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Forms 1099 Are Going, Going, Gone

Congress passes many tax laws and sometimes thinks better of it. See [Let There Be Forms 1099](#). The most recent example was the extra millions—piles and piles—of [Forms 1099](#) that were supposed to paper American businesses, raking in money by the bushel from tax cheats. Who knew there would be such outrage to additional Form 1099 requirements, when the little taxing slips are already so ubiquitous?

There was [outrage](#), but at least these expanded Form 1099 rules were repealed before going into effect. Congress passed H.R. 4, the “[Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011](#).” That’s not a great title, with an acronym that comes out “CTPRESOA.”

But don’t think it repeals *all* Forms 1099. If you’re in business, you still must issue a Form 1099 to anyone whom you pay \$600 or more for services during the course of the year. Services, not goods. And there are many specialized Form 1099 rules.

So why not add more? In 2010, Congress passed the [Small Business Jobs Act of 2010](#) (P.L. 111-240) and the [Patient Protection and Affordable Care Act](#) (PPACA, P.L. 111-148). Beginning in 2012, businesses were to issue Forms 1099 for payments for *any* type of property and gross proceeds. Plus, it wasn’t just individual tax cheats being targeted but corporations too. Payments to corporations—previously exempt from reporting—would get slapped with a Form 1099 starting in 2012.

Then there was the rental income fiasco. For payments after 2010, a person receiving rental income from real estate was considered engaged in the trade or business of renting property for information reporting purposes. That meant Forms 1099 for payments of \$600 or more to a painter or plumber. This rule was already in effect, although the forms wouldn't be issued until January of 2012 for 2011 payments.

Bad Idea. Almost right after passage, business groups started grouching for good reason. So these laws were repealed. Of course, there are *still many Form 1099 rules*. But at least the gross proceeds rule (a rule as big as the universe), the payments for property rules, and even the rental income rule are now history.

Revenue Offset. The awkward part of this repeal was the largely political but Einsteinian-sounding rule that for each subtraction to the tax system there must be an addition. As proof positive the Forms 1099 have teeth and encourage people to report income, the additional Forms 1099 required by the just repealed 2010 laws were supposed to add \$21.9 billion to the IRS's coffers!

Big Bucks. For that reason, the new law—repealing the still new and not yet in effect 1099 laws—includes an offset for the lost revenue from repealing the 1099 provisions. It increases the amount of “excess advance payments” of the premium assistance credit for a taxpayer who doesn't receive health insurance through his employer (or his spouse's employer) and whose income falls between 100% and 400% of the [federal poverty line](#) (FPL). After Dec. 31, 2013, the repayment caps are increased for taxpayers with household incomes of at least 200% but less than 400% of FPL. Full repayment is required for taxpayers whose incomes exceed 400% of FPL.

For more about Forms 1099, see:

[Ten Things to Know About 1099s](#)

[Got IRS Forms 1099? More Soon](#)

[Adjust Recordkeeping Before Form 1099 Onslaught](#)

[Forms 1099 For Cost Basis: What, Me Worry?](#)

[IRS Form 1099 Wars](#)

[I'm Sending An IRS 1099: 1099 Are You Outta Your Mind?](#)

[The Truth About IRS Forms 1099](#)

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