

Important Information for Lawyers Who Accept Debit and Credit Card Payments

Lawyers who accept debit and credit card payments from clients need to be aware of a recent IRS regulation scheduled to take effect January 1, 2013, which has the potential to adversely impact client trust accounts if certain precautions are not taken before January 1, 2013.

Section 6050W was added to the Tax Code in January 2012, requiring credit card processing companies to verify and match your federal tax identification number and legal name on your merchant account to IRS records (Form 1099-K). An EXACT match is required. If you have either abbreviated your name or used an acronym for your merchant account, you will need to contact your credit card processor to assure that your legal name on your merchant account exactly matches the legal name you use to file your tax returns.

If there is NOT an exact match between the information provided to the credit card processing company and the information on file with the IRS, there are serious consequences:

- ✓ Beginning January 2013, the IRS will impose a 28% withholding penalty on all credit card transactions, including those that the lawyer directs to the IOLTA client trust account.
- ✓ If client funds that should be in the IOLTA account are withheld due to the lawyer's failure to act and thus are not available to the client on demand, ethical issues are raised.

If a mismatch occurred you should have already received notice from your credit card processing company of the problem. However, there is no certainty that all processing companies have provided such notice. Don't wait for your credit card processor to contact you!

It is important that you take the following actions before January 1:

- ✓ Contact your credit card processor to determine that a match occurred.
- ✓ Correct mismatches if informed of one.

For more information on [Section 6050W](#) visit www.IRS.gov