

FIS Merchant Solutions



Merchant Tax Reporting Guide

User Guide for Merchants



The information in this packet includes summaries of certain requirements imposed by FIS, the Card Associations and applicable law relating to merchant acceptance and processing of credit and debit card transactions.

This packet is not meant to be a detailed description or a complete listing of all these requirements or of your obligations. We urge you to read your Merchant Agreement, the rules and regulations of the Card Associations and applicable law in order to understand fully all of your obligations as a merchant accepting card transactions and, if appropriate, consult with your own legal advisor. We also note that these requirements may change over time, and that you will be responsible for complying with any such changes as they come into effect.

Fidelity Information Services, LLC is a registered ISO of Wells Fargo Bank, N.A., Concord, CA

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Overview

On Nov. 23, 2009, the Internal Revenue Service (IRS) issued regulations under section 6050W of the Internal Revenue Code, requiring the gross amount of payment card and third-party network transactions to be reported annually for participating merchants to the IRS - starting with transactions in calendar year 2011.

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.

This *Merchant Tax Reporting Guide* identifies the IRS requirements and FIS procedures in place to meet those requirements.

Matching Requirements

FIS will employ a third-party service, CompliAssure, to perform our required Tax Identification Number (TIN) matching process. The process is performed monthly and includes any new account, as well as accounts with an updated TIN or legal name. Data submissions follow IRS guidelines for matching, and invalid submissions are monitored and corrected.

Reasons for invalid submissions include but are not limited to:

- *Multiple merchant names with the same TIN* – A TIN can only be submitted for matching once. If there are multiple merchants with different merchant names and the same TIN, only one of those is submitted for TIN matching.
- *Multiple TINs with the same merchant name* – A merchant name can only be submitted once for matching. If there are merchants with multiple merchant IDs on the system but they all roll up to the same merchant, they must have the same TIN in the system.
- *Legal Names containing special characters* – According to the IRS, the only valid special characters are the ampersand (&) and hyphen (-). All other special characters will cause the TIN match to reject. These special characters must be removed from the merchant's Legal Name in order for them to receive a valid TIN match.
- *Cash advance accounts* – Cash advance accounts are exempt from reporting under the 6050W IRS mandate, so they are not submitted for TIN matching.

IRS Match Result Responses

A merchant can use an Employer Identification Number (EIN), Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN) as the TIN of record. The TIN should always be nine digits in length. Submissions to the IRS database for matching will return responses below:

2 – TIN entered is not currently issued. The TIN submitted is not valid according to the IRS database.

3 – TIN and Name combination does not match IRS records. The TIN and merchant name do not match. Either the merchant name or the TIN needs to be updated.

5 – Duplicate TIN Matching request. This is the response on any TIN entries submitted more than once. Duplicate TIN entries cause the database to shut down because it considers these “phishing.” Because of this, all duplicate TIN entries are removed from the reports prior to submission to the IRS bulk matching system. This is done systematically immediately prior to submission.

6 – TIN and Name combination matches IRS SSN records. The merchant name and TIN match what the IRS has on file. For Sole Proprietorship, the TIN is the owner’s Social Security number (SSN). For this type of merchant, the SSN should be entered into the FED TAX ID field so that it is pulled for 1099-K reporting. There is nothing more that needs to be done with these accounts.

7 – TIN and Name combination matches IRS EIN records. The merchant name and TIN match what the IRS has on file. For all merchants other than Sole Proprietorships, the IRS matches the TIN against the Employee Identification Number (EIN). There is nothing more that needs to be done with these accounts.

8 – TIN and Name combination matches IRS SSN and EIN records. The merchant name and TIN match what the IRS has on file. There is nothing more that needs to be done with these accounts.

Per IRS regulations, at least two attempts must be made to obtain correct TIN/ Legal Name combinations for all unmatched accounts.

FIS will attempt to obtain correct information on the initial negative response; and periodically, at least one additional time via mail request.

TIN/Legal Name Solicitations

FIS completes the initial solicitation during the merchant application process to establish your merchant account.

In addition to the account set up initial solicitation as required by the IRS 6050W mandate, and the B-Notices as a result of the CP2100, FIS will also conduct an annual information solicitation via U.S mail. Any merchant listed on the Non-Matching report will receive a request for information every year they appear on the report.

FIS also makes every effort to conduct monthly solicitations via telephone and email to any merchants appearing on the Non-Matching report.

1099-K Form Filing and Distribution

FIS will provide a Form 1099-K to merchants, in compliance with IRS Regulations. In general, only merchants with sales activity in a given year will receive a Form 1099-K, which will be sent by January 31 each year. All 1099-Ks will be generated with the Filer name of Metavante Corporation. Electronic filing of the data to the IRS is generally completed by April 1.

Cash Advance merchants are exempt from 1099-K creation and reporting.

CP2100/CP2100A Non-Matching Reports

The CP2100 or CP2100A is an official notice from the IRS listing those merchants whose TIN/Legal Name on our platform does not match the IRS database.

The B-Notices are required to be sent out within 15 business days of the receipt of the CP2100. Merchants appearing on the list will be subject to backup withholding within 30 business days of receipt of the CP2100/CP2100A, if they do not comply with B-Notice instructions.

B-Notices

B-Notices must be sent within 15 business days of receipt of the CP2100/CP2100A file. FIS will send the B-Notices with an insert instructing the merchants to contact their appropriate Merchant Support representative with any questions. The B-Notice will also contain a blank W-9 Form, with instructions on where to send once completed.

Since the CP2100/CP2100A is compiled based on previous tax year information, the list may include closed merchants. B-Notices should still be sent to those merchants in an attempt to obtain the correct TIN/Legal Name.

Note: If a merchant appears on the CP2100/CP2100A two times in a three-year period, FIS will send a request for an IRS Letter 147C, and the B-Notice will not include a blank W-9 Form.

Backup Withholding

Per IRS regulations, [backup withholding](#) of **24 percent** of merchant's deposits must commence within 30 business days of receipt of the CP2100/CP2100A. There also may be some states requiring backup withholding as well. Please refer to current state withholding table.

- For merchants appearing on the CP2100/CP2100A for the first time, if a W-9 is received within those 30 business days, backup withholding will not be required.
- For merchants appearing on the CP2100/CP2100A for the second time within three years, the merchant must obtain a certified TIN match from the IRS, or an IRS Letter 147C, and submit it to Merchant Support in order to avoid/stop backup withholding.

FIS will conduct backup withholding as appropriate on actively-processing accounts. Once backup withholding commences, the withheld funds cannot be retrieved until the merchant files their taxes the next year.

There are some exemptions for backup withholding:

- Foreign-based merchants where the business is located outside of the US.
- Certain MCCs:
 - 6010 – Member Financial Institution – Manual Cash Disbursement
 - 6011 – Member Financial Institution – Automated Cash Disbursement

NOTE: If a merchant who will be subject to backup withholding does not submit the necessary documentation in time, FIS will suspend the merchant's account by deactivating their Terminal Identification Number(s) (TID) until the information is received. Deactivating the TID(s) prevents the necessity for backup withholding. Once the required documentation has been returned, the merchant's TID(s) will be reactivated.