## 1099 repeal eases some requirements, but leaves new ones for 2011 05/01/2011

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The Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011, which passed Congress on April 5, 2011, eliminates two recently enacted 1099 reporting requirements that were to take effect in 2012. Still on the books, however, are a couple of new 1099 reporting requirements effective for 2011.

BUSINESS REPORTING

The Patient Protection and Affordable Care Act of 2010 had expanded the requirements for 1099 reporting by businesses to include payments to corporations, which had been exempted from the prior requirements, and also expanded the reporting requirements to include goods as well as services. The changes were to become effective in 2012.
Businesses expressed concern about the burden that the new reporting requirements would create. Although there were some initial proposals to raise the reporting threshold higher than $600, ultimately support grew for a general repeal of the additional reporting requirements. These additional reporting requirements have now been repealed.

RENTAL PROPERTY EXPENSES

Another 1099 reporting requirement had been added by the Small Business Jobs Act of 2010, requiring individuals who are landlords to report rental property expense payments of $600 or more made with respect to rental real estate. This change was also to become effective in 2012. Although this provision was not as widely criticized as the business reporting provision, complaints by landlords were sufficient for Congress to include repeal of this reporting provision in the legislation that passed on April 5, 2011, as well.

THE PAY-FOR

Both reporting requirements had been inserted in their respective legislation to help pay for health care reform and small-business tax breaks. To offset this decline in revenue, the repeal legislation includes an offset provision. Under the health care reform legislation, individuals entitled to a credit to help them purchase health insurance can receive advance payments on the credit to help pay for health insurance. If it turns out that the taxpayer receives a larger advance payment than the credit to which they ultimately prove to be entitled, the health care legislation included a repayment provision with caps.
The repeal legislation modifies these repayment caps by raising them based on the income level of the taxpayer. The old maximum cap was $400. The new cap could be as high as $2,500 if household income is at least 300 percent above the federal poverty level.

1099 REPORTING FOR 2011

Even with this repeal legislation, there remain a couple of new 1099 reporting requirements effective for 2011. The Energy Improvement and Extension Act of 2008 requires that brokers, when reporting the sale of securities to the Internal Revenue Service, also include the customer's adjusted basis in the sold securities and classify any gain or loss as long- or short-term. A covered security is any specified security acquired on or after the applicable date if the security was acquired through a transaction in the account in which the security was held or was transferred to that account from an account in which the security was a covered security, but only if the broker receiving custody of the security receives a statutory statement with respect to the transfer. The applicable date for corporate stock is Jan. 1, 2011. For stock in a mutual fund or stock acquired in connection with a dividend re-investment plan, the applicable date is Jan. 1, 2012. For other securities, the applicable date is Jan. 1, 2013.

The IRS has issued guidance that postpones some of these requirements with respect to transferred shares and to corporate actions changing the basis of their outstanding shares. Other taxpayers are continuing to seek reporting waivers from the IRS. The information is to be reported on Form 1099-B.

The Housing and Economic Recovery Act of 2008 added a requirement for banks and other processors of merchant payment card transactions (credit and debit cards and Internet payments systems) to report a merchant's annual gross payment card receipts to the IRS and to the merchant. The reporting threshold is an aggregate value of third-party network transactions for a merchant of $20,000 or more for the calendar year and aggregate transactions of 200 or more. This reporting requirement is effective for sales made on or after January 1, 2011. Some taxpayers are also seeking waivers from these requirements. The information is to be reported on Form 1099-K.