

(1) Payment settlement entities, third party settlement organizations, electronic payment facilitators or other third parties acting on behalf of a payment settlement entity, all as defined in IRC Section 6050W who are required to file 1099-K information returns with the IRS relating to payments made in settlement of payment card and third party network transactions must also file a duplicate of such returns with the Department.

(2) Such returns must be filed electronically with the Department and shall include one of the following in their electronic submission:

(a) a duplicate of all 1099-K information returns filed with the IRS, or

(b) a duplicate of all 1099-K information returns related to Alabama taxpayers or participating payees with an Alabama address.

(3) A copy of each Form 1099-K must be filed electronically with the Department on or before 30 days after the due date prescribed by IRC Section 6050W and regulations promulgated thereunder each year following the year in which the payments were made. If an extension has been granted by the IRS to the reporting entity, the extension will automatically apply for Alabama purposes. If a due date falls on a federal or state observed holiday, or the weekend, the next business day will be considered as timely filed.

(4) The duplicate 1099-K information returns received by the Department shall be restricted for use only to those taxes administered by the Department.

(5) Penalties for non-compliance.

(a) The first violation for any reporting entity failing to timely file the required duplicate 1099-K information with the Department shall result in a written warning advising the entity of their non-compliance, the penalty for future non-compliance, and will provide a 30 day period in which to file the information.

(b) Subsequent violations or non-compliance shall result in a penalty of \$1000 for each month or fraction of a month during which non-compliance continues.

(c) The Department has the authority to waive all or a portion of a penalty if it is shown that the failure to file was due to reasonable cause and not willful neglect.

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Authority: Sections 40-2A-7(a)(5), 40-2A-11(2)(a), and 40-23-261, Code of Alabama 1975.

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