



December 1, 2010

Controversial Healthcare Tax Law Stays

The controversial part of the healthcare tax law that requires businesses to file 1099 forms for all vendors of products or services above \$600 in a tax year has not been repealed by the Senate. This requirement is set to begin in 2012. Up to now businesses are only required to file 1099 forms for contracted workers but with effect from 2012, they have to file for every individual and company they buy goods or services worth more than \$600 in a tax year.

This provision in the law that was adopted in March under the massive health reform scheme, became a source of controversy when many business owners claimed that the requirement would unnecessarily increase the cost of doing business. In particular, small businesses which may not even be run entirely by full-time staff would have trouble complying.

Recently, the Senate failed to pass two amendments to repeal the law. The amendments were introduced by Democrat Sen. Max Baucus, who is the Finance Committee Chairman and Republican Sen. Mike Johanns of Nebraska. This was the second time the Senate tried to do so. The first was in September when the proposal to repeal was shot down.

The provision in the healthcare law is expected to raise about \$17 billion over the next 10 years by increasing tax revenue and further closing the tax

gap, which is the difference between the amount of taxes that should be paid compared with the amount actually collected by the IRS. But small business owners lament over the requirements because they say it would increase paperwork and push up the cost of doing business.

The only hope left appears to be for lawmakers in the new Congress meeting in January to repeal the law. This hope might be increased if the White House supports the effort to repeal. There are indications of this as President Obama said he would support the repeal in the spirit of helping the business community. This same hope was expressed by the US Chamber of Commerce. Its Executive Vice President for Government affairs, R. Bruce Josten reiterated that under present economic conditions, the regulations that could hinder small businesses from bringing work to Americans could not be justified.

Although there are no immediate plans to draft further laws to repeal the regulation, Sen. Johanns said he is committed to finding a resolution to the issue.