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Expanded 1099 Reporting Requirements Repealed

Despite numerous uncertainties, many states and the federal government are moving forward with implementing aspects of the Patient Protection and Affordable Care Act of 2010 (the “health care reform law”).

However, certain provisions of the health care reform law are undergoing closer scrutiny and some have either been repealed or their effective dates have been delayed. One such affected provision is that relating to the scheduled expanded income reporting requirements to the IRS through Form 1099.

Recently, the Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayment Acts of 2011 (the “Act”) was signed into law. This Act repeals the requirement contained in the health care reform law that payments of \$600 or more made to corporations that relate to amounts paid for any type of goods or services be reported to the IRS.

Background

Businesses have long had to issue a Form 1099-MISC to each individual service provider who is paid \$600 or more during the year in the course of business. Reportable payments include compensation paid to individuals for both goods and services. Some exceptions applied.

Expanded Reporting

The health care reform law, however, greatly expanded this mandated reporting requirement by removing the exception for most payments to corporations. This change was to become effective starting in 2012. Thus, the existing requirement that business taxpayers report payments of nonemployee compensation, interest, rents, royalties, etc., totaling \$600 or more was expanded to include payments made to corporations, other than tax-exempt corporations. These new reporting requirements promised to burden businesses with substantial additional recordkeeping – as well as potential increased costs.

Now, there’s relief: These new Form 1099 rules have been repealed by the Act. Basically, the reporting requirements revert to the rules in effect prior to the 2010

changes. (The requirement that rental property owners report certain payments to service providers on Form 1099 starting in 2011 also has been repealed. This provision was originally included in the Small Business Jobs Act of 2010.)

Doeren Mayhew Can Help

Please contact Doeren Mayhew if you have any further questions relating to the repeal of the health care reform law’s 1099 reporting requirements.



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