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### Let There Be Forms 1099

*“Let there be a plague of Forms 1099,” Congress said. “And so there was. The tax forms came forth and multiplied like sheaves of wheat on a fertile plain. The forms thrived. They covered the plain and blackened the skies. And Congress was content with what it had made. And the IRS liked it too.”*

Sacrilege? Blasphemy? Maybe, but it’s not exaggeration to suggest we’re about to have a plague of Forms 1099 of truly biblical proportions. Why? The meant-to-be-prophetically-named [Affordable Health Care Act of 2010](#) spit out two new categories of payments required to be reported on Forms 1099.

Businesses have always had to issue forms for any payment for **services** of \$600 or more during the year (think independent contractors). You tally them all up for the year and issue the forms to the taxpayer in January and to the IRS in February. It can be a miserable task if you don’t have software to do it automatically.

But starting in 2012, you can add to that list any payment of \$600 or more for **property**, and any payment of \$600 or more of **gross proceeds**. Let’s take one plague at a time.

**Property?** If a business makes payments aggregating \$600 or more to any one payee for property it must issue a Form 1099. In the past, of course, it was payments for services that triggered the form. It was bad enough for businesses to keep track of how much they paid their roving

IT consultant, plumber, etc. Now, the reporting will extend to all manner of vendors.

Keep in mind this is an **aggregate** rule, so payments must be aggregated throughout the year. 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. Many accounting systems aren't set up to do this, and some small business groups have been vocal in their requests to undo this rule. So far, no relief.

**Corporations Too.** In the past, a few Forms 1099 had to be issued to corporations. For example, for years we've had special 1099 rules for legal fees. (I guess Congress was worried that lawyers didn't report their income . . .) So even incorporated law firms must be sent Forms 1099 for legal fees they earn.

In large part, though, corporations were **exempt** from 1099 rules (that is, from the requirement that payers must **issue** the forms **to** corporations). Of course, corporations have always been subject to requirements that they issue 1099s **to others**. But starting with 2011 payments (Forms 1099 are due in January 2012 reporting all 2011 payments), **all** corporations are also **targets** for 1099s.

**Gross Proceeds.** Starting with 2011 payments, any time a business pays gross proceeds to someone of \$600 or more (again, aggregated over the course of 2011), a Form 1099 is required. The breadth of this rule can't be overstated. Since there doesn't seem to be a definition, "gross proceeds" may be **any** payment. Payments to utility companies? Probably.

**Burdens?** It's not clear how simple accounting systems will fare or whether small businesses will succeed in their campaign to get some relief. Even such simple matters as getting taxpayer ID numbers for all vendors may stymie some. Some vendors may operate under several names, making aggregation difficult. Still, the vaunted Congressional Research Service lays it out and suggests it's full steam ahead. See [Form 1099 Information Reporting Requirements as Modified by the Patient Protection and Affordable Care Act](#).

Many small businesses already struggle with 1099 rules and encounter the wrath of the IRS—and other businesses that receive the forms—when they fowl up. (Who likes receiving 1099s?) The biblical plague of 1099s in January 2012 can only increase these issues. Stay tuned.

For more about Forms 1099 see:

[Senate Expands IRS Form 1099 Reporting Requirement to Include All Rental Property Owners](#)

[Small Businesses Rally to Fight New 1099 Rules](#)

[Forms 1099 For Cost Basis: What, Me Worry?](#)

[IRS Form 1099 Wars](#)

[I'm Sending An IRS 1099: 1099 Are You Outta Your Mind?](#)

[The Truth About Forms 1099](#)

[Ten Things You Should Know About 1099s](#)

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