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Additional 1099 Reporting Requirements Repealed

On April 14, President Obama signed the “Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011.” The measure retroactively repeals expanded Form 1099 information reporting rules added by legislation in 2010.

The additional reporting provisions added in 2010 were:

- The Patient Protection and Affordable Care Act (PPACA) added payments of amounts in consideration for any type of property and gross proceeds-i.e., it added payments for goods or other property-to the list of payments subject to information reporting.
- PPACA further provided that, beginning in 2012, payments to non-tax-exempt corporations-which had previously been exempt from the reporting requirement-would be subject to information reporting.
- The Small Business Jobs Act of 2010 provided that, subject to limited exceptions, a person receiving rental income from real estate would be treated as engaged in the trade or business of renting property for information reporting purposes.

These provisions were to go into effect for payments made after Dec. 31, 2011. Now, that is the effective date of the revocation.

The Act provides an offset for the lost revenue from repealing the new information reporting provisions, estimated at \$21.9 billion. To accomplish this, it increases the amount of “excess advance payments” of the premium assistance credit (enacted as part of the 2010 health care reform legislation to help lower-income individuals acquire affordable health insurance coverage) that a taxpayer must repay under Code Sec. 36B(f)(2) for tax years ending after Dec. 31, 2013.

About CapinCrouse LLP

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The familiar reporting obligations for Form 1099 remain. These generally require payments totaling at least \$600 in a single calendar year to a single recipient to be reported to IRS.

Reporting on Form 1099 is required only when the payor is considered to be engaged in a trade or business (which includes an exempt organization) and has made the payment in connection with that trade or business. The type of payment that most commonly triggered the reporting requirement is payment for services. Payments to corporations are generally exempt, except in connection with legal services and medical care.

This is welcome news in light of significant recent legislation. Please contact our tax team if we can help in respect to this or any other tax matters.

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