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Section 9006 Tax Reporting for Small Businesses

Section 9006 of the new Health Care Reform bill states that businesses have to submit a Form 1099 for all purchases of goods and services of more than \$600 a year made from any vendor. This requirement will take effect in 2012.

This section of the health care reform bill is aimed at closing the ‘tax gap’, which is the difference between what businesses actually should pay in terms of taxes and what the IRS collects each year. By doing so, the government intends to raise the \$17 billion to fund the benefits of health care reform bill without raising taxes.

This new regulation was largely unnoticed when Congress passed it together with the health care reform bill. But as the IRS begins to develop the details of how Section 9006 will be enforced, many parties are now voicing their concerns.

The Nebraska Farm Bureau has made known the views of its members by saying that most of them are not keen on revealing their Tax ID to so many more people. The fact is that some farmers do not even have a Tax ID. They only use their Social Security numbers.

Small businesses like the farms, ranches and other petty traders often do not have the manpower to properly track their purchases during the course of the year to properly comply with the requirements of Section 9006. The main thing most small businesses complain about is the administrative headache of tallying up every small purchase and submitting the required 1099s. Suppose a small business buys coffee every Monday. Would it have to tally up their purchases throughout the year then get the Tax ID of Coffee Bean and submit a 1099?

Several lawmakers in Capitol Hill are currently striving to repeal Section 9006. Sen. Mike Johanns (R – Neb) is one such lawmaker. He made a speech to this effect from the Senate floor last week. According to him, the new law creates a “perverse incentive for companies to consolidate suppliers”. Sen. Johanns has also filed an amendment to repeal the provision and will propose an alternative legislation in its place this week.

The 3 House members from Nebraska, namely Lee Terry, Jeff Fortenberry and Adrian Smith, all Republicans are co-sponsors of a House bill that would repeal the new requirements.

At the same time, Sen. Ben Nelson (D – Neb) and several other Senate Democrats called on the IRS to look into ways to reduce the burden possibly by consolidating the forms that are required while at the same time supporting the aim of closing the tax gap.

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.