

Compliance Alert

Expanded 1099 Reporting Requirements Repealed

April 8, 2011

Congress has passed, and the President is expected to sign, a repeal of the expanded 1099 reporting requirements contained in the Patient Protection and Affordable Care Act (ACA). The Senate this week approved the Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011 (H.R. 4) which had already passed in the House of Representatives.

The expanded 1099 requirements were originally scheduled to go into effect beginning for payments made on or after January 1st, 2012. The repeal leaves intact the previous 1099-MISC reporting requirements, which were in force prior to the passage of the ACA.

Until this week, the House and Senate had disagreed on how to make up for the lost revenue that the new 1099 requirements were expected to generate. The Treasury Department had estimated that the reporting requirement would generate over 17 billion dollars in new tax revenue by identifying payments made to individuals and businesses that are not being reported to the IRS as taxable income. The Senate ultimately accepted the House's approach to making up for this lost revenue. Beginning in 2014 the ACA provides low and middle income individuals, who do not have affordable employer sponsored coverage, subsidies to assist in the purchase of individual insurance through an Exchange. To pay for the repeal, H.R. 4 amends a formula used to calculate repayments required from eligible individuals who receive certain advanced subsidies.

The McCart Group will continue to update you on the regulations as they are released.

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