

JUSTIFICATION/CHANGE WORKSHEET

The IRS issued proposed regulations (REG-116641-01) and final regulations in T.D. 9136 (69 FR 41938) that allow a payment card organization to act on behalf of a cardholder/payor for purposes of soliciting, collecting, and validating the names/TINs of the merchant/payees through TIN matching. The final regulations provide that backup withholding does not apply to payment card transactions if the reportable payments are made through a Qualified Payment Card Agent (QPCA) and the payee is a qualified payee. Under the final regulations, a QPCA must notify a cardholder/payor of any merchant/payees that are not qualified payees.

Some taxpayers subject to the final regulations have requested that the regulations in section 31.3406(g)-1(f) be amended to allow a merchant to accept a QPCA's payment card even if it opts out of the QPCA program. QPCAs subject to the final regulations have also requested that the regulations be amended to permit them to furnish required notifications electronically, including by posting on a secure website.

The proposed regulations allow a merchant to opt out of the QPCA program by giving notice to a QPCA, however, the QPCA would be required to inform the cardholder that the payee is not a participant in the QPCA program and is nonparticipating payee. In addition, the QPCA must advise the cardholder/payor of the cardholder/payor's obligation to solicit the TIN of a nonparticipating merchant/payee to which it makes a reportable payment. The proposed regulations also provide that QPCAs may furnish the required notifications electronically, including by posting on a secure website.

The addition of the NPRM results in a net program increase of 25,489,570 hours.