

Relief From 1099 Reporting Rules

The onerous rules requiring businesses to report most payments to the IRS have ended before they ever began. Congress repealed the new reporting requirements as part of the "Comprehensive 1099 Taxpayer Protection and Replacement of Exchange Subsidy Overpayments Act of 2011." Similar relief is extended to owners of rental properties.

Background: A business entity must provide 1099s for compensation paid to service providers, such as independent contractors, if the annual amount is \$600 or more. The 1099s are sent to both the IRS and the recipient. However, payments made to a corporation are generally exempt from this reporting requirement. In addition, a business does not have to provide 1099s for merchandise it purchases.

Under the 2010 health care legislation, the exemption for corporations was scheduled to expire after 2011. Furthermore, the 1099 reporting rules were to be extended to payments for merchandise and certain other payments, beginning in 2012. This was expected to result in an avalanche of paperwork.

Now the new law repeals the additional reporting requirements for businesses. The old rules for payments of \$600 or more will remain in effect.

Along the same lines, increased 1099 reporting rules for landlords were scheduled to take effect in 2012. Owners of rental properties would have been required to provide 1099s for payments for merchandise. The new law also repeals this extra reporting requirement for landlords.

Note: The repeals are funded by a technical change increasing tax for certain taxpayers receiving health insurance premium assistance credits in 2014. But Congress may revisit this aspect.