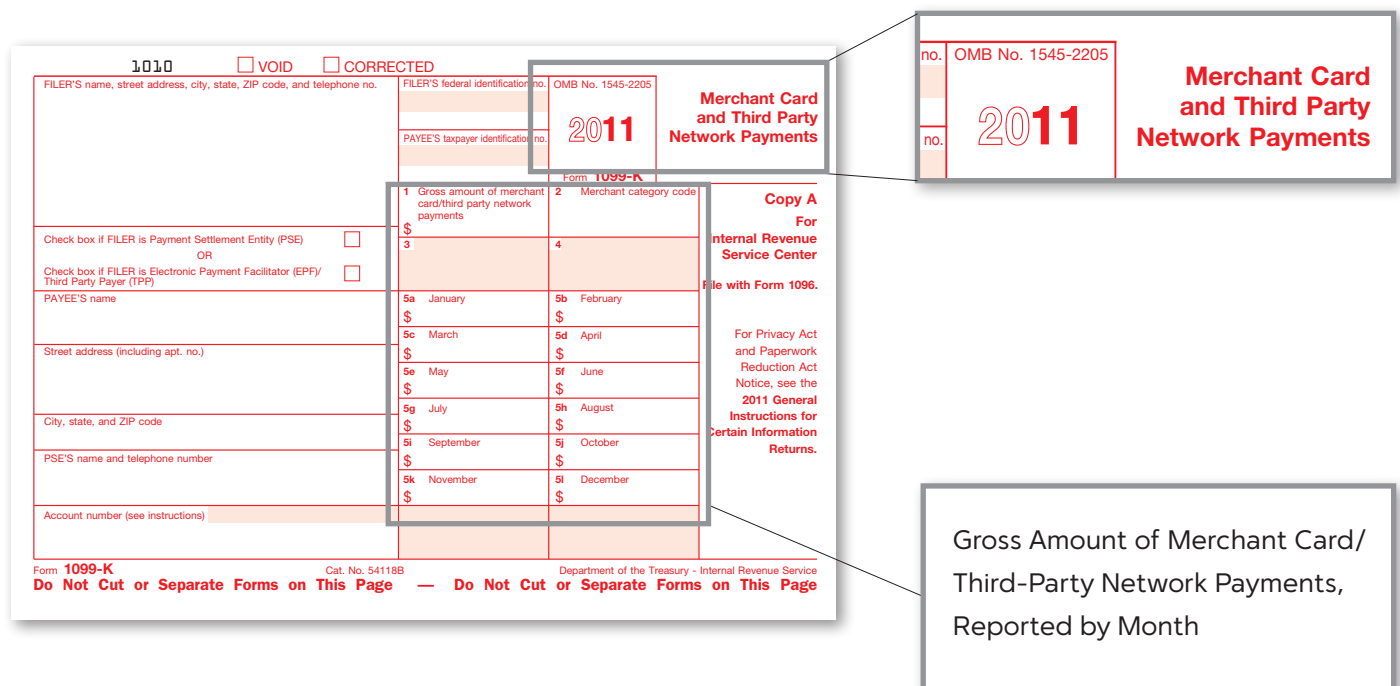


# Executive Summary: Mastering Form 1099-K: Merchant Strategies to Benefit from the new IRS Reporting Requirements

The spent party favors and memories of celebrations from January 1, 2011, are by now a distant memory. Yet for many large and small merchants—as well as the independent sales organizations, acquiring banks, processors, and third-party payment providers that serve them—that date continues to have a looming significance. New Internal Revenue Service (IRS) merchant reporting requirements, as outlined in Section 6050W of the Internal Revenue Code (IRC), will soon face many merchants and the payments industry vendors that serve them. As of the New Year, reporting entities that qualify as either the payment settlement entity (PSE; including banks, payment processors, and other domestic or foreign merchant acquiring entities under contractual obligation to settle payments relating to payment card and third-party network transactions on behalf of merchants) or the electronic payment facilitator (EPF; that is, entities used for funding merchants) are required to gather additional data related to merchant payments on the businesses they serve. Starting in 2012, reporting entities will file this data with the IRS and distribute a new document—Form 1099-K—to the merchants to report total gross reportable sales for calendar year 2011 and each year thereafter.



The image shows a screenshot of the 2011 Form 1099-K, titled "Merchant Card and Third Party Network Payments". The form is for the year 2011 and includes the following sections:

- Header:** Includes the year 2011, the title "Merchant Card and Third Party Network Payments", and the OMB No. 1545-2205.
- Form 1099-K:** The main body of the form, which includes:
  - 1 Gross amount of merchant card/third party network payments (reported by month)
  - 2 Merchant category code
  - 3 Check box if FILER is Payment Settlement Entity (PSE) OR Check box if FILER is Electronic Payment Facilitator (EPF)/Third Party Payer (TPP)
  - 4 PAYEE'S name, Street address (including apt. no.), City, state, and ZIP code, PSE'S name and telephone number, and Account number (see instructions)
- Copy A:** A section for the Internal Revenue Service Center, with instructions to file with Form 1096 and a reference to the 2011 General Instructions for Certain Information Returns.

Callouts in the image highlight:

- The year **2011** and the title **Merchant Card and Third Party Network Payments**.
- The **Gross Amount of Merchant Card/Third-Party Network Payments, Reported by Month** section (lines 1a through 1k).

This analysis considers in detail the requirements of the introduction of Form 1099-K as well as the implications of this change for merchants and their payment processing partners. It also includes recommendations that will help merchants make the most of this requirement – both as it was intended, and in other areas of business strategy, planning and analysis.

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Full access to this First Data Advisors analysis, *Beyond Form 1099-K – Assessing Merchant Impacts and Opportunities from the Upcoming IRS Reporting Requirements*, is available on a subscription basis for \$1,650. Visit [firstdata.com/infoanalytics](http://firstdata.com/infoanalytics) for more information on how to order this analysis or contact us at 1-800-430-0169.

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