



1099 Tax Reporting Requirements An Expensive Burden on Small Business Owners

Beginning in 2012, the new healthcare law requires businesses to send Form 1099s for every business-to-business transaction of \$600 or more for both property and services – creating a tremendous new paperwork compliance burden for small business. The small business community has made full repeal of the 1099 reporting provision a high priority and strongly supports the Small Business Paperwork Mandate Elimination Act (H.R. 4/S. 18), which would fully repeal this new provision (Sec. 9006) from the healthcare law.

The reporting requirement substantially increases compliance burdens on small businesses

- Expanded 1099 reporting means that a small business owner will have to file two forms – one with the vendor and one to the IRS – for almost every business-to-business transaction.
- In addition, since Form 1099 reporting requires the inclusion of a Taxpayer Identification Number for the vendor they do business with, small business owners will also be forced to spend time tracking down the number for each and every vendor requiring a Form 1099.
- Small businesses typically lack an in-house finance department to track this kind of reporting, which is why complying with the tax code is already 66 percent more expensive for a small business than a large firm. (Source: *SBA Advocacy Report: The Impact of Regulatory Costs on Small Firms*)

1099 reporting will cost more in compliance than it will generate in revenue

- According to a survey conducted by the National Federation of Independent Business, at \$74 per hour, tax paperwork is the most expensive paperwork burden placed on small businesses by the federal government.
- While small business owners will pay to comply with the new requirement, there is no guarantee that the government will raise projected revenue.
- A July 2010 report issued by The Office of the Taxpayer Advocate reiterates that, “the new reporting burden, particularly as it falls on small businesses, may turn out to be disproportionate as compared with any resulting improvement in tax compliance.”

The 1099 repeal effort has bipartisan support in both chambers of Congress

- S. 18, introduced by Senator Johanns, has more than 60 cosponsors in the Senate; H.R. 4, introduced by Congressman Lungren, has 273 cosponsors in the House of Representatives.
- Both the House and Senate have passed bills with measures to repeal the 1099 reporting provision – the House passed H.R. 4 in early March by a vote of 314 - 112; the Federal Aviation Administration authorization bill passed in the Senate with a provision attached to repeal 1099 reporting.
- Despite strong bipartisan support and action in both chambers, the bill still has not been signed into law.
- This continues to hang over the heads of small businesses, and the Coalition urges Congress to act as soon as possible to fully repeal the 1099 reporting provision.