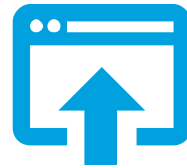




Section 6050W: Information Reporting of Payments



Deloitte's Global Information Reporting ("GIR") practice is comprised of professionals with extensive tax technical knowledge and experience with process and technology, including capabilities specific to IRC Section 6050W rules and regulations. We can work closely with you and your organization to assist you with compliance with Section 6050W requirements.

Why now?

The IRS has increased its scrutiny of payments made by commercial companies under a number of reporting and withholding regimes to ensure compliance by withholding agents. Some of the key areas of focus are:

- The IRS provided initial transitional penalty relief for transactions reported for 2011, 2012, and 2013. As transactions in 2014 are not covered by the relief, Section 6050W compliance has become an increasingly significant issue.
- The exposure associated with compliance failures may include liability for withholding tax (generally 28% of payment), interest and penalties.

It is important that organizations evaluate and implement processes, procedures, and system capabilities to address Section 6050W compliance.

What is the impact?

Reportable payment transactions include payments made through a payment card or settled through a third-party payment network. Section 6050W changes how banks, financial institutions, payment processors, and third-party settlement organizations report these transactions. In order to address tax compliance, organizations are faced with the following challenges:

- Defining the necessary changes and implementing modifications to existing systems and processes
- Dedication of a considerable amount of management attention and resources
- Withholding on payments not complying with Section 6050W obligations
- Integrating department activities and communicating training needs through support sectors and business units

Who can benefit?



- Organizations that accept or process payment card transactions for unrelated parties
- Payors in third-party networks who may be required to provide additional reporting
- Entities considered to be electronic facilitators or aggregated payees under the Section 6050W regulations

Card issuers, payment processors, and third party networks across all industries, and especially web-based companies may be largely affected by Section 6050W regulations. Company executives would benefit from a proactive approach in assessing the impact of 6050W regulations and shaping internal processes and systems based on the need to achieve compliance.

Deloitte service highlights

Deloitte can assist organizations in understanding and complying with Section 6050W rules and regulations, allowing their employees to focus on other significant business priorities. Our GIR team provides the following Section 6050W services:

Assist organizations in analyzing payment settlement entities, intermediaries, payees, and taxpayer identification numbers (TINs), reportable transactions, and amounts subject to backup withholding

Prepare annual information returns, backup withholding setup, and/or implementation of software for use in payee TIN compliance

Assist in preparation of guidance materials, such as policy and procedures manuals, and/or presentation of initial and ongoing training courses to employees



Why Deloitte?

Deloitte's Section 6050W specialists have been involved in providing clients with support to meet Section 6050W requirements since its introduction.

By reducing manual tasks and analyzing risks, Deloitte's GIR team can provide strategic value to organizations and provide support for withholding documentation and payment processes, through providing:

- A focused yet flexible approach and scalable service to meet your organization's particular needs
- Broad range eminence in the marketplace; thought leadership
- Technology and tax technical skills including deep industry knowledge and insights into key regulatory trends affecting information reporting
- Established Centers of Excellence involving integrated teams in the U.S. and India that are experienced in engagements of all sizes
- Demonstrated track record on engagements assisting clients in all phases in the tax data life cycle
- A view into the latest technologies and software products, plus insight on how they work in different finance and tax environments

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