



Tax Changes You May Not Be Aware Of... Courtesy of the Health Care Bill

If you feel as though you're familiar with the provisions of the recently passed Health Care Reform Bill, think again. Many may not know that tax changes are lurking in the shadows, ready to show themselves in 2012. These changes could inundate businesses with large amounts of additional tax paperwork that would be due every year.

When people think of 1099 forms, most associate those forms with independent contractors and freelancers who are hired by businesses and clients but not hired as official employees. IRS Form 1099 shows sources of income not including wages and salaries. However, thanks to the Health Care Bill that was passed this past March, businesses will have to issue more 1099s than ever before. If a business purchases goods or services in excess of \$600 during the tax year, the business will need to issue a 1099 to each individual or company by whom those goods or services were sold.

The 1099s are currently used to track payments for services, not goods. Goods have been exempt from this type of tracking, until now. Businesses are also not used to issuing 1099s to companies. Generally, they're only given to individuals. The thought of having to issue 1099s on such a large scale can make almost any small business owner cringe. Not only does it increase the amount of paperwork businesses must complete every year, but it also requires businesses to gather tax reporting information, such as names and employer/taxpayer identification numbers, from every individual or company that is due to receive a 1099. While no one knows exactly how businesses will adapt to this change, some people are already voicing opposition and are taking measures to have it repealed before it goes into effect on January 1, 2012.

You may wonder what 1099s have to do with health care. The answer is essentially nothing. As Congress usually does, they used this bill to include other, non-related, and possibly unpopular provisions they wanted implemented, knowing that the health care

bill would likely pass. With people beginning to question the country's financial situation, Congress is looking for ways to generate revenue while trying to avoid higher taxes and a reduction in federally provided benefits.

The IRS believes that the U.S. Government is losing billions of dollars each year to unreported income. If 1099s can help track income from goods, in addition to services, the IRS hopes to recover some of the money they're not currently bringing in. The increase in 1099 reporting may also significantly decrease the number of fraudulent deductions given through business expenses for independent contractors.

As more people and businesses become aware of this new tax change, they will be looking to the IRS for guidance on how to incorporate this into their course of business. However, don't expect word from the IRS anytime soon. It could be until 2011 before the IRS issues any regulations on this change. Until then, we can only wait to see if the law is repealed or if it's indeed here to stay.

If you have any questions about these 1099 developments, please contact any of the Large & Gilbert Partners listed below for more information:

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