



LEGISLATIVE BRIEF

Congress Repeals 1099 Reporting Requirements

On April 5, 2011, the Senate voted to repeal the Form 1099 tax reporting requirement that was included in last year's health care reform law. The Senate passed the Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011 (H.R. 4) by a vote of 87-12, showing overwhelming support for the repeal. The House of Representatives previously passed H.R. 4 on March 4, 2011, by a vote of 112-15. The repeal measure was supported by the White House and was signed by President Obama on April 14, 2011.

The repeal of this unpopular provision is the first successful effort to roll back part of the health care reform law. Business groups opposed the requirement and its expected administrative burden, which led to both Republicans and Democrats targeting the provision for repeal.

Background

The Form 1099 tax reporting requirement was created by Section 9006 of the Patient Protection and Affordable Care Act (PPACA). Although not directly related to health care, it was originally designed to raise money for the health care reform plan as well as improve tax compliance.

Specifically, the mandate required businesses to file a Form 1099 for any company from which it bought more than \$600 in goods or services in a single year. This requirement was scheduled to go into effect in 2012. It was anticipated to increase both paperwork and accounting costs for businesses and landlords. Repeal of this tax provision is now expected to save time, money and resources.

Covering the Cost

Although both parties had been trying to repeal the Form 1099 provision for several months, previous attempts were unsuccessful because Congress could not agree on how to pay for the repeal. Eliminating the Form 1099 reporting requirement is estimated to cost \$22 billion in lost revenue.

Congress has agreed to make up for the shortfall by adjusting health insurance tax subsidies for middle-income individuals provided by PPACA. H.R. 4 will now require greater repayment of subsidy amounts for families whose income unexpectedly exceeds applicable thresholds.

Alan Benoy Insurance Services will continue to update you on developments related to the health care reform legislation.



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