



Benefits Alert



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President Signs Repeal of Recently Added 1099 Reporting Obligations

Following considerable pressure from business interests, the President has signed into law H.R. 4—the Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011 (the “Act”). This Act retroactively repeals the very unpopular additional Form 1099 information reporting rules added by 2010 legislation.

Before amendment by the Small Business Jobs Act of 2010 (“SBJA”) and the Patient Protection and Affordable Care Act (“Affordable Care Act”), Internal Revenue Code Section 6041 generally required payments totaling at least \$600 in a single calendar year to a single recipient be reported to the Internal Revenue Service (“IRS”). Reporting on an IRS Form 1099 was required only when the payor was considered to be engaged in a trade or business and had made the payment in connection with that trade or business. The type of payment that most commonly triggered the reporting requirement was payment for services. There were a number of exemptions from the reporting requirements under prior law. Perhaps the most significant exemption was for payments to corporations.

Effective in 2012, Section 9006 of the Affordable Care Act added payments of amounts in consideration for any type of property and gross proceeds to the list of payments subject to information reporting. This includes payments for goods or other property. Section 9006 of the Affordable Care Act further provided that, effective in 2012, payments to non-tax-exempt corporations would be subject to information reporting. In addition, for payments made after 2010, the SBJA provided that, subject to limited exceptions, a person receiving rental income from real estate would be treated as engaged in the trade or business of renting property for information reporting purposes. In particular, rental income recipients making payments of \$600 or more to a service provider (such as a contractor or plumber) in the course of earning rental income would have to provide an information return to the service provider and the IRS.

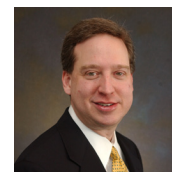
For payments made after December 31, 2011, the Act repeals the provisions in Section 9006 of the Affordable Care Act that impose a reporting requirement for payments for goods or other property, and to corporations. In addition, for payments made after December 31, 2010, the Act also repeals application of the information reporting requirements to recipients of rental income from real estate who are not otherwise considered to be engaged in the trade or business of renting property.

As a result of the Act, the information reporting rules essentially revert back to the way they read before the Affordable Care Act and the SBJA. The Act provides welcome relief for companies who otherwise would have had significant, additional reporting obligations.

If you have any questions about the interim guidance, please contact [David Joffe](#) or one of the other attorneys in the [Employee Benefits & Executive Compensation Group](#) at Bradley Arant Boult Cummings LLP.

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