



THE 1099 PROBLEM

Under a new law signed this year, any business making payments in 2012 of more than \$600 to **any** vendor of services OR property will have to issue IRS Form 1099 to that vendor. Form 1099 must also be sent to the IRS, and in order to issue these 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 for failing to issue these Forms 1099.

Existing law requires businesses to issue a Form 1099 to individuals who provide services to a business. The new law makes two big 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.

Payments include those made by cash, check or credit card. These would include airlines, hotels, rental cars, and restaurants that appear on your credit card bill. Your company is responsible for getting the correct TIN and issuing these 1099s. To make it worse Congress is already considering doubling the penalties for failure to issue Forms 1099! 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 NOW

If this affects you tell your Senators and Representative to repeal this new requirement before it is implemented. Go to www.house.gov to find your Representative by zip code and to send an email. You can send an email to your Senators from www.senate.gov. Alternatively you can go to the new website - www.stopform1099.org – and follow the directions there.

You could simply say: "Please repeal the new Form 1099 requirement in Section 9006 of Public Law 111-148. It requires me to issue a tax information reporting form to virtually all of my vendors. This creates a major increase in the paperwork burden on me to first get the tax ID number of each vendor, then issue the form. If a vendor won't give me their TIN, the law imposes backup withholding requirements on me.

I am told the goal is to get businesses to report all of their income, which sounds great. But if I do not issue these forms correctly, the penalties will not affect businesses that have been underreporting income but will hit me, even though I am properly reporting my income!"

Do not stop there, **call** your Senators and Representatives (202-224-3121) and deliver the message by phone as well.

The SBCA, working with Small Business Legislative Council (SBLC), NFIB and the Chamber, among others, through the Coalition for Fairness in Tax Compliance, is fighting to repeal this new onerous requirement on our members.