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Small Businesses Unhappy with Forthcoming IRS Regulation

Starting from 2012, the IRS regulations for Form 1099 will undergo a drastic change. Up to now, businesses are required to file a Form 1099 for every independent contractor they do business with. But with the new regulations all businesses will have to submit a Form 1099 for every purchase of goods or services from all sources worth over \$600 a year, including those like office stationary purchases and vehicle maintenance.

For large corporations with sufficient manpower to track and record their expenses this new regulation may be easy enough to keep. But for small business owners, it is a potential nightmare. The cost and time involved in fulfilling these requirements is in itself a deterrent, not to mention the inconvenience attached to the work.

This regulation came into being as part of the provisions in the 2,000 page Affordable Care Act that was signed into law by President Obama on March 23, 2010. Due to this, it escaped the attention of everyone until recently. But now many small business organizations are up in arms over the provision. The San Diego North Chamber of Commerce and the San Diego Regional Chamber of Commerce, the National Small Business Association (NSBA) and the National Federation of Independent Business are among the organizations that support legislature to repeal the provision.

According to the NSBA, small businesses currently file 10 Forms 1099 on average a year but this number is set to increase to an average of 86 once the new regulations come into effect. Debra Rosen, the president and CEO of NSBA says that the major problem faced by small businesses is the increased time and cost involved in preparing and submitting the extra paperwork in addition to the impression of being micromanaged.

The average cost for tax paperwork for small businesses is \$74 per hour, making it the most expensive paperwork burden to small businesses imposed by the federal government.

The San Diego Regional Chamber of Commerce president and CEO, Ruben Barrales said the organization intends to make a trip to Washington in September and would bring up this issue with the elected representatives. He further believes that this provision would achieve nothing other than slow down the economic recovery of small business owners that are trying to create jobs and build their businesses.

According to the NSBA, if the provision remains in force, it would likely lead to consolidation for small businesses as a way to minimize the filing requirements.