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Partial Form 1099 Repeal Likely

I know that's a titillating headline. This time of year, all of us are collecting [Forms 1099](#) we receive (including stragglers). If you're in business—giving as well as receiving the pesky little forms—you've hopefully finished sending them out. Almost no one likes receiving Forms 1099, and few like sending them either. But there's no question Forms 1099 are here to stay.

Forms 1099 must be issued by every person engaged in a trade or business paying \$600 or more for services during the year. For 2010 payments, businesses had to issue and mail forms by January 31, 2011. Copies of the forms are due to the IRS by the end of February. If you're in business and fail to issue the forms, penalties apply.

Apart from Forms 1099 for dividends, interest, royalties, and a few special types of payments, it is primarily payments for **services** that generate a Form 1099. Then came ObamaCare. The [Patient Protection and Affordable Care Act](#) added [new Form 1099 obligations](#) kicking in next year.

Property Purchases Reported. Not only payments for **services** trigger a Form 1099, but now payments for **property** will too. If you buy copy paper, Xerox supplies, paper cups, mailing lists, etc., you'll need to send 1099s to all vendors you paid \$600 or more during the year. More paperwork.

What's more, payments of "**gross proceeds**" will also generate a Form 1099. With no definition of what constitute gross proceeds, any payment for anything is probably fair game, including payments to utility companies, vendors, suppliers, and customers. Even if you're initially paying less than \$600, you'll have to keep track of every nickel, since the \$600 threshold applies in the aggregate.

Belatedly realizing that many were outraged by this new paperwork burden, lawmakers quickly moved to repeal these added Form 1099 reporting requirements as part of the [FDA Food Safety Modernization Act \(S. 510\)](#) but the repeal effort failed. A competing repeal amendment offered by Sen. Mike Johanns (R-Neb.) failed too. But fortunately, a repeal vote finally passed the Senate 81 to 17 on February 2, 2011. Most expect it to pass the House too, though probably not until March. See [1099 Form Reporting Repeal?—Not So Fast—And Not The Whole Enchilada](#).

Whether you're in business or a consumer, you're used to Forms 1099, and that won't change. In fact, in recent years the circumstances in which a Form 1099 must be issued have blossomed. These two additions seem destined to go by the wayside before they take effect for property and gross proceeds Forms 1099 in 2012.

If you're in business, this mess bears watching. Many accounting systems are not set up for these rules. Unless the repeal happens soon, you'll have to consider how to comply come January. That means setting up your system well in advance.

For more about Forms 1099, see:

[Ten Things to Know About 1099s](#)

[Got IRS Forms 1099? More Soon](#)

[Adjust Recordkeeping Before Form 1099 Onslaught](#)

[Let There Be Forms 1099](#)

[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 IRS Forms 1099](#)

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