



September 14, 2010

GSA SMARTPAY SMART BULLETIN

U.S. GENERAL SERVICES ADMINISTRATION FEDERAL ACQUISITION SERVICE SMART BULLETIN NO. 013

Housing Assistance Tax Act of 2008 Final Regulations

EFFECTIVE DATE: This Smart Bulletin becomes effective upon issuance and shall remain in force until modified or rescinded.

INTRODUCTION:

On August 16, 2010, The Department of Treasury, Internal Revenue Service (IRS) posted the final rule in the Federal Register containing regulations to implement Section 6050W of the Housing Assistance Tax Act of 2008 (HATA) entitled Information Reporting for Payments Made in Settlement of Payment Card and Third Party Network Transactions. The document outlines the final regulations relating to information reporting requirements, information reporting penalties, and backup withholding requirements for payment card and third party network transactions.

BUSINESS LINE(S) AFFECTED:

All Business Lines

SUMMARY:

1. The final regulations require that payment settlement organizations (e.g. acquiring banks, third party settlement organizations) report payments in settlement of payment card and third party network transactions for each calendar year beginning January 1, 2011 (calendar year 2011). NOTE: Agencies/organizations will still be responsible for 1099 reporting for calendar year 2010 in January of 2011.
2. In the case of payment card transactions, merchant acquiring banks will be responsible for reporting payment card transaction information via a new form 1099-K (Merchant Card and Third Party Payments) to the IRS. Reporting will be required for all payment card transactions at all dollar thresholds. Payment cards include, but are not limited to, credit cards, debit cards, and stored value cards.

3. In the case of third party network transactions (e.g. PayPal or similar organizations), the third party settlement organization will be responsible for reporting third party network transaction information via a new form 1099-K (Merchant Card and Third Party Payments) to the IRS. Reporting will be required for transactions where the aggregate amount of the transactions exceeds \$20,000 and the aggregate quantity of the transactions exceeds 200 with respect to each payee.
4. The final regulations state that convenience check transactions are not considered payment card transactions based upon the fact that they are processed as checks. Therefore, 1099 reporting on convenience checks is exempt from the final 6050W regulations.

ACTION:

Agencies/organizations will no longer be responsible for 1099 reporting on charge card transactions and third party network transactions beginning on January 1, 2011 (calendar year 2011). Agencies/organizations will still be responsible for 1099 reporting on convenience checks in calendar year 2011 utilizing current processes and procedures for convenience check reporting under IRS Code 6041 and 6041(a).

Agency/Organization Program Coordinators (A/OPCs) should provide this bulletin to the individuals in their agencies/organizations that are responsible for 1099 reporting.

David J. Shea
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Office of Charge Card Management

If you have any questions or comments regarding this Smart Bulletin, please contact OCCM at 703-605-2808 or via email at gsa_smartpay@gsa.gov

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Attachment
HATA Final Regulations – Federal Register

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