

**IRS INVITES COMMENTS ON NEW 1099 REQUIREMENT:** The IRS is seeking comments on a new requirement in the health care reform bill enacted in March that will require all businesses and tax-exempt organizations to issue a Form 1099 to vendors from whom they buy goods totaling \$600 or more annually.

The new requirement, which will take effect beginning in 2012, is expected to have broad reach and, according to the National Taxpayer Advocate, "may impose significant compliance burdens on businesses, charities and government agencies."

According to a Taxpayer Advocate Service (TAS) analysis, about 40 million businesses and other entities will be subject to the new requirement. TAS expressed concern in its mid-year report to Congress late last week that the reporting burden on businesses "may turn out to be disproportionate as compared with any resulting improvement in tax compliance."

To meet the requirement, businesses and other entities will have to keep detailed records of all purchases by vendor throughout the year. "For example, if a self-employed individual makes numerous small purchases from an office supply store during a calendar year that total at least \$600, the individual must issue a Form 1099 to the vendor and the IRS showing the exact amount of total purchases," the IRS confirmed in a release.

Payments to associations and other tax-exempt organizations would be exempt from the reporting requirement. So for example, a member who pays a meeting registration fee in excess of \$600 to attend an association annual meeting would not fall under the new 1099 reporting requirement. However, associations would have to issue a Form 1099 to the vendor and the IRS for every purchase from a vendor totaling \$600 or more.

In addition to the burden on businesses, TAS said the IRS could be substantially over-tasked in administering the reporting requirement and making productive use of the volume of information reported.

The new reporting requirement was intended to help reduce the tax gap and help offset the cost of the health care legislation. The Joint Committee on Taxation estimated it would raise \$17.1 billion over 10 years from expenses currently underreported to the IRS. IRS said it intends to issue guidance that implements this requirement "in a manner that minimizes burden and avoids duplicative reporting." The IRS has proposed allowing a broad exception for many purchases made with credit cards because the IRS already receives information about those purchases from other disclosures.

Comments to the IRS on the 1099 reporting requirement are due Sept. 29. Comments can be sent electronically to [Notice.Comments@irs.counsel.treas.gov](mailto:Notice.Comments@irs.counsel.treas.gov). Please refer to the IRS Notice for more information: <http://www.irs.gov/pub/irs-drop/n-10-51.pdf>.