



UNDERSTANDING NEW IRS REPORTING REQUIREMENTS

The Housing and Economic Recovery Act of 2008 contains a new reporting requirement, Section 6050W, of the Internal Revenue Code (IRC). This requires payment processors — such as Heartland Payment Systems — to file an information return reporting the gross receipts for all payment card transactions (i.e. credit card, debit card and prepaid/gift card) for each merchant customer with the IRS for each calendar year. This applies to all payment card transactions beginning on January 1, 2011.

The IRS requires processors to file the first report in January 2012 for 2011 transactions and then every calendar year thereafter. Your monthly gross receipts must be reported to the IRS with your taxpayer identification number (TIN) on a new Form 1099-K. A copy of this form will also be provided to you annually by Heartland.

Your TIN is your federal employer identification number or social security number — depending on your organization type. The legal name must match exactly as shown on your A) Application for Employer Identification Number (Form SS-4) or B) Application for a Social Security Card (Form SS-5). Beginning in January 2012, Heartland must begin backup withholding of at least 28 percent of your payment card transactions once notified by the IRS of an invalid TIN and legal name combination. The percentage may change as dictated by the IRS.

Why is the IRS requiring the new reporting?

These requirements are intended to assist merchants in preparing their income tax returns and help the IRS determine if the returns are correct and complete.

What does this mean for you?

If Heartland processes your payments, Heartland will report your gross receipts for all payment card transactions to the IRS. We will provide Form 1099-K to you on or before January 31st of the year following the year for which the return is required.

What are your responsibilities?

As a merchant, you must ensure that Heartland — or your payments processor — has the correct TIN, legal name and legal address on file. This is important so you are not subject to backup withholding.

Heartland will validate your TINs through a matching process with the IRS. We began going through this validation process in 2010 and will attempt to provide the opportunity for you to resolve matching problems to avoid backup withholding.

The IRS published final regulations to provide guidance and clarification to the new law including items such as the frequency of reporting, back-up withholding processes, transaction types to include, etc. Heartland is closely following developments on this new law and will continue to provide updates on what is required to ensure compliance by the deadline through its public website at HeartlandPaymentSystems.com/IRS2010 and directly to its merchants.

This information is being provided for information purposes only and is not intended to be legal or tax advice. Heartland Payment Systems, Inc. disclaims any representation or warranty as to the accuracy or completeness of this information. The reader should seek advice from an attorney or tax professional before acting in reliance on any information.

Contact Heartland Payment Systems at 888.963.3600 for more information.

