

Publications

IRS Grants Much-Needed Relief for 1099-K Reporting

ATTORNEYS & PROFESSIONALS

Elizabeth Thomas Dold

edold@groom.com

202-861-5406

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SERVICES

Effective January 1, 2011, section 6050W of the Internal Revenue Code of 1986, as amended (the “Code”) was added to report two types of transactions: (1) payment card transactions, and (2) third party network transactions. These transactions are reported on Form 1099-K. (See draft form <http://www.irs.gov/pub/irs-dft/fl099k-dft.pdf> and instructions <http://www.irs.gov/instructions/i1099k/ar02.html>.)

As the final form and instructions are still not available, and a number of issues remain outstanding, the Service issued Notices 2011-88 (http://www.irs.gov/irb/2011-46_IRB/ar08.html) and 2011-89 (http://www.irs.gov/irb/2011-46_IRB/ar09.html). These Notices defer implementation of the backup withholding rules related to section 6050W until 2013, and provides much-needed penalty relief for those reporting organizations that make a good faith effort to comply for 2011 reporting.

Moreover, the Service issued Notice 2011-78 (http://www.irs.gov/pub/irs-utl/notice_2011-78.pdf), which clarified that payments made by insurance companies or their affiliates that administer self-insured health care arrangements on a cost-plus basis or under an Administrative Services Only (ASO) plan or Administrative Services Contract (ASC) plan will not be subject to Form 1099-K reporting. These payments will continue to be subject to Form 1099-MISC reporting. Hopefully, the Service will extend this same treatment to non-insurance third-party administrators who similarly administer self-insured and fully-insured arrangements.

If you have questions regarding the impact of 1099-K reporting, please contact Elizabeth Dold.