Controversial 1099 Reporting Requirement Moves Closer to Repeal

A bill repealing the controversial 1099 reporting requirement included in the Patient Protection and Affordable Care Act was recently passed by the House of Representatives with a vote of 314-112, including 76 democratic votes.

The Small Business Paperwork Mandate Elimination Act of 2011, known as HR 4, would repeal the healthcare reform law provision requiring businesses to furnish 1099 statements to vendors for payments on goods or services aggregating more than $600 over the course of a year. The bill would also repeal a requirement for taxpayers who receive rental income to complete 1099 forms for services provided by any unincorporated service providers.

Since its inception, the reporting requirement has received objections from small businesses and a number of organizations, including the American Institute of Certified Public Accountants (AICPA), because of the burden compliance would place on companies. While the paperwork for businesses would be extensive, the AICPA states that they believe “the information reported to the IRS will prove of little value to many taxpayers or to the government.”

These concerns would be put to bed with the passage of HR 4, an action that bill co-sponsor Rep. Rick Berg (R-N.D.) says would be a victory for American small businesses.

“[The 1099] mandate would hinder the growth of businesses and the creation of jobs by forcing undue paperwork on American businesses,” said Berg. “Eliminating this requirement is a necessary step toward reducing the bureaucratic frustrations so many businesses face and allowing them to focus on growing their business and creating jobs.”

HR 4 is currently with the Senate, which has already passed its own version of the repeal as part of the FAA Air Transportation Modernization and Safety Improvement Act (S 223). However, the Senate’s version does not include the 1099 requirements for landlords.

A primary sticking point between the two versions is how to pay for the expected revenue loss, which is estimated at $20 billion over 10 years.

To pay for the repeal, the House- passed HR 4 would increase the amount of the new IRC § 36B healthcare credit that is subject to recapture. On the other hand, the Senate-passed S223 would rescind $44 billion of discretionary government spending.

Agreement must be reached before the repeal can be sent to President Barack Obama for signature. Adding to the uncertainty surrounding the final outcome, the White House has expressed its opposition to the revenue offsets found in both versions.

Despite the remaining issues, Rep. John Dingell (D-Mich.) sees little need for concern.

"I don't think the president will waste his time vetoing a bill on which the House has already spoken so clearly,” he told reporters, according to a March 9, 2011 article in The Hill. “There are fights that it pays to make and there are fights that it doesn’t.”

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