

## Health Care Law's Massive, Hidden Tax Change

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A flood of new tax paperwork is set to begin on **January 1, 2012**.

There is a stealth change that radically alters the nature of 1099's and means businesses will have to issue millions of new tax documents each year.

A new rule mandates that beginning in 2012 all companies will have to issue 1099 tax forms not just to contract workers but to any individual or **corporation** from which they buy more than \$600 in goods or services in a tax year.

Right now, the IRS Form 1099 is used to document income for individual workers other than wages and salaries. Independent contractors receive them each year from their clients. But under the new rules, if a freelance designer buys a new iMac from the Apple Store, they'll have to send Apple a 1099. A Laundromat that buys soap each week from a local distributor will have to send the supplier a 1099 at the end of the year tallying up their purchases.

The new bill makes two key changes to how 1099s are used. First, it expands their scope by using them to track payments not only for services, but for tangible goods as well. Plus, it requires that 1099s be issued not just to individuals, but also to corporations.

The IRS estimates that the federal government loses more than \$300 billion each year in tax revenue on income that goes unreported. Using 1099s to document millions of transactions that now go untracked is one way to begin to close the gap.

For all businesses, the headaches will be data collection: gathering names and taxpayer identification numbers for every payee and vendor that you do business with.

There most likely will be regulations issued by the IRS on how businesses are expected to handle the new rules.

In any case, the final impact of the law won't be known until the IRS issues its regulations on the new law, which aren't expected to arrive until sometime next year. The IRS has not yet commented on when it will release regulations or schedule public hearings.

**The new requirements go into effect on January 1, 2012.**

*Stay tuned for more information on this issue in the future!*

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