

December 2009



Monthly Newsletter and Quarterly Bulletin Service

IRSCompliance.org
1-877-tax-regs EXT. 0

Welcome!

Subscribers can contact IRSCompliance to suggest or request topics and articles that they feel are related to regulatory compliance, important or of interest to their industry. We welcome your comments and suggestions. Additionally, we will be adding a "Subscribers Corner" for our clients to contribute articles that they would like to circulate to the filing community and to gather feedback from their peers. If you have an article that you feel would be of interest to our readers and it is related to regulatory compliance, please contact us.

Be on the lookout for our Annual fourth quarter bulletin this year end which will contain form and filing requirements for 2009 Federal and State returns. Additionally, the annual bulletin will contain a recap of regulatory events that occurred in 2009.

If you have specific topics that you would like to see addressed, please forward your comments to RegulatoryBulletins@irscpliance.org. Call 1-800-tax-regs ext 0 if you would like any additional information or would like to subscribe for the Bulletin and Support Services.

News from the Internal Revenue Service

IRS Issues Proposed Regulations on Reporting Requirement for Payment Card and Third-Party Payment Transactions

On November 24, 2009 the Internal Revenue Service issued proposed regulations (REG-139255-08) under a new statute requiring that, starting with transactions in calendar year 2011, the gross amount of payment card and third-party network transactions be reported annually to participating merchants and the IRS. 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.

These proposed regulations propose rules to implement reporting of credit card, debit card and similar transactions, as well as transactions settled through third-party payment networks, such as third-party organizations that settle online transactions. The IRS also released for comment a draft version of new Form 1099-K, Merchant Card and Third-Party Payments, which will be used to make these reports.

The new law requires banks and other payment settlement entities to report payment card and third-party network transactions with their participating merchants. The IRS emphasized that individual cardholders are unaffected by this requirement, and none of the cardholder's personal information will be shared with the IRS.

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The new Form 1099-K is similar to the existing Forms 1099 used to report interest, dividends and other payments. The first information return covering calendar year 2011 must be filed with the IRS and furnished to participating merchants in early 2012. Among other things, the proposed regulations describe who is required to file a return and which payment card and third-party network transactions are subject to the reporting requirement. The proposed regulations also provide numerous examples.

The IRS is currently seeking comments on the proposal to eliminate the requirement for cardholder payers to certify, withhold or report card reportable card transactions executed in the course of their trade or business.

IRS Announces Pilot Program to Mask TINs for 2009 and 2010

The IRS has announced a pilot program to let filers of information returns truncate a payee's nine-digit identifying number on paper payee statements for calendar years 2009 and 2010 if the filers meet certain requirements (Notice 2009-93).

Notice 2009-93 applies only to paper payee statements in the Form 1098, Form 1099, and Form 5498 series and some substitute and composite substitute statements. The only identifying numbers that may be truncated under the program are a Social Security number, an IRS individual taxpayer identification number, or an IRS adoption TIN. To truncate the number, a filer would mask all but the last four digits of the number.

The IRS requests comments by May 1, 2010, on the pilot program, which is effective immediately. The IRS asks whether truncation should be required rather than permitted; whether additional types of paper payee statements should be included; whether truncation should be permitted or required for electronically furnished payee statements; whether a file must include the complete identifying number on the statement if the payee requests it; and whether truncation creates difficulties for filers or payees.

IRS to Begin Employment Tax National Research Project

In February 2010, the Internal Revenue Service will begin its first Employment Tax National Research Project (ETNRP) in 25 years. Business practices regarding employment tax issues may have changed significantly since the last IRS employment tax study in the 1980s, necessitating the need for this study.

Examinations comprising the study will be conducted to collect data that will allow the IRS to understand the compliance characteristics of employment tax filers.

The results will allow the IRS to gauge more accurately the extent to which businesses properly comply with employment tax law and related reporting requirements. We can expect that this study will include a review of employee classification ensuring that employers are treating workers as employees and not contractors where required. When completed, this information will help the IRS select and audit future employment tax returns with the greatest compliance risk.

There are two main goals for the ETNRP:

- To secure statistically valid information for computing the Employment Tax Gap, and
- To determine compliance characteristics so IRS can focus on the most noncompliant employment tax areas.

The IRS will randomly select 2,000 taxpayers each year for the next three years. The examinations will be comprehensive in scope. Taxpayers will receive notices describing the NRP process similar to those used in recent NRP studies for individuals and Form 1120S corporations.

Records pertaining to employment tax returns and issues will be subject to review during these examinations. Employers should have all of their records available to expedite these examinations.

Legislative News

Legislation to require reporting payments to corporations

On November 7, 2009 the U.S. House of Representatives passed H.R. 3962, Affordable Health Care for America Act that includes a provision to require payers to report payments to corporations for goods and services. This represents a change from H.R. 3408 introduced in July 2009 that would require payers to report payments to corporations for services only. If this legislation were to become law as it is currently written, the effective date would be January 1, 2012.

State Reporting 2009

Are you ready for your meet your requirement for annual 2009 state reporting of Forms W-2 and Forms 1099? Did you know there are 42 states that have reporting annual requirements? Are you a Combined Federal State (CFS) filer with the IRS? Did you know there are 32 states that participate in the CFS program and those states will accept some or all of the six forms (listed below) via the CFS filing? If you are currently filing under the IRS CFS program, you may be prepared to meet most of your annual state reporting obligations.

The CFS program may satisfy most of your reporting requirements with the states that participate. The forms included in the program are: 1099-DIV, 1099-G, 1099-INT, 1099-MISC, 1099-OID, 1099-PATR, 1099-R, and 5498.

In most cases, if there is no state withholding or other special conditions, the CFS program may complete your annual state reporting obligations for these payment types.

Keep in mind that you may still have a requirement to report returns to those states that do not participate in the CFS program and additional reporting requirements to all states for those payment types that are not one of the eight form types in the program. In order to ensure that you are meeting your filing requirements, you must check what can be filed with each state under the CFS program, what exceptions may exist, what must be filed to states not in the CFS program and what states require direct reporting for those form types not included in the program.

State reporting are based generally on what state where the money was earned. The requirements are not based where your company is located or headquartered, nor where the bank on which the payment is drawn on, it is where the payee earned the money. Several states have requirements for you to also report payments issued to residents of their state earning money in another state.

Many states also have additional filing requirements that occur on a periodic basis, such as independent contractors, and quarterly returns. Generally the additional reports are required during the current year as the payments are issued and are filed with a different agency within the state. These requirements are also strictly enforced and penalties may be applied.

Most importantly, several states this year enacted new legislation regarding reporting and mandatory state withholding. For example California passed a new law that requires payers to withhold California state tax when ever federal tax is required to be withheld, effective January 1, 2010.

If your organization is interested in obtaining assistance with CFS and state reporting, IRSCompliance can assist in providing those services. You may also be interested in purchasing any of our Regulatory Publications for more detailed information on state and federal requirements:

- IRSCompliance State Reporting Guide
- IRSCompliance State Withholding Guide
- IRSCompliance Federal Guide

Bulletin and Newsletter Service

Contact us at 1-877-tax-regs ext 0 and ask to speak to someone regarding services or purchasing any of the publications.

Due Diligence – To Send or Not To Send

As states are buckling down and hitting businesses up for any kind of revenue they can, unclaimed property has come into the spot light. As that spot light gets wider and brighter, companies have to pay closer attention to their filing processes for fear of fines, penalties and interest.

Due diligence is becoming a very important part of the unclaimed filing process. As with basically every other part of the unclaimed property filing process, the due diligence requirements vary from state to state. The importance of due diligence is the same across the board. States themselves follow due diligence guidelines once they have received either the report of the properties being escheated or the properties themselves.

Only two states and Puerto Rico do not require letters to be mailed before escheatment. All others do to varying degrees. Some states require specific wording, text size and fonts, while others require specific information about the property be included in the letter of notice. The one thing all states are adamant about is that the holders NOT include state contact information.

As technology progresses, the addition of electronic mail is coming in to play. What requirements will there be and what will be acceptable proof that the electronic mail was sent? Currently, is the customer contact electronically an acceptable means of communication? The questions seem never ending.

For more information regarding the due diligence processes necessary for your unclaimed property filing, contact the filing state's unclaimed property office. You can also visit www.fsitrack.com to request information regarding unclaimed property filing software that can handle the due diligence requirements or to leave a question for me, Susan Vance, on the Ask Susan page.

Regulatory News from IRSCompliance

For more detailed information on these topics and more, contact us to find out how to enroll in our Regulatory Bulletin and Support Service 1 877-tax- regs or 410-914-5470

IRSCompliance & 1099 Pro Purchase Balance Consulting

IRS Compliance and 1099 Pro, Inc are excited to announce that we have recently purchased the assets of Balancing Consulting.

Our expert compliance services and Enterprise level software related to tax and information reporting can assist all filers in improving and maintaining compliant processes and compliance with federal and state regulatory requirements.

Our mission is to continue to provide your company with the same high quality products and services which you were accustomed to receiving from Balance Consulting. Both 1099 Pro and IRS Compliance have reputations for meeting and exceeding client expectations. Our track record in terms of customer service and longevity is unparalleled. Whether your needs are software, regulatory support, consulting, processing, filing services, withholding, TIN Compliance, B-Notices, Payee TIN Certification, TIN Matching or Penalty Abatement, IRSCompliance and 1099 Pro can meet your needs.

IRSCompliance.org assists the filing community in meeting the demands for regulatory compliance, regarding Forms 1099, 1098, W2, 1042-S and Puerto Rico and Canadian returns. IRSCompliance offers a full line of regulatory services that have been integrated with 1099 Pro products. Our services include:

- Full Services - compliant processes for Payee statements, federal and state information returns, payment tracking, withholding, backup withholding, B-Notice processing, Penalty Prevention
- IRS TIN Matching Services – various programs available!
- OFAC/SDN Matching Services
- IRS Representation for abatements and appeals
- Penalty Risk Assessments
- Withholding and Deposit Services
- Form 1042-S, W-8 processing, reporting and consulting support
- Regulatory Consulting: penalty abatement services, regulatory risk evaluations, procedures and policies to ensure compliance with federal and state requirements.
- Publications, Seminars & Webinars: Federal and State Reporting Guides, State Withholding Guide, TIN Compliance Guide, Regulatory Bulletin Services, Conferences and Webinars, as well as regulatory phone support.

Our Premier Tax Reporting Services allow you to access the best minds & practices of government & industry to insure compliance. These tax compliance professionals, all with long standing and proven expert experience in regulatory tax law, risk prevention and tax services include:

- Jerry Michael, former Chief of Information Returns at Martinsburg, WV
 - Doug Rogers, Enrolled Agent - former Director of Penalties and Interest, IRS Washington, DC
 - Lynda Foertschbeck, former Tax Controversy Deloitte & Touche
 - Carol Kassem, former VP Bank One
 - Ben Gondek, former Foreign Payment Specialist, IRS
 - Charles Smith, former Corporate Tax of John Hancock
 - and more.....
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Seminars, Web Casts and Conferences

We will be publishing our annual calendar of events in our Annual Bulletin at the end of the year. In the interim, we will be emailing our schedule of events for December through March and posting it on our website.

Contact Us

If you are interested in our year round Regulatory Bulletin and Support services or would like to receive additional information on any of the products and services that we offer please contact us at the numbers or email addresses below:

IRS Compliance

IRS Compliance is the industry leader for penalty abatement, B-Notices, 972 CG's, CP 2100's, 1099's, 1042's, Federal & State reporting, etc.

www.irscompliance.org

(877) TAX-REGS ext 0 or (877) 829 7347 ext 0

For Balance Clients balance@irscompliance.org,
compliance@irscompliance.org or patn@irscompliance.org

Services Offered by IRSCompliance.org

IRSCompliance provides a full menu of tax and regulatory services to the business community. As a client, we can assist and support you in the following areas:

- Full Services – Year Round Information Reporting Processing, Filing, Data Imports and Hosting
 - A- Z Solution for all regulatory processes related to Information Reporting
- Information Reporting and Withholding Evaluation Audits
- B-Notice and TIN Penalty Notice Processing
- PCard transaction processing and reporting
- PCard data scrubbing
 - 1042-S processing and reporting
 - 1042- Data Scrubbing
- Form W8 services
- TIN Matching
 - Bulk
 - Periodic
 - Instant
- Information Reporting Preparedness
 - Form W9 Solicitations
 - Form W8 Solicitations and Re-certifications
 - B-Notices and Penalty Notice Letters
 - IRS TIN Matching
 - Bulk
 - Periodic
 - Instant
- Massachusetts 1099-HC processing and reporting

- Abatement and Appeals Services
- 1042-S Consulting Services
- Expert Consulting Services

Regulatory Software 1099/1042-S/W-2, Regulatory Processing, and SAS 70 Type II Hosting Services

IRSCompliance provides complete tax reporting and services solutions to the filing community. As the regulatory services, consulting and support provider for 1099 Pro, Inc., software products, we offer software solutions that are scalable for filers with as little as 50 forms up to clients with more than 160 million forms. So whether your need is software, hosting or processing services, we can provide the solution that best fits your organization. For additional information, call 1-877-tax-regs ext. 0 and ask to speak to Lynda Foertschbeck or email Lynda@irscpliance.org.



Contact US - IRSCompliance.org

For additional information on federal or state reporting requirements please contact IRSCompliance.org or call 1-877-tax-regs ext 0.

For organizations interested in purchasing a copy of State Reporting, State Withholding or Federal Guide Manuals, visit www.IRSCompliance.org for details.

Publication Staff

Editor: Carol Kassem

Contributors: Jerry Michael, Doug Rogers, Lynda Foertschbeck, Carol Kassem, Susan Vance



State Escheatment

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