

AN ALERT FROM THE BDO FEDERAL TAX PRACTICE

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FEDERAL TAX



► SUBJECT

REPEAL OF EXPANDED FORM 1099 REPORTING LEGISLATION HEADED TO PRESIDENT FOR SIGNATURE

► AFFECTING

Businesses paying corporate vendors and sellers of goods at least \$600 in a single year, and owners of rental real estate

► DETAILS

In an effort to expand information reporting and improve tax compliance, Congress last year modified the Form 1099 reporting requirements in two separate bills. First, as part of the Patient Protection and Affordable Care Act (Pub. L. No. 111-148), corporate payees were no longer exempt from the Form 1099 requirements, and payments for goods were required to be included in information returns reported to the Internal Revenue Service. These modifications were to become effective for payments made after 2011. Second, under the Creating Small Business Jobs Act of 2010 (Pub. L. No. 111-240), certain payments made in connection with the rental of real estate were to be reported to the Service on Forms 1099. These modifications were to have become effective for payments made after 2010. In all cases, Form 1099 was not required unless the aggregate payments to one person in the course of a calendar year were at least \$600.

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Amid concern over perceived excessively burdensome recordkeeping requirements, business taxpayers and practitioners criticized the new laws.

The new Form 1099 reporting provisions were estimated to produce more than \$20 billion in additional revenue for the federal government through improved compliance. Notwithstanding the significant decrease to federal revenue upon its repeal, Congress found that the provisions were not adequately considered prior to their initial passage.

On April 5, 2011, the Senate voted 87-12 to pass H.R. 4, the Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011, which repeals both of the new information reporting requirements, clearing the bill for the President's signature, which is expected. To offset the cost of repeal, Congress voted to impose new limits on the amounts required for repayment of advance premium assistance tax credits for health insurance.

► IMPLICATIONS

Repeal of the expanded Form 1099 reporting requirements ends a period of concern and uncertainty over the 2010 enactment of the expansive new rules, and it eliminates what has been criticized as unduly burdensome recordkeeping. Once the bill is signed into law, business taxpayers will no longer need to prepare for substantial changes to Form 1099 reporting.

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