

## IS A 1099 MIGRAINE AHEAD?

### *Section 9006 of health care reform creates business headaches.*

Provided by Timothy C. Hucks, CEP, President, Rising Tide, Inc.

Picture this ... it's a chilly morning in January 2012. You head out to your local office supply store to stock up on some essentials for your business - printer cartridges, copy paper, post-it notes, and a 500-pack of 1099 forms.

What? What was that last item again? 1099s? Yes, we may need them in bulk.

**In 2012, you may need hundreds of 1099s.** Why? Section 9006 of H.R. 3590 (the Patient Protection and Affordable Care Act, better known as the health care reform bill) has quietly ordered an enormous change in tax reporting.

Section 9006 says that starting on January 1, 2012, all businesses must issue 1099 tax forms not only to freelancers and vendors, but also to any individual, business or corporation from which they purchase more than \$600 in goods or services in a tax year.<sup>1,2</sup>

Think about this for a moment. Let's say that in 2012, you spend a few days in Dallas on business and stay at a nice hotel. If the bill is more than \$600, you'll have to give that hotel (and the IRS) a 1099 for your visit. Suppose you buy \$900 worth of office furniture at a big-box retailer. Guess what: your company will have to give that retailer (and the IRS) a 1099.<sup>1</sup>

If you rent office space, you'll need to send a 1099 to the IRS and your landlord. If your business buys a used truck worth more than \$600, it will be time for a 1099. And so on.<sup>3</sup>

Even if you pay more than \$600 incrementally to a business for goods or services in 2012 (i.e., you buy wine and sparkling water for your café every week from the same warehouse), you will still have to issue that business and the IRS a 1099.<sup>1,2</sup>

This means you'll have to have taxpayer ID numbers for every freelancer, vendor and business from whom you purchase tangible goods and services.

**Why would the government do this?** The goal is better reporting, plain and simple. The IRS estimates that \$300 billion (that's billion) in tax revenue goes down the drain annually as a consequence of unreported income.<sup>1</sup>

If 1099s record the majority of payments a business makes, that means businesses and self-employed individuals will be less likely to understate revenue and overstate expenses. If you are looking for a silver lining in all this, here it is: in 2012, it will be easier to figure out precisely which business transactions need 1099s. If more than \$600 is involved, the answer will be yes - that will be the only test.<sup>1</sup>

Is anyone working to repeal this change? Yes. Rep. Dan Lungren (R-CA) has introduced the Small Business Paperwork Mandate Elimination Act to try and get rid of this demand. At some point in 2011, the IRS will have public hearings on the new law and release regulations pertaining to it. Expect a loud, lively protest.<sup>4</sup>

**Timothy C. Hucks, CEP, is a Certified Estate Planner, Registered Investment Advisor and President of Rising Tide, Inc. He may be reached at [www.risingtideinc.com](http://www.risingtideinc.com), 919-968-8675, or [tim@risingtideinc.com](mailto:tim@risingtideinc.com). Securities offered through [Capital Investment Group, Inc.](#) Corporate Office: 17 Glenwood Avenue, Raleigh, NC 27603 • 919.831.2370. Member [FINRA/SIPC](#).**

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### Citations

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- 3 - [cato-at-liberty.org/2010/04/26/costly-irs-mandate-slipped-into-health-bill/](http://cato-at-liberty.org/2010/04/26/costly-irs-mandate-slipped-into-health-bill/) [4/26/10]
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