

Senate Passes House's 1099 Repeal Bill

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We have been informed that the Senate just passed HR4, by a margin of 87 to 12. This bill repeals the controversial 1099 provisions contained in the federal Health Care Reform Law, as well as the rental property 1099 provisions. The bill also modifies the Health Care Tax Credit. On the heels of the bipartisan passage of the House version by a large margin, it appears that the bill is likely to be signed and enacted in short order.

Expansion of 1099 Reporting Requirements Repealed

March 2011

The House voted today to repeal the controversial expansion of 1099 reporting requirements enacted by the Health Care Reform law. The bill, if passed, would delete the new 1099 provisions as if they were never enacted in the first place. The bill now goes to the Senate for consideration.

As discussed in prior e-Alerts, the 1099 provisions would have greatly expanded 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.

Please note that this bill does not address another controversial 1099 provision, which treats owners of rental real estate as “trades or businesses” for 1099 reporting purposes beginning in 2012. This means that owners of income-producing rental real estate should be keeping records (including tax ID numbers) for any service provider (e.g. landscaper, handyman, oil and heating service, electrician) to whom they pay more than \$600 during 2011. While a bill has been introduced to repeal this provision as well, it does not have the same traction and support as the bill passed today.

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