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## Good News – 1099 Repeal Signed into Law!

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1099 Repeal 1-2

**Need help with all these changes? Call us and we'll be happy to discuss them with you.**

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In the December 2010 Freeman & Williams newsletter, we provided a summary of a key provision from the Small Business Jobs Act of 2010. This provision relates to Form 1099 reporting requirements for owners of rental properties. Rental income recipients would have been required to report payments of \$600 or more to a service provider on Form 1099-MISC beginning with payments made during 2011. The provision would further require landlords to report payments of over \$600 per year to any vendor on a Form 1099 for payments made during 2012 and forward.

An additional provision enacted last year which affected the 1099 reporting requirements was part of the Patient Protection and Affordable Care Act of 2010. This provision would have required businesses to report ALL payments of \$600 or more to any vendor (including amounts paid to service providers, corporations, and for supplies) on Form 1099 beginning in 2012.

These provisions were set in place to generate extra tax revenue (estimated at \$17.1 billion in “unreported income”) to help fund health care reform by obtaining unreported revenue from vendors. However, complying with the provision would have placed a large and unnecessary bookkeeping burden on small businesses and landlords.

Due in large part to the efforts of businesses and lobbying firms stating that the increased reporting would be overly burdensome, President Obama has signed into law the repeal of the expanded Form 1099 information reporting requirements for both businesses and rental income recipients.

## The New Plan

The new law contains an alternative way of raising tax revenue that the previous bill was projected to provide. The new bill will increase the amount of the new health care premium assistance credit that is subject to recapture. Under this amendment, taxpayers whose household income is over 400% of the poverty line for a particular tax year would have to pay back their advance health care premium assistance credit payments. For tax payers whose household income is less than 400% of the poverty line in a particular tax year, the amount of the increase in tax will be limited to the applicable dollar amounts in this table:

If household income (expressed as a percent of poverty line) is:	The applicable dollar amount is:
Less than 200%	\$600
At least 200% but less than 300%	\$1,500
At least 300% but less than 400%	\$2,500

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## The New Plan - continued

In other terms, taxpayers who earn more than anticipated and receive more financial support than they are entitled to must return a portion of that overpayment to the government. The bill increases the amount of excess funding that many taxpayers who earn more than twice the federal poverty level would have to pay back. Those earning between four and five times the federal poverty level would have to pay all of it back.

## Businesses

The repeal will leave the Form 1099 reporting requirements the same as they were before the 2010 provisions. The IRS requires businesses (including not-for-profit organizations) to issue a Form 1099 to any individual or unincorporated business paid in excess of \$600 per calendar year for services rendered. This is required whether these payments are spread out over the course of the year or are paid in one lump sum payment. This form is generally not required to be issued to incorporated businesses. The only exception is when payments are made to incorporated law firms. A 1099 must be issued whenever payments in excess of \$600 per calendar year are made to law firms.

It is clear that Congress is targeting 1099 reporting as a means to collect tax revenue on unclaimed income. As technology advances making the reporting easier on taxpayers, do not be surprised to see this law gain Congress' support again.

## Questions?

If you have any questions about an article in this newsletter or any tax issue, please feel free to contact our office at (775) 882-3201. You can also find a copy of this newsletter as well as our other updates and notices at [www.fwcpas.com](http://www.fwcpas.com).