

THE PROBLEM

As a result of a new law signed this year, beginning with payments made in 2012 every business will be required to issue to any vendor of services OR property to which the business has paid more than \$600 a year for those services or property, an information reporting form known as Form 1099. The Form 1099 must also be sent to the Internal Revenue Service. In addition to issuing the forms, a business will have to get Taxpayer Identification Numbers (TINs) from all of those vendors and withhold payments to any such vendor until it receives the TIN. Penalties apply if you fail to issue the Forms 1099.

Under the existing law, businesses issue the Form 1099 only to individuals who provide services to a business. The new law makes two changes: the Form 1099 must be issued to corporations of all sizes and shapes as well as to individuals AND a Form 1099 must also be issued to individuals and corporations that provide property to a business.

The payments that are included under this are not only those made directly by check but also those made by other means such as credit cards, for example. Think about the airlines, hotels, rental cars, and restaurants that appear on your credit card bill. You might not think of them as vendors of goods and services, but that is what they are. Also, if you are in the business of selling or distributing goods, all of your suppliers of products are also vendors under the new law. (Under existing law there are regulations that provide narrow exceptions for some types of vendors (telegrams, telephone, freight, storage) and some individual vendors that accept payment from you by credit card and meet qualifications set forth by the IRS. Even if some regulatory exceptions are carried over under the new law, you will still be the one responsible and liable for issuing the information report and it will not be easy.) And Congress is considering doubling the penalties.

And, of course, any business that pays you more than \$600 will be sending *you* a Form 1099.

Representative Daniel Lungren (R-CA) has introduced legislation to repeal the requirement. The bill is H.R. 5141, The Small Business Paperwork Mandate Elimination Act.

TAKE ACTION

If you want to send emails to your Senators and Representative, go to www.stopform1099.org.

But do not stop there, call your Senators and Representatives (202-224-3121) and deliver the message you will find at www.stopform1099.org.