

# 1099 Repeal Appears Certain

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Several bills, including a bipartisan effort from Senators Baucus and Reid, have been introduced this session to repeal the 1099 provisions of the Health Care Reform Act.

As discussed in prior e-Alerts (links below), the 1099 provisions would greatly expand the way in which businesses report ordinary expenditures. Under the new law, businesses would have to obtain an EIN and file a 1099 for purchases that run to more than \$600 per year, regardless of who the vendor is.

Small businesses complained that the provisions added administrative cost and expense without additional benefit, requiring them to (for example) get an EIN and send a 1099 to Walmart or Staples for its break room or office supply purchases. Industry analysts also questioned the projected revenue from this bill, since the cost to implement it – both for businesses to comply with it and for the IRS to enforce it – seemed to overwhelm the anticipated benefit.

Regardless of what happens with efforts to repeal the rest of the Health Care Reform Act, there is significant support from all levels to eliminate the 1099 provisions. The President even mentioned it in last night's (January 25, 2011) State of the Union Address, to significant applause. We expect that the 1099 repeal will pass – in one form or another - and be implemented before the new provisions ever go into effect.

**Related links:**

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