

New Internal Revenue Service (IRS) Merchant Transaction Reporting Requirements

Premium Card Solutions is committed to keeping you informed of any industry regulations that will impact your business. The following is an initial overview of the new IRS merchant transaction reporting requirements, which were added to the Internal Revenue Code (the Code) by the Housing and Economic Recovery Act of 2008. These provisions impose new reporting requirements on merchant acquirers, such as Premium Card Solutions, and will be effective January 1, 2011.

At this time, no action is required from you. However, we will contact you if additional tax information or validation is required. We will specify what action, if any, is necessary to achieve compliance with this new reporting law.

Overview of the New Regulation

- Beginning in 2011, the Payment Settlement Entity will be required to calculate and track the gross amount of reportable payment card transactions as well as the correct legal name, address and Taxpayer Identification Number (TIN) of all merchants for whom we hold a merchant acquiring agreement.
- The Payment Settlement Entity will also be required to produce and file an IRS 1099-K form for each merchant. This form will report the gross amount of reportable payment transactions for each merchant's activity in 2011. The Payment Settlement Entity must supply a copy to each participating

New 1099-K Forms Requirement

Beginning in 2011, The Payment Settlement Entity will be required to calculate and track the gross amount of reportable payment transactions for each of its merchants.

merchant by January 31, 2012 (and each year thereafter). The Payment Settlement Entity will also file these forms with the IRS.

- In addition, IRS backup withholding rules will commence in 2012. If a merchant's TIN and/or legal name are missing, or there is a discrepancy between the information Premium Card Solutions has on file and IRS records, the Payment Settlement Entity will be required to withhold Federal income tax at the applicable rate (currently 28 percent) on the merchant's reportable payment card transactions until the discrepancy is resolved.

Please contact your tax advisor for more details about the new IRS Merchant Transaction Reporting Requirements and how they will impact your business.



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What is Premium Card Solutions doing to comply with the IRS reporting requirements?

Premium Card Solutions is working diligently to ensure that the proper processes and tools are in place to comply with this new reporting requirement. We are currently verifying that the information we have on file for all our merchants matches IRS tax records. To avoid the possibility of backup withholding, we will contact you if we are unable to verify your TIN and/or legal name with IRS records.

As a merchant, what must I do?

At this time no action is required. However, we suggest that you have your TIN readily available at all times. You can verify your TIN via one or more of the following methods:

- Reviewing your tax records
- Contacting your accountant/tax advisor
- Consulting your company's Legal or Tax Department

We understand that this is uncharted territory, and the requirements may be unfamiliar to you. However, we value our partnership with you and are here to assist as needed. If you have questions, please call your Premium Card Solutions Account Executive or 888-780-9595