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## Appeals to Repeal Tax Requirement on Health Law Fail

The hotly debated tax requirement that comes into effect in 2012 pertaining to the Health Care Bill continues to stand in its present form after one round of voting in the Senate over two proposals to repeal or amend it. The tax regulation is that all businesses must report any expenses they make to any vendor or contractor above \$600 in a year through a Form 1099 that is to be sent to the IRS. Similar forms are to be sent to the respective vendors and contractors as well.

The whole purpose of this requirement is to fund the Health Care bill that includes increased health benefits and expanded insurance coverage to all Americans. It is expected to raise about \$17 billion over the next 10 years. This 1099 reporting requirement is also seen as addressing the tax gap between taxes that are actually payable and that which is actually paid.

However noble the objectives are, the requirement itself is going to be an administrative nightmare for businesses, especially small business owners who do not have the capacity to keep accurate records of their expenses in such minute detail.

Politicians of both sides of the political divide are opposed to it in some measure. But agreeing on how to change it is another matter. The Democrats are in favor of modifying the requirement to make it less burdensome to business owners. In the Senate, Democrat Senator Bill Nelson submitted his proposal to raise the ceiling of reporting from \$600 to \$5,000 per year and make up for the shortfall in revenue by cutting oil and gas subsidies. A \$5,000 cut off point for expenses would effectively

exclude about 90% of purchases and expenditure for all businesses.

On the other hand, the GOP feels that that part of the Health Care bill should be repealed entirely. The party made their own proposal through its Senator Mike Johanns – repeal the entire provision and fund the Health Care bill by cutting government spending on public health and weakening the individual mandate.

Both proposals failed to obtain the required two thirds majority support in the Senate. Senator Nelson's proposal garnered 56 votes whereas Senator Johann's obtained 46 votes. The required number of ayes is 60. So we are back at square one.

Interestingly, the voting went almost exclusively along party lines. Senator Nelson's proposal had no Republican backers while Senator Johann's received 7 Democrat votes. In the end, it is the poor small business owners who have to bear the brunt of the policymakers' impasse.