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Tax Law Problems

The government has introduced many new tax laws that were not well received by the taxpaying community. For example, under the 2,700 pages of the Patient Protection and Affordable Care Act (PPCA) of 2010, there is a provision that obligates every business to file a Form 1099 to the IRS to report all expenses to any vendor or service provider exceeding \$600 per calendar year. All this while, only payments made to independent contractors or firms that aren't partnerships or corporations need reporting. But with the PPCA, all manner of expenses made to anyone is to be reported.

So if you buy a photocopy machine for your business, you need to send a Form 1099 to the Xerox vendor. If you spend \$600 or more on gas for your company vehicles, send a Form 1099 to your gas station. Run a small grocer? Send Form 1099s to your milk supplier, the vegetable farmer, the corner newspaper vendor and every company that sold you equipment or supplies.

Why the need for such stringent reporting?

It is to recoup approximately \$17 billion in fines and lost tax revenue from

unreported transactions every year. But you can imagine the amount of paperwork needed to comply with the PPCA. This promptly caused a hue and cry from the business community and led to a motion to repeal the law. It was passed by the House of Representatives March 3 in a 314-112 vote and breezed unchanged through the US Senate by 87-12 on April 5. But that did not address the problem of the lost \$17 billion.

So to solve that problem, House Republicans proposed a change to the way the government pays for subsidies under the new law. Originally, consumers were allowed to keep much of the money when the government overpaid them. Now, the government will recover those overpayments. President Obama is expected to sign the repeal into law pretty soon.

But besides the 1099 requirement, there are other potential problems especially for small business owners. For instance, a tax credit that was supposed to help small employers afford health insurance turned out to be so limited hardly anyone qualifies for it. The government has got to either change the law to make it more applicable or devise other means to help employers afford insurance.

To-date, only a few portions of the law have taken effect yet the government has already granted 1,168 temporary waivers to businesses, insurers and unions who said that the law would compel them to cancel their present insurance coverage. There will likely be more such waivers.