

**Screener’s Guide for the  
 “IRDM: Evaluate the Implementation of Internal Revenue Code (IRC)  
 Section 6050W” Focus Group**

Hello, my name is \_\_\_\_\_ and I am an employee of the Internal Revenue Service. I am recruiting approximately 20 tax practitioners to participate in one of the focus group interviews that will be held during this Tax Forum. Management at the IRS has asked me to conduct the interviews at this forum to gather ideas and opinions about your experiences with the current implementation of IRC Section 6050W and Form 1099-K Merchant Card and Third Party Network Payments. They are interested in identifying issues that need further clarification to improve the use of Form 1099-K when completing taxpayers’ tax returns.

First, I would like to ask you qualifying questions?

Question #1 – Have you seen the Form 1099-K in the last year?

Questions #2 – Have you filed a Form 1099-K over the last year? *(If we discover that many of the practitioners have filed a Form 1099-K, this question should be used to prioritize potential participants.)*

We would like to invite you to participate in the focus group to share your experiences about implementation of IRC Section 6050W and use of Form 1099-K. Again, we want to hear your opinions, views and ideas. The session should take approximately 2 hours and will be held at \_\_\_\_\_ am/pm in Room \_\_\_\_\_.

The Paperwork Reduction Act requires that the IRS display an OMB control number on all public information requests. The OMB Control Number for this focus group is 1545-1349. We estimate the time required to be two hours. Also, if you have any comments regarding the time estimates associated with this study or suggestions on making this process simpler, please write to:

Internal Revenue Service  
Tax Products Coordinating Committee  
SE:W:CAR:MP:T:T:SP  
1111 Constitution Ave. NW  
Washington, DC 20224

## **Moderator's Guide for the “IRDM: Evaluate the Implementation of Internal Revenue Code (IRC) Section 6050W” Focus Group**

Hi! My name is \_\_\_\_\_ and I'm a focus group moderator from the Internal Revenue Service. This is my co-moderator \_\_\_\_\_.

The Small Business/Self-Employed Division of the IRS wants to improve our service to clients; we would like to secure important information about the current implementation of Internal Revenue Code (IRC) Section 6050W and Form 1099-K Merchant Card and Third-Party Network Payments. IRS management is interested in identifying issues that need further clarification to improve the use of Form 1099-K when completing taxpayers' tax returns.

Before we start, let me ask how many of you have ever participated in a focus group before?

For those of you who have not, let me explain. A focus group is research tool used to gather ideas and opinions from a group of individuals with a common characteristic or experience by means of directed discussion.

We have some ground rules that I would like to go over:

The IRS has arranged this room during this conference for you to speak with us. We only need to know your first name in order to keep the discussion moving.

There are no **right or wrong answers**. Everyone's opinion is valuable so I'd like everyone to participate. Please speak one-at-a-time, loudly, and clearly.

I will be watching our time and directing our conversation. My co-moderator will be the note taker. Because it's hard to listen to your comments and capture everything, we will also tape this session. The tape will only be used to refresh our memory and to ensure that we convey your ideas and opinions accurately in the report. **NO NAMES WILL BE USED IN THE REPORT**. Once the report is written, the tape is destroyed.

We will be here about 2 hours. Please turn off any cell phones and/or beepers.

There will be no formal break; however, if you need to stretch, go to the restroom, or walk around a little, please feel free to do so but please come back quickly. Your comments are very important to us.

We are required by law to report to you the OMB control number for this public information request. That number is 1545-1349.

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## Warm Up

Let's begin! Please give me your first name only, your profession, how long you've been in business and what types of returns you prepare. *Note: Go around the table.*

## General Questions

You were asked here because earlier this week you answered the question that you have had exposure to Form 1099-K Merchant Card and Third Party Network Payments and may even have filed a Form 1099-K. We are interested in obtaining your feedback on problems/concerns you may have had with the implementation of IRC Section 6050W and Form 1099-K, and you expressed an interest in helping us to improve IRC Section 6050W and Form 1099-K future implementation and changes.

I'd like to ask you some general questions to get started.

1. How did the implementation of this reporting requirement (IRC Section 6050W and Form 1099-K) affect you most during the recent filing season (i.e. TY 2011)?  
**Probe**
  - a. Please describe any burden issues you may have faced
  - b. How can we make it easier?
2. What do you think taxpayers, tax practitioners, and Payment Settlement Entities (PSEs) need to hear about IRC Section 6050W?

## Communication

3. How do you currently receive information on changes to tax forms and policy?
  - a. Since the requirement on reconciliation has changed, are you:
    - i. No longer receiving information.
    - ii. No longer seeking information on the subject.
  - b. Since IRS will not require any reconciliation, what are your opinions on the remodeling of the income line item on schedules and business forms (see a list of schedules below – *Moderator may want to list the forms on a flip chart*)
    - i. Schedule C,
    - ii. Schedule E,
    - iii. Schedule F,
    - iv. Business Forms [Form 1120, Form 1120S and Form 1065]).
4. What is your preferred method to receive communications from the IRS regarding tax law changes and product updates?

5. What do you feel are the three top actions the IRS could take to communicate the requirement to report payment card and third party network payments more effectively?

**Probe**

- a. Do they take advantages of the e-News Bulletin that are issued on a daily basis?
- b. IRS Website updates.
- c. Do you look for increased web based key word searching and what is the ultimate result?
  - i. 1099-K,
  - ii. 6050W,
  - iii. Payment Settlement Entity (Entities), etc...

6. What communication vehicles do you feel are the most effective at reaching particular stakeholder groups?

**Probe**

- a. Professional Communications,
- b. Practitioner hotline,
- c. RSS Feed,
- d. Practitioner webpage

7. What steps could the IRS take to facilitate information sharing with tax software vendors?

**Probe**

- a. How much impact does information provided by tax software vendors affect your tax preparation?
- b. Are you getting consistent information with respect to IRS information from tax software vendors?
  - i. What do you do if the information you receive is not the same as the IRS information?
- c. Is the IRS information coming on time?

8. Are there vehicles that you believe the IRS should use more often in communicating information? ***Below is a list of possible ideas for participants:***

- a. Email
- b. eNews for Small Business
- c. Other eNews Subscriptions
- d. Quick Alerts
- e. Really Simple Syndication (RSS) Feeds

### **Telephone System**

9. Did you contact the IRS using the Telephone system to resolve any 1099-K issues?

**Probe**

- a. What were the key issues (flip chart issues)
- b. What was the resolution of the issues?

- c. Would you like to see any changes?
- d. Do you have any suggestions on how to improve?

### **Assessing Form 1099-K**

10. What guidance regarding the 1099-K requirements were clear and what areas needed further clarification? (**\$6050W is in [Appendix A](#). Moderator should focus on paragraph (a)-(c) and (e).**)

11. When looking at the instructions:

- a. What suggestions do you have to improve how instructions are written?
  - i. Do you prefer these to be written in the positive (e.g., what to do?)
  - ii. Do you prefer these to be written in the negative (e.g., what not to do)?

b. Do you read the “What’s New” in the instruction section?

Note: (**Moderator needs to get a show of hand**)

- i. Does it help?
- ii. Do you want it?

12. How did the filing requirements for the 1099-K impact your business?

- a. Money?
- b. Time?
- c. Client relationships?

13. How did this filing requirement affect your clients?

- a. Small business clients?
  - i. Hiring impact
  - ii. Accounting cost
- b. Individual Taxpayer clients?
  - i. First time identified as a business (exceeded the minimum requirement – e.g., eBay with more than 200 transaction and \$20,000)
- c. Did any of your clients choose to file an amended return after learning of this requirement?

14. What issues (e.g., Aggregated Payee) or questions did you have while preparing and filing the Form 1099-K?

a. Did you file another form with this process? Note: (**Moderator should use flip chart**)

#### **Probe**

- i. 1099-MISC in lieu of a 1099-K
- ii. What indicators lead you to that conclusion? (**Flip chart indicators**)
- b. What changes could be made to the filing process to avoid this discrepancy?
- c. How can the IRS communicate the difference between the two forms (1099-K and 1099 MISC)?

## **Changes to Form 1099-K**

**Provide attachments from [Appendix B](#) and [Appendix C](#).** The attachments are TY2011 and (Draft) TY2012 Form 1099-K.

15. Were you aware of the changes made? (***Moderator may need to explain changes***)
16. How did the changes impact preparation?
- a. What could be improved
  - b. Provide examples or details:
    - i. What did you like?
    - ii. What would you change?
17. What is a merchant category code? (***if time permits***)
- a. Do you know if you need it or not?  
Note: (***Moderator needs to get a show of hand***)
  - b. For those of you who know of them, are you using them?
  - c. What are the reasons why you are using them?

## **E-file**

18. Did you use or plan to use e-Services or a paper copy when filing a Form1099-K?  
Note: (***Moderator needs to get a show of hand for both types of methods***)
- a. If so, what was your experience?
  - b. What do you expect from e-Services when filing a Form1099-K?

## **Additional Overall Improvement Ideas**

19. Provide suggestions on how the IRS can make Section 6050W and Form 1099-K easier to comply with.

## **Conclusion**

Are there any more comments or issues you'd like to discuss?

Thank you for all your help. As IRS partners in tax administration, your ideas and opinions are very important to IRS. I will pass along your feedback in a consolidated report. IRS appreciates your input. Your participation here today is valuable and greatly appreciated.

**MODERATOR'S SUPPLEMENTARY INFORMATION:****TITLE 26 § 6050W - RETURNS RELATING TO PAYMENTS MADE IN SETTLEMENT OF PAYMENT CARD AND THIRD PARTY NETWORK TRANSACTIONS****(a) In general**

Each payment settlement entity shall make a return for each calendar year setting forth —

- (1) the name, address, and TIN of each participating payee to whom one or more payments in settlement of reportable payment transactions are made, and
- (2) the gross amount of the reportable payment transactions with respect to each such participating payee.

Such return shall be made at such time and in such form and manner as the Secretary may require by regulations.

**(b) Payment settlement entity**

For purposes of this section —

**(1) In general**

The term “payment settlement entity” means —

- (A) in the case of a payment card transaction, the merchant acquiring entity, and
- (B) in the case of a third party network transaction, the third party settlement organization.

**(2) Merchant acquiring entity**

The term “merchant acquiring entity” means the bank or other organization which has the contractual obligation to make payment to participating payees in settlement of payment card transactions.

**(3) Third party settlement organization**

The term “third party settlement organization” means the central organization which has the contractual obligation to make payment to participating payees of third party network transactions.

**(4) Special rules related to intermediaries**

For purposes of this section —

**(A) Aggregated payees**

In any case where reportable payment transactions of more than one participating payee are settled through an intermediary —

- (i) such intermediary shall be treated as the participating payee for purposes of determining the reporting obligations of the payment settlement entity with respect to such transactions, and
- (ii) such intermediary shall be treated as the payment settlement entity with respect to the settlement of such transactions with the participating payees.

**(B) Electronic payment facilitators**

In any case where an electronic payment facilitator or other third party makes payments in settlement of reportable payment transactions on behalf of the

payment settlement entity, the return under subsection (a) shall be made by such electronic payment facilitator or other third party in lieu of the payment settlement entity.

**(c) Reportable payment transaction**

For purposes of this section —

**(1) In general**

The term “reportable payment transaction” means any payment card transaction and any third party network transaction.

**(2) Payment card transaction**

The term “payment card transaction” means any transaction in which a payment card is accepted as payment.

**(3) Third party network transaction**

The term “third party network transaction” means any transaction which is settled through a third party payment network.

**(d) Other definitions**

For purposes of this section —

**(1) Participating payee**

**(A) In general**

The term “participating payee” means —

**(i)** in the case of a payment card transaction, any person who accepts a payment card as payment, and

**(ii)** in the case of a third party network transaction, any person who accepts payment from a third party settlement organization in settlement of such transaction.

**(B) Exclusion of foreign persons**

Except as provided by the Secretary in regulations or other guidance, such term shall not include any person with a foreign address.

**(C) Inclusion of governmental units**

The term “person” includes any governmental unit (and any agency or instrumentality thereof).

**(2) Payment card**

The term “payment card” means any card which is issued pursuant to an agreement or arrangement which provides for —

**(A)** one or more issuers of such cards,

**(B)** a network of persons unrelated to each other, and to the issuer, who agree to accept such cards as payment, and

**(C)** standards and mechanisms for settling the transactions between the merchant acquiring entities and the persons who agree to accept such cards as payment.

The acceptance as payment of any account number or other indicia associated with a payment card shall be treated for purposes of this section in the same manner as accepting such payment card as payment.



**(3) Third party payment network**

The term “third party payment network” means any agreement or arrangement—

**(A)** which involves the establishment of accounts with a central organization by a substantial number of persons who—

**(i)** are unrelated to such organization,

**(ii)** provide goods or services, and

**(iii)** have agreed to settle transactions for the provision of such goods or services pursuant to such agreement or arrangement,

**(B)** which provides for standards and mechanisms for settling such transactions, and

**(C)** which guarantees persons providing goods or services pursuant to such agreement or arrangement that such persons will be paid for providing such goods or services.

Such term shall not include any agreement or arrangement which provides for the issuance of payment cards.

**(e) Exception for de minimis payments by third party settlement organizations**

A third party settlement organization shall be required to report any information under subsection (a) with respect to third party network transactions of any participating payee only if —

**(1)** the amount which would otherwise be reported under subsection (a)(2) with respect to such transactions exceeds \$20,000, and

**(2)** the aggregate number of such transactions exceeds 200.

**(f) Statements to be furnished to persons with respect to whom information is required**

Every person required to make a return under subsection (a) shall furnish to each person with respect to whom such a return is required a written statement showing —

**(1)** the name, address, and phone number of the information contact of the person required to make such return, and

**(2)** the gross amount of the reportable payment transactions with respect to the person required to be shown on the return.

The written statement required under the preceding sentence shall be furnished to the person on or before January 31 of the year following the calendar year for which the return under subsection (a) was required to be made. Such statement may be furnished electronically, and if so, the email address of the person required to make such return may be shown in lieu of the phone number.

**(g) Regulations**

The Secretary may prescribe such regulations or other guidance as may be necessary or appropriate to carry out this section, including rules to prevent the reporting of the same transaction more than once.