



IRSNationwide

Tax **FORUM**
20
12

Understanding Merchant Card, Third Party Network Payments and Basis Reporting

1099-K Reporting and Securities
Reporting Changes

7/16/2012





IRSNationwide

Tax **FORUM**
20
12

Provisions fall under two Internal Revenue Code sections

Payment card and third party
network transactions reporting
(IRC §6050W) Form 1099-K

Securities basis reporting
(IRC §6045(g)) Forms 1099-B, 8949
and Schedule D





IRSNationwide

Tax **FORUM**
20
12

1099-K and New Terms

Payment settlement entities

- Merchant acquiring entity
- Third party settlement organization

Participating payee

De minimis payments

Aggregated payee/nominee

- 1099-K vs. 1099-MISC





IRSNationwide

Tax **FORUM**
20
12

Understanding Form 1099-K

Who is required to file?

- All merchant acquiring entities
- Third party settlement organizations
 - Exceed de minimis amounts
- Aggregated payees

What is TIN Matching?

What information is reported?

- Changes to 2012





Form 1099-K

Version A, Cycle 14

Image Area: 7.3' x 5'; head margin is .5' to top rule

1010

VOID

CORRECTED

FILER'S name, street address, city, state, ZIP code, and telephone no.		FILER'S federal identification no.	OMB No. 1545-2205
			2012 Form 1099-K
		PAYEE'S taxpayer identification no.	
1 Gross amount of payment card/ third party network transactions		2 Merchant category code	
\$		4	
3 Number of purchase transactions (optional)			
Check to indicate if FILER is a (an): Payment settlement entity (PSE) <input type="checkbox"/> Electronic Payment Facilitator (EPF)/Other third party <input type="checkbox"/>		Check to indicate transactions reported are: Payment card <input type="checkbox"/> Third party network <input type="checkbox"/>	
PAYEE'S name		5a January	5b February
		\$	\$
Street address (including apt. no.)		5c March	5d April
		\$	\$
City, state, and ZIP code		5e May	5f June
		\$	\$
PSE'S name and telephone number		5g July	5h August
		\$	\$
Account number (see instructions)		5i September	5j October
		\$	\$
		5k November	5l December
		\$	\$
		6	7
			8

Payment Card and Third Party Network Transactions

Copy A For Internal Revenue Service Center

File with Form 1096.

For Privacy Act and Paperwork Reduction Act Notice, see the 2012 General Instructions for Certain Information Returns.

Form 1099-K

Cat. No. 54118B

IRS.gov/form1099k

Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page

Do Not Cut or Separate Forms on This Page

INTERNAL USE ONLY
DRAFT AS OF
June 21, 2012

IRSNationwide

Tax FORUM
2012





IRSNationwide

Tax **FORUM**
20
12

Reporting Form 1099-K

Form 1099-K is an information return
No direct line reporting on a tax return
or schedule

1099-K may include non-income items

- Cash back (debit card)
- Sales tax
- Tips

No reconciliation of income required





IRSNationwide

Tax **FORUM**
20
12

IRC 6045(g) Requirements

Broker-reporting must include adjusted basis and whether a gain or loss is short or long-term

- For “covered” securities acquired in 2011 or later
- For any stock where the average basis method is permissible and acquired in 2012 or later





Form 1099-B

IRSNationwide

Tax FORUM
2012

7979

VOID CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1a Date of sale or exchange	OMB No. 1545-0715	
		1b Date of acquisition	2012 Form 1099-B	
		1c Type of gain or loss Short-term <input type="checkbox"/> Long-term <input type="checkbox"/>		
		1d Stock or other symbol	1e Quantity sold	
PAYER'S federal identification number		2a Stocks, bonds, etc.	Reported to IRS <input type="checkbox"/>	2b Check if loss not allowed based on amount in box 2a <input type="checkbox"/>
RECIPIENT'S identification number		\$	<input type="checkbox"/> Gross proceeds <input type="checkbox"/> Gross proceeds less commissions and option premiums	
RECIPIENT'S name		3 Cost or other basis	4 Federal income tax withheld	Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2012 General Instructions for Certain Information Returns.
Street address (including apt. no.)		\$	\$	
City, state, and ZIP code		5 Wash. state loss disallowed	6 Check if:	
Account number (see instructions)		\$	a <input type="checkbox"/> Noncovered security b <input type="checkbox"/> Basis reported to IRS	
2nd TIN not <input type="checkbox"/>	9 Profit or (loss) realized in 2012 on closed contracts	\$	10 Unrealized profit or (loss) on open contracts—12/31/2011	13 State
CUSIP number	11 Unrealized profit or (loss) on open contracts—12/31/2012	\$	12 Aggregate profit or (loss) on contracts	14 State identification no.
	\$	\$	\$	15 State tax withheld
	\$	\$	\$	\$

Form **1099-B**

Oct. No. 14411V

Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page





IRSNationwide

Tax **FORUM**
20
12

Form 8949

Form 8949 has two parts

- Short-term transactions
- Long-term transactions

Each transaction must be:

- categorized by manner of disposition
- reported on its own Form 8949 with like transactions

Form 8949 totals roll-up to Schedule D





IRSNationwide

Tax **FORUM**
20
12

Schedule D

Schedule D no longer reports individual transactions

Form(s) 8949 must be completed prior to making any entry on Lines 1-3, and 8-10 of Schedule D





IRS

IRSNationwide

Tax **FORUM**
20
12

What are we going to do with the information?

Reduce burden on practitioner community and taxpayers

Help reduce the tax gap

Guide future legislative changes

Find more information on IRS.gov, visit the *Third Party Reporting Information Center* within *Tax Information for Tax Professionals*





What's New on IRS.gov

IRSNationwide

Tax **FORUM**
20
12



Topic	Search Word(s)
Electronic newsletters (payroll providers, small businesses and tax professionals)	e-news subscribe
Multimedia center (audio, video and text)	multimedia
Social media (iTunes, podcasts, Twitter, widgets, YouTube and IRS2Go mobile app) *Follow IRS on Twitter @IRSTaxpros	social media
Video portal - Small business tax compliance priorities - Audit techniques guides - Referring tax avoidance schemes	video portal
Basic tools for tax professionals	basic tools
E-Services – Online tools for tax pros	eservice
Tax information for tax professionals Continuing education for tax professionals	information for tax professionals