

1099-K Reporting of UW System Campus Card Programs

What circumstances trigger 1099-K reporting?

If an institution has a campus card that the student or faculty member can only use for purchases at university establishments, such as a campus-owned and operated bookstore, the reporting requirement is not triggered. No reporting is required if the card is accepted for payment by a person who is related to the issuer. Because the university is accepting its own card as payment, no reporting is required.

But if the student or faculty member cardholder also can charge purchases at local businesses, unrelated to the institution, the college or university will be required to report the card transactions with the local merchants.

Are card transactions for food service, bookstores, and vending machines on campus included?

It depends. 1099-K reporting is required when all of the following occur:

- Deposits are made by the card holder, or charges to an account at the institution are permitted, that are held by the institution.
- The card is accepted by one or more merchants that are not related to the institution. No reporting is required to related entities. See note 1 below; and,
- The institution is contractually obligated to pay participating merchants in settlement of transactions with cardholders. See note 2 below.

Note 1 (from NACUBO article April 26, 2011): Under the 1099-K rules, it appears that most businesses that honor campus cards or stored value cards, unless expressly owned and operated by the institution itself or by a closely related entity, will generally not be deemed “related” based on the definitions used.

In other words, an arms’ length agreement between another business entity to lease space from the college (such as food service providers, bookstore operators, or vending machine distributors) appears to create a 1099-K reporting obligation for the institution in the absence of much greater connections between the parties (family relationships, shared control, shared stock, partnership agreements, etc.). NACUBO has recommended to IRS that such plain language explanations be included in FAQs or other informal guidance the Service publishes on this topic.

Some contracts for operation of laundry or vending service may be more complicated, particularly if the institution owns the equipment and pays a third party to provide services, perhaps by sharing revenue. Institutions will need to analyze such arrangements to determine to whom payments in settlement of payment card transactions are made.

Note 2: If a campus card program is outsourced to a bank or other third party, that entity, assuming it actually makes the payments to the merchants, would be the one required to file the Form 1099-K.

Are there exclusions for reporting payments?

Yes. There is a foreign payee exclusion, similar to 1099-Misc reporting. For contractual obligations starting after January 1, 2011, do not report payments to payees with a foreign address as long as, prior to payment, the payee has provided documentation (ex. W8-BEN) directing campus to exclude 1099-K reporting due to the foreign payee exclusion.

For payments made pursuant to contractual obligations entered into before January 1, 2011, the foreign payee is not required to provide documentation, and campus can rely on a merchant payee having a foreign address (the “address rule”) to exclude 1099-K reporting, as long as the campus neither knows nor has reason to know that the payee is a U.S. person. For this limited purpose, a renewal of such a contractual obligation will not result in a new contractual obligation unless there is a material modification of the contractual obligation.

No corporate payee exception exists for 1099-K reporting. Corporations must be reported.

Is there a threshold for whether or not to report?

Yes. Reporting is required for any participating payee only if:

- The amount of transactions exceeds \$20,000; and,
- The aggregate number of such transactions exceeds 200.

However, campuses need to send all 1099-K payment information to UWSA. Once campuses submit data, UWSA must consolidate all campus data to see if the threshold for reporting has been met.

What to report?

The name, address, city, state, zip, and taxpayer identification number (TIN) of each participating payee (campuses must collect W-9's), and gross amount by month.

Number of payment transactions (not including refund transactions) processed through the payments cards.

Federal Income Tax Withheld. Generally, a payer must backup withhold if the payee did not furnish their correct taxpayer identification number (TIN).

Gross Amount: The regulations define gross amount as the total dollar amount of aggregate reportable payment transactions for each participating payee without regard to any adjustments for credits, cash equivalents, discount amounts, fees, refunded amounts, or any other amounts. The information reported on the return required under these regulations is not intended to be an exact match of the net, taxable, or even the gross income of a payee.

Campuses need to send all 1099-K payment information to UWSA, including payments to vendors by month. Once campuses submit data, UWSA must consolidate data and report the amounts paid to vendors by month and in total to the IRS.

Will vendors receive both 1099-Misc and 1099-K forms for the same transactions?

No. Transactions that would be subject to reporting under both 1099-K and 1099-Misc are reported under 1099-K and not 1099-Misc. For purposes of determining whether there is relief from 1099-Misc reporting, the 1099-K de minimis threshold is disregarded. Transactions that would be subject to reporting under both, but fall below the 1099-K de minimis threshold of \$20,000 and 200 transactions, would not be reported under either 1099-K or 1099-Misc.

Additional Info - IRS FAQs:

<http://www.irs.gov/uac/General-FAQs-on-New-Payment-Card-Reporting-Requirements>

<http://www.irs.gov/uac/Payment-Card-Transactions-FAQs>