



# QPCA for Cardholders

## Providing Convenience and Protection

Visa is preparing to offer a new program that can help your business obtain the supplier information needed for IRS Form 1099-MISC (Miscellaneous) reporting, while helping you take advantage of some exceptions from backup withholding requirements and protection from penalties associated with inaccurate reporting. The QPCA program has not been implemented yet. Visa has applied to the IRS for QPCA certification and is awaiting IRS determination. Once QPCA certification has been granted, Visa commercial cardholders will enjoy the full benefits and protections of the QPCA program.

### Program Overview

A Qualified Payment Card Agent (QPCA) is a payment card organization that has demonstrated the ability to meet IRS standards for the collection, validation, maintenance, and distribution of supplier information needed for Form 1099-MISC reporting. As a QPCA, Visa will solicit supplier information on your behalf, validate the information with the IRS, and provide it to you for the purpose of Form 1099-MISC reporting.

The IRS regulations governing QPCA not only minimize the need for businesses to solicit taxpayer identification numbers (TINs) and other tax information from their suppliers, they provide some exceptions from backup withholding requirements for payments made to suppliers through QPCA. They also protect businesses from IRS penalties that may result from inaccurate reporting.

### Benefits of QPCA

The QPCA program offers significant benefits to businesses, tax-exempt entities, and government agencies that use Visa commercial payment products. For example:

- You will not have to solicit Form 1099-MISC information from your suppliers; Visa will do this for you.
- Visa will validate each supplier’s taxpayer identification number (TIN) and legal business name using the IRS TIN Matching service.
- Visa will notify you on a quarterly basis of any suppliers whose TIN could not be validated by the IRS.

The QPCA program offers relief to businesses by providing:

- A grace period for obtaining a supplier’s Form 1099-MISC information.
- Some exceptions from backup withholding requirements.
- Protection from IRS penalties associated with inaccurate Form 1099-MISC reporting.



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## History of Form 1099-MISC reporting

For more than 60 years, the IRS has required businesses to report on Form 1099-MISC when they pay an independent contractor at least \$600 in a calendar year for services. For the past 20 years, the IRS has also required businesses to obtain the TIN of the supplier before paying, or else backup withhold a percentage of the payment. The IRS also imposes penalties associated with incorrect reporting on Form 1099-MISC.

When purchasing cards were developed in the 1990s, they fell under these existing rules. As a result, a company using a purchasing card needed to solicit the legal business name and TIN of any service supplier with which it did business, or backup withhold a portion of the payment. Because the information needed for Form 1099-MISC reporting was not available on payment card transactions, it was difficult for businesses to comply with IRS reporting requirements.

To address these concerns, Visa began working with the IRS to develop new regulations that would ease the burden on businesses by allowing a QPCA to solicit and validate supplier information on their behalf.

## How the program works

You will receive a formal notification of Visa's intent to solicit and validate supplier information on your behalf. QPCA is an optional service, and you will be given a chance to opt out. Visa will then use the IRS TIN Matching service to validate the name and TIN of each of your suppliers.

Once Visa has been granted QPCA certification by the IRS, your business will receive a quarterly report showing each supplier with which you did business during the past quarter. The report will indicate which of your suppliers are qualified by the IRS and which are non-qualified (meaning that the supplier's name/TIN could not be validated by the IRS). Upon being notified that one of your suppliers is non-qualified, you will have an additional two months to solicit the name and TIN from the supplier yourself. If you are not able to obtain the information within that timeframe, you will be required to backup withhold on any future transactions with that supplier.

According to the IRS, you may rely on the information provided by the QPCA for Form 1099-MISC reporting. If you rely on this information and the IRS later finds it to be incorrect, the QPCA regulations state that you have "reasonable cause" to request relief from any associated penalties that may be imposed by the IRS.

You will be required to maintain the confidentiality of supplier data and use it only for the purposes of backup withholding and filing information returns with the IRS.

## IRS TIN Matching service

TIN Matching is a service run by the IRS that allows you to validate a supplier's legal business name and TIN prior to reporting in order to ensure their accuracy. As your QPCA, Visa will perform this service on your behalf.

The IRS will inform Visa whether or not the supplier's name and TIN match IRS records. Visa will provide you with a quarterly report indicating the status of each supplier.

If a supplier's name/TIN combination cannot be validated by the IRS, the IRS simply indicates a non-match; it does not provide a corrected name or TIN. There are two reasons for this: 1) the IRS has no way of knowing whether the problem lies with the name or the TIN, or both; and, 2) it is against the law for the IRS to disclose taxpayer information.

If Visa is unable to validate a supplier's legal name/TIN with the IRS, the supplier's merchant bank will be informed and will contact the supplier to request the information again. If the supplier's name/TIN cannot be obtained and validated within the grace period, you will be notified that the supplier is non-qualified.



## Information needed for 1099 reporting

To report to the IRS on Form 1099-MISC, your business needs the following information for each supplier:

- Taxpayer Identification Number (TIN)
- Legal business name (corresponds to the TIN on IRS records; may be different from the DBA name)
- Complete address (street address, city, state, and ZIP code)
- Corporate status (e.g., corporation, partnership, sole proprietor, LLC)
- Sole proprietor name (only if the supplier is a sole proprietor)

As your QPCA, Visa will solicit this information from your suppliers on your behalf, verify each supplier's name and TIN with the IRS, and provide the information to you in a quarterly report.

## Using Merchant Category Codes to determine reportable transactions

Businesses, tax-exempt entities, and government agencies that use commercial payment products to pay for merchandise and services are required to report payments for services to the IRS. Historically, determining whether payments were for services or for merchandise was an arduous process and frequently required a review of individual transaction detail.

In July 2004, at Visa's request the IRS published a revenue procedure allowing clients with Visa commercial payment products the option to use Merchant Category Codes (MCCs) to determine which payment card transactions are reportable on Form 1099-MISC. The revenue procedure classifies businesses by MCC according to whether they predominantly furnish services (reportable) or merchandise (not reportable). For example, payments to a company that primarily sells computer hardware would not be reportable, whereas payments to a company that primarily performs computer maintenance and repair would be reportable.

Visa has published a downloadable booklet entitled *Merchant Category Codes for IRS Form 1099-MISC Reporting* that contains a complete list of MCCs and their designation as either reportable or non-reportable.

## Opting out of the QPCA program

Businesses, tax-exempt entities, and government agencies that use Visa commercial payment products may decline to participate in the QPCA program by returning an opt out form to the address shown on the form. If you opt out, you will not qualify for any of the benefits of the QPCA program, such as the exceptions from backup withholding and protection from penalties associated with inaccurate reporting.

## For more information

Visa has prepared several publications that provide additional information about IRS Form 1099-MISC reporting.

- *Purchasing Card and IRS Reporting Requirements* – A look at some of the issues faced by purchasing card users in meeting IRS information reporting, withholding, and payee documentation requirements.
- *IRS B Notices—A Survival Guide* – A comprehensive look at the IRS B Notices program, focusing on the ramifications of inaccurate reporting on IRS Form 1099-MISC.

The complete texts of the IRS regulations and revenue procedure governing QPCA are available on the Visa website at [www.visa.com/qpca](http://www.visa.com/qpca). You may also call the Internal Revenue Service 1099 Payor Call Center at (866) 455-7438.

To learn more about QPCA, contact Visa via email at [qpca@visa.com](mailto:qpca@visa.com).



## Frequently asked questions

### 1. What is a QPCA?

A QPCA is a Qualified Payment Card Agent. It is a payment card organization, such as Visa or Mastercard, that has entered into an agreement with the IRS to observe certain standards when assisting cardholders and their suppliers in meeting IRS reporting requirements for Form 1099-MISC. Banks and other financial institutions cannot be QPCAs.

### 2. What does a QPCA do?

A QPCA acts as an agent for your business in soliciting the supplier information you need for Form 1099-MISC reporting. The QPCA asks the supplier to provide this information to its merchant bank and the merchant bank provides it to the QPCA. The QPCA validates the information with the IRS to ensure its accuracy and then provides it to those commercial cardholders that need it for IRS reporting.

### 3. Why was the QPCA program developed?

The QPCA program was developed to make it easier for commercial cardholders to get the supplier information needed to report to the IRS on Form 1099-MISC.

Under current tax laws, your business is required to report on Form 1099-MISC any payments made to another business for services. To report accurately, you must obtain certain information from your supplier, including its legal business name, complete address, taxpayer identification number (TIN), and corporate status (e.g., sole proprietor, partnership, corporation).

In the old invoice/check method of payment, this information was generally provided along with the paperwork. However, in a payment card environment, the information needed for Form 1099-MISC reporting is not included as part of the payment card transaction, and it would be cumbersome for a cardholder to have to solicit this information from a supplier at the time of the transaction.

As a result, large corporations and government agencies that provide purchasing cards to

their employees find it very challenging to obtain the supplier information they need to meet IRS reporting requirements. To remedy this situation, the IRS developed special rules that permit a payment card organization to assist cardholders in obtaining the information they need, while providing cardholders with an exception from the backup withholding requirements and protections against penalties.

### 4. As a QPCA, what will Visa do for my business?

Visa will solicit from each of your suppliers the information your business needs to report on Form 1099-MISC. Visa will then submit the supplier's legal name and TIN to the IRS TIN Matching service to ensure the information is accurate. Visa will provide you with the supplier information you need for annual IRS reporting and will inform you on a quarterly basis if you need to contact any of your suppliers directly.

### 5. How will my business benefit by participating in the QPCA program?

There are several significant benefits, including:

- Your business will not have to solicit Form 1099-MISC information from your suppliers; Visa will do this for you.
- Visa will validate the name and TIN for each of your suppliers using the IRS TIN Matching service to ensure their accuracy.
- Visa will provide you with a report containing complete and accurate supplier information for use in Form 1099-MISC reporting.
- Visa will notify you on a quarterly basis of any suppliers whose information could not be obtained or validated by the IRS.

The QPCA program also offers relief to your business by providing:

- A grace period for obtaining a supplier's Form 1099-MISC information.



- Some exceptions from backup withholding requirements.
- Protection from IRS penalties associated with inaccurate Form 1099-MISC reporting.

**6. What is the status of the QPCA program?**

The QPCA program has not yet been implemented. Currently, Visa is waiting for the IRS to release the final regulations and revenue procedure governing QPCA.

**7. Is Visa a QPCA yet?**

No, no payment card organization has yet been granted QPCA status by the IRS. Visa has submitted its application to the IRS to become a QPCA and is awaiting IRS determination.

**8. What needs to happen for Visa to become a QPCA?**

Once the IRS publishes final QPCA regulations, Visa will formally notify all Visa commercial cardholders and suppliers in writing of its intent to act as a QPCA. Two months following this written notification, Visa will begin using the IRS TIN Matching service to validate supplier TINs. Once Visa has been able to demonstrate that the quality of our supplier data meets IRS standards, the IRS will designate Visa as a QPCA. At that point, your business will begin receiving quarterly reports indicating the status of each of your suppliers with respect to the QPCA program.

**9. Will QPCA be in place for 2007 reporting?**

No, the QPCA program will not be effective for the filing of the 2007 Forms 1099-MISC. You will need to rely on existing practices for the 2007 filing season.

**10. What information does my business need for Form 1099-MISC reporting?**

You need the following information for each supplier:

- Legal name
- Taxpayer identification number (TIN)
- Complete address
- Corporate status (e.g., sole proprietor, partnership, corporation, LLC)

**11. What is the “legal name”?**

It is the name by which the supplier entity is legally known to the IRS, that is, the name the supplier used when applying to the IRS for an EIN (employer identification number) or SSN (social security number). This name is included on the supplier’s articles of incorporation (for a corporation), partnership agreement (for a partnership), or other official document showing its legal business name. If the supplier is a sole proprietor, the legal name is the name of the owner of the business. A supplier’s legal name may be different from its doing-business-as (DBA) name.

**12. What is a “taxpayer identification number”?**

A taxpayer identification number (TIN) is assigned by the federal government to each taxpayer. For an individual (sole proprietor), the TIN is a social security number (SSN). For entities such as corporations, partnerships, charities, associations, and government agencies, the TIN is an employer identification number (EIN). A sole proprietor may have both an SSN and an EIN; in that case, the IRS prefers the SSN be used for Form 1099-MISC reporting.

**13. What is the “complete address”?**

The complete address includes the street address, city, state, and ZIP code where you the supplier’s Form 1099-MISC payee statement should be mailed. If the supplier is a corporation with more than one location, the address may be a corporate or headquarters address, rather than the location address.





**14. What is “corporate status”?**

Every supplier has a business structure, such as sole proprietorship, partnership, corporation, medical corporation, legal corporation, association/state/trust, government organization, tax exempt organization, international organization, or limited liability company. Visa calls this the “corporate status”. To report correctly on Form 1099-MISC, it is important to know the supplier’s corporate status, because certain types of businesses are not subject to IRS reporting rules under certain conditions.

**15. Which types of corporate status are not subject to IRS reporting rules?**

If you are a federal government agency, you do need not report payments to a properly identified:

- Tax exempt organizations
- Federal, state, and local governments
- International organizations and foreign governments

If you are not a federal government agency, you do not need to report payments to:

- Corporations (except medical and legal corporations)
- Tax exempt organizations
- Federal, state, and local governments
- International organizations and foreign governments

**16. How can I determine which transactions are reportable?**

In general, payments for services are reportable, and payments for merchandise are not reportable.

The IRS allows users of Visa commercial payment products to use merchant category codes (MCCs) to determine which payment card transactions are reportable on IRS Form 1099-MISC. Although use of this procedure is optional, it provides a convenient and reliable way to identify non-reportable transactions and greatly simplifies the annual task of Form 1099-MISC reporting. For more information, you may download *Merchant Category Codes for IRS Form 1099-MISC Reporting* from the Visa website at [www.visa.com/qpca](http://www.visa.com/qpca).

**17. What is TIN Matching?**

TIN Matching is a service run by the IRS that enables a “payor” (the business reporting on Form 1099-MISC) or its agent to validate a supplier’s legal business name and TIN prior to reporting on Form 1099-MISC. Under the QPCA program, Visa will submit your suppliers’ names and TINs for TIN Matching on your behalf.

**18. How does TIN Matching work?**

Visa submits the supplier’s name and TIN to the IRS for TIN Matching. The IRS looks for a matching record in its database and returns a code indicating whether or not a match was found. If a match was found, you can be assured of having correct information for Form 1099-MISC reporting. If a match was not found, Visa may ask the supplier’s merchant bank to correct the information, and Visa will resubmit the supplier’s name and TIN for TIN Matching. If the name and TIN still cannot be validated before the grace period expires, the supplier will be designated as non-qualified on your quarterly report.

**19. Does the IRS provide corrected information?**

No. If a name/TIN combination submitted for TIN Matching does not match IRS records, the IRS returns only a code; it does not provide any “corrected data”. There are two reasons for this: (1) The IRS has no way of knowing whether there was a problem with the name or with the TIN, so its would not know which data to correct; and (2) more importantly, it is against the law for the IRS to disclose taxpayer information.

**20. What information will the report provide?**

Each quarter, you will receive a report showing the following information for each supplier with which you did business during the preceding quarter:

- Legal name (see question 11)
- Taxpayer identification number (see question 12)
- Complete address (see question 13)
- Corporate status (see question 14)
- QPCA status (see question 21)



**21. What is “QPCA status”?**

The report shows you the status of each of your suppliers with respect to the QPCA program. There are three possibilities:

- Grace period (see question 22)
- Qualified (see question 23)
- Non qualified (see question 24)

The report will also shows you which suppliers (if any) have opted out of the QPCA program (see question 25).

**22. What does it mean if the supplier is in the “grace period”?**

When a supplier first accepts a payment card, the IRS allows the QPCA a certain period of time to obtain the supplier’s name and TIN. This is called the “grace period”.

If a supplier is in the grace period, it indicates that Visa is in the process of soliciting and validating the supplier’s information. You do not have to solicit this supplier’s information or backup withhold on transactions with this supplier until further notice. You should use the name/TIN supplied in the report when filing Forms 1099-MISC for this supplier, unless the data has been superseded by a later report.

**23. What does it mean if the supplier is “qualified”?**

A status of “qualified” indicates that Visa has successfully solicited and validated the supplier’s name and TIN, and you should use that validated data when filing Form 1099-MISC for this supplier. In addition, a qualified supplier is not subject to backup withholding indefinitely.

**24. What does it mean if the supplier is “non-qualified”?**

A status of “non-qualified” indicates that the supplier’s name and TIN could not be validated by the IRS and the grace period has expired. Upon being notified in a quarterly report that a supplier is non-qualified, you will have two additional months to solicit the name/TIN directly from the supplier. If you are not successful in soliciting the supplier’s name and TIN within two months after first being notified, you are required to backup withhold on any future transactions with this supplier.

In addition, the penalty waiver available for QPCA-qualified suppliers does not apply to suppliers that are non-qualified.

**25. What does it mean if a supplier has “opted out?”**

If a supplier has “opted out”, it means it has elected not to participate in the QPCA program. Such suppliers will have a status of “non-qualified”. Upon being notified in the quarterly report that a supplier has opted out, you will have an additional two months to solicit the name/TIN directly from the supplier. If you are not successful in soliciting the supplier’s name and TIN within two months after first being notified, you are required to backup withholding on any future transactions with this supplier. In addition, the penalty waiver available for QPCA-qualified suppliers does not apply to suppliers that have opt out.

**26. How will I receive my reports?**

Your reports will be made available through the Visa Information Management (VIM) system. To ensure that you can access your QPCA reports, contact your Visa issuing financial institution.

**27. What is a B Notice?**

The IRS sends a “B Notice” to a payor (the entity filing Form 1099-MISC) when it determines that the name/TIN reported on Form 1099-MISC does not match its records.





Large commercial clients generally have many supplier accounts listed on their B Notice each year, requiring them to take corrective action. For more information about B Notices, download *IRS B Notices—A Survival Guide* from the Visa website at [www.visa.com/qpca](http://www.visa.com/qpca).

**28. What is backup withholding?**

Current tax laws require commercial cardholders (as well as customers paying by cash or check) to obtain a supplier's TIN at the time of the transaction—or withhold 28 percent of the payment. The amount withheld is then deposited with the IRS and the supplier gets a credit at year-end on its tax return. This is called backup withholding. It operates much the same way as does wage withholding for employees.

**29. What effect does backup withholding have on a supplier?**

Since the payment card system has no backup withholding function, if backup withholding is required, you will need to pay the supplier the full amount and deposit an additional 28 percent backup withholding directly with the IRS. Obviously, most businesses will not want to inflate their purchasing costs by 28 percent and will likely will stop doing business with a non-qualified supplier.

**30. When is backup withholding required in the QPCA program?**

Backup withholding is never required in the QPCA program unless two things happen: 1) you are notified by Visa in your quarterly report that the supplier is non-qualified, and 2) you have not succeeded in obtaining supplier's name/TIN within two months of being notified by Visa of the supplier's non-qualified or non-participating status.

**31. What happens if backup withholding is required, but I fail to do it?**

If backup withholding is required, you are liable for the amount even if you did not withhold it from the supplier. In addition, penalties may apply. These rules are the same as those which apply to wage withholding. More information can be found in IRS Publication 15.

**32. If backup withholding is done, what happens to the money?**

You must deposit the money withheld according to specific IRS rules with regard to timing and method. Penalties may apply if the deposit is not made correctly. The rules for depositing are the same as those that apply to wage withholding. Full details can be found in IRS Publication 15.

**33. If backup withholding was required, but I failed to do it, are there any ways to avoid the liability?**

If backup withholding is required, there are only two ways to satisfy the IRS: 1) you must pay the withholding out of your own funds, or 2) you must get the supplier to execute IRS Form 4669. This is an affidavit in which the supplier swears under penalty of perjury that it included the income from your business on its tax return. Generally, suppliers are reluctant to provide this private information to their customers.

**34. What penalties apply for failure to withhold?**

In addition to the liability for the backup withholding itself (28 percent) and the penalties for failure to make a timely deposit, under extreme circumstances you may be held liable criminally and be subject to fines or imprisonment for willfully failing to collect or account for the tax.

**35. What other penalties may apply to my business?**

Your business may be penalized \$50 for failure to file a correct information return. This penalty may be increased to the greater of \$100 or 10 percent of the amount not correctly reported if the failure is due to intentional disregard of the filing requirements. This penalty will be waived if the incorrect data was received from the QPCA. See IRS Publication 1586 for details about the IRS penalty program. There are bills pending in Congress that will increase these penalties.

**36. What penalties may apply to the supplier?**

A supplier may be penalized \$50 for each failure to provide its TIN to a customer that needs it to file an information return.



**37. How can I opt out of the QPCA program?**

You may opt out of the QPCA program by returning an opt out form to the address shown on the form. The form will be included in the official QPCA notification package you will receive.

**38. Why would I want to opt out?**

Visa commercial cardholders have been the driving force behind QPCA, so it is doubtful that any commercial cardholder would choose to opt out, since the program is entirely beneficial to your business.

**39. What are the ramifications of opting out?**

You will not receive reports indicating which of your suppliers are qualified under the QPCA program. In addition, you will not be eligible for the special exemption from the backup withholding requirements nor the penalty waiver provided to QPCA participants.

**40. If I opt out now, can I opt in later?**

Yes. You will need to notify Visa in writing. The election will be effective on the Visa system at the beginning of the next calendar quarter after the notification is received by Visa, or 30 days after it is received by Visa, whichever is later.

**41. If I do not opt out now, can I opt out later on?**

Yes. You can opt out at any time by notifying Visa in writing. The election will be effective on the Visa system within 30 days after the receipt of official notification by Visa.

**42. Who must sign the opt out form for my business?**

This depends on the corporate status of your business:

- If your business is a sole proprietorship, you are the business owner and must sign the form yourself. Your spouse cannot sign unless the spouse is also an owner of the business.
- If your business is a partnership, the lead or managing partner should sign. If there is no lead or managing partner, any full partner may sign.
- If your business is a corporation, an officer must sign.

- If your business is an LLC, the LLC will have elected to be treated under the tax laws as a sole proprietor, partnership, or corporation. The LLC should follow the rule above for the type of entity it has elected on the IRS Form.
- If your business is a government organization or agency, the form or letter must be signed by an official whose duties encompass such responsibilities.
- If your business is an association, foundation, or other similar type of organization, the form or letter must be signed by an officer whose duties encompass such responsibilities.

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