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Got IRS Forms 1099? More Soon

No one likes **receiving** IRS Forms 1099. See [I'm Sending An IRS 1099: 1099 Are You Outta Your Mind?](#) It turns out virtually no one likes **issuing** them either. That appears to be the lesson from the fallout over the past few months about the impending Form 1099 obligations slated to start next year. The [Patient Protection and Affordable Care Act](#) added [new Form 1099 obligations](#), and they've been controversial.

From day one there was talk of repeal. See [New G.O.P. Slogan: 'Repeal and Replace' Health Care Law](#). Now Congress is (finally!!) moving to repeal these added burdens on business. On November 15, Senate Finance Committee Chair Max Baucus (D-MT) formally introduced the ["Small Business Paperwork Relief Act."](#)

[IRS Forms 1099](#) must be issued by every person in business paying \$600 or more during the year for services. If you pay a plumber to unplug the sink in your restaurant 6 times during the year at \$100 a visit, you've got to issue a form to your plumber and the IRS. If your plumber is incorporated, you don't have to issue the form. Well, until now.

Under the [Affordable Care Act](#), even **corporate** recipients of \$600 or more during the year need to be issued the ubiquitous forms. Plus, the law adds two other types of payments to the Form 1099 hit list: payments for property and payments of gross proceeds.

Property? If a business makes payments aggregating \$600 or more to any one payee for property it must issue a Form 1099. If you buy copy

paper, Xerox supplies, paper cups, mailing lists, etc., you'll need to send 1099s to all vendors who got \$600 or more over the course of the year. Many accounting systems aren't set up for this.

Gross Proceeds. The gross proceeds rule is even broader. Since there doesn't seem to be a definition, "gross proceeds" may be any payment for any reason. That means payments to utility companies, vendors, suppliers, customers—you name it. And even if you're initially paying less than \$600, you'll have to keep track of every nickel, since the rules apply in the aggregate.

Corporations Too. Corporations have always been subject to requirements that they issue 1099s to others, but they've generally been exempt from receiving them. But starting with 2011 payments, all corporations are targets for 1099s.

Penalties. One of the big concerns is penalties. If you fail to issue the forms, the IRS can assess penalties. Most [penalties](#) are modest, \$50 to \$100 per form. But if you fail to issue hundreds of forms, penalties can add up. Plus, the IRS can even assess an "intentional disregard" penalty of 10% of the amount that should have been reported on a Form 1099.

Repeal? Property, gross proceeds and corporations, oh my! While the repeal bill isn't soup yet, its passage sure seems likely. Even [President Obama](#) said this about Form 1099 provision of his beloved health care reform behemoth:

"The 1099 provision in the health care bill appears to be too burdensome for small businesses. It just involves too much paperwork, too much filing. It's probably counterproductive. It was designed to make sure that revenue was raised to help pay for some of the other provisions, but if it ends up just being so much trouble that small businesses find it difficult to manage, that's something that we should take a look at."

How much revenue is this Form 1099 albatross expected to raise? This puny little section of the health care law *alone* was projected (by Congress' vaunted Joint Committee on Taxation) to raise \$17.6 billion over ten years (yup, that's a "b"). That should tell you something: the

assumption behind **any** Form 1099 rule is that a good chunk of income that isn't reported on a Form 1099 ends up not being reported on a tax return.

Who would have thought it?

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