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IRS and Taxpayers To Bear Burden of New Healthcare Compliance

The new healthcare law requires the IRS to administer giving tax incentives for those who purchase medical insurance. This is the government's move to encourage every American citizen to be properly covered by insurance in view of the rising costs in healthcare. To fund this scheme, the government has also imposed a new law, set to take effect in 2012, where every business and tax-exempt organization is required to report all purchases of goods and services above \$600 to the IRS. But all things considered, the IRS has neither the ability nor the structure to adequately oversee such a massive initiative.

Furthermore, the burdens imposed on the IRS and the general public may be disproportionate compared with the benefits resulting from tax compliance. This is the view of the National Taxpayer Advocate Service (NTAS). This service is an independent organization within the IRS aimed at enhancing the relationship between the taxpayers and the IRS and promoting reform.

With the introduction of the new healthcare law, the IRS role has been expanded to include administering health insurance premium subsidies, tax incentives for small businesses, assessment on employers and ensuring that by 2014, every person in the United States has insurance cover. Although such social initiatives are well within the capability of the IRS to administer, it must be given sufficient funds by Congress to do so. In addition, the NTAS believes that the IRS must recognize that the skills required to run social benefit programs are vastly different from those required to enforce tax collection.

According to the NTAS midyear report to Congress, that the tension between enforcement of tax laws and administration of social service programs could affect the IRS ability to grant healthcare credits and impose penalties in a 'fair and compassionate way'.

The healthcare bill tabled in March this year mandates that beginning 2012, all businesses and tax-free organizations (including sole proprietors) issue a Tax form 1099 to every vendor from whom they purchase any goods or services worth more than \$600. The same form is sent to the IRS also. This would require a ton of record-keeping for every business in the US, estimated to be 40 million (including 26 million sole proprietorships) not including farms.

Likewise, this new requirement will swamp the IRS with additional paper work which the NTAS feels will cause the agency to improperly impose penalties which it would have to cancel later, not to mention the additional administrative costs incurred by the IRS to administer it.

According to Congress' Joint Committee on Taxation, the compliance with the tax code would generate an additional \$17.1 billion in revenue over 10 years that would help fund the healthcare costs. But this does not include funding the additional IRS administrative costs.

Darrin T. Mish is a veteran, nationally recognized tax attorney who has focused on providing IRS help to taxpayers for over a decade. He regularly travels the country training other attorneys, CPAs and enrolled agents on how to handle their toughest cases with the IRS. He is highly ranked among the top attorneys in the country, with an AV rating from Martindale-Hubbell and a perfect 10 on Avvo.com. Martindale-Hubbell has also honored him with a listing in their Bar Register of Preeminent Lawyers. He is a member of the American Society of IRS Problem Solvers and the Tax Freedom Institute. With clients on every continent but Antarctica, he has what it takes to solve your IRS problems no matter where you live in the world. If you would like more information about his practice and how he can help you, please call his office at (813) 229-7100 or toll free at 1-888-GET-MISH.