



News Release

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.irs.gov/newsroom

Public Contact: 800.829.1040

IRS Issues Proposed Regulations on Reporting Requirement for Payment Card and Third-Party Payment Transactions

IR-2009-106, Nov. 23, 2009

WASHINGTON — The Internal Revenue Service today issued proposed regulations under a new statute requiring that, starting with transactions in calendar year 2011, the gross amount of payment card and third-party network transactions be reported annually to participating merchants and the IRS.

The provision was enacted as part of the Housing Assistance Tax Act of 2008 and is designed to improve voluntary tax compliance by business taxpayers and help the IRS determine whether their tax returns are correct and complete.

"Time and time again, we have seen that better information reporting helps the tax system work better by ensuring that everyone pays what they owe," said IRS Commissioner Doug Shulman. "The new law gives us an important new tool for closing the tax gap and also provides business taxpayers better documentation to compute and report their income and expenses. The IRS will work closely with stakeholder groups to ensure a smooth implementation of this new program."

These proposed regulations, posted today on IRS.gov, propose rules to implement reporting of credit card, debit card and similar transactions, as well as transactions settled through third-party payment networks, such as third-party organizations that settle online transactions. The IRS also released for comment a draft version of new [Form 1099-K](#), Merchant Card and Third-Party Payments, which will be used to make these reports.

The new law requires banks and other payment settlement entities to report payment card and third-party network transactions with their participating merchants. The IRS emphasized that individual cardholders are unaffected by this requirement, and none of the cardholder's personal information will be shared with the IRS.

The IRS has created [Form 1099-K](#), which is similar to the existing Forms 1099 used to report interest, dividends and other payments. The first information return covering calendar year 2011 must be filed with the IRS and furnished to participating merchants in early 2012. Among other things, the proposed regulations describe who is required to file a return and which payment card and third-party network transactions are subject to the reporting requirement. The proposed regulations also provide numerous examples.

The IRS welcomes comments on these proposed regulations and the draft [Form 1099-K](#). Comments must be received by Jan. 25, 2010, and may be submitted electronically, by mail or hand delivered to the IRS. A public hearing is scheduled for Feb. 10, 2010, in Washington, D.C. The proposed regulations provide details on submitting comments or participating in the public hearing.

The IRS continues to work closely with stakeholders to ensure the smooth implementation of this new information reporting program, including the mitigation of penalties in the early stages of implementation for all but particularly egregious cases.