



LEGISLATIVE UPDATE

April 5, 2011

Senate Votes to Repeal 1099 Reporting Requirements

On April 5, 2011, the U.S Senate voted to repeal the expanded 1099 information reporting requirements that were a component of last year's health care reform and small business laws. The repeal has been sent to President Obama for signature.

Currently, businesses must file an Internal Revenue Service (IRS) form 1099 for purchases of services from non-corporate entities. The repealed 1099 provisions would have required small businesses, charities and state and local governments to file a 1099 form to report annual purchases from contractors above \$600. Reznick Group believes that this repeal is welcome news for our clients, including businesses and organizations of all sizes, and for taxpayers owning rental properties. This mandate within the health care bill was viewed by many lawmakers as an albatross around the necks of American small businesses, producing a significant recordkeeping burden that would have resulted in increased time and money being spent complying with this law.

Since this law was initially intended to be a revenue raiser, the bill does provide a way to offset some of the revenue that will be lost. The 2010 Health Care Act provided for a new refundable tax credit to qualifying taxpayers beginning in 2014. Qualifying taxpayers are entitled to receive advance payment of the credit to subsidize health care costs. The 2010 Health Care Act provided for recapture of excess advance payments received subject to certain limitations. These limitations have been adjusted in the current bill to offset revenue lost.

For more information on how the repeal of 1099 provisions may impact your business, please contact your Reznick Group tax professional. For more information on Reznick Group and our tax services, visit www.reznickgroup.com/tax.

As a service to our clients, Reznick Group provides timely legislative news and information relevant to their industries. This information is often sourced from leading industry coalitions, as well as individuals, with whom we maintain a professional relationship.