



The Center for Association Leadership

Legislative Guide to the New 1099 Requirements

Background: Section 9006 of the Patient Protection and Affordable Care Act (P.L. #111-148) expanded the tax reporting requirement for corporate expenditures. Currently, corporations only need to file a Form 1099 when they buy services from an unincorporated business or person (e.g. payments to independent contractors) over \$600 annually. Beginning in 2012, the requirement is expanded in two ways:

- The purchase of *goods*, as well as services, over \$600 would require a 1099.
- Payments to businesses (but not nonprofits) over \$600 would require a 1099.

Please note: Nonprofits would be required to comply with the reporting requirements for payments over \$600 made to a for-profit entity, but payments made *to* a nonprofit do not require a 1099 to be filed.

The new language means that nonprofits and for-profit businesses will now have to file a 1099 report for every transaction with a for-profit business that amounts to over \$600 annually. The following types of payments, for example, would now prompt a 1099 if they amount to more than \$600 (either as a one-time payment or cumulative payments):

- Registration to attend a meeting run by a for-profit company
- Costs for rooms in a hotel (e.g. three nights for three staff staying at the same hotel)
- Office supply purchases such as coffee or paper
- Food and beverages from a caterer for a meeting

ASAE is concerned that the massive amount of both paperwork and reporting associations will need to do beginning in 2012 will hinder all associations' tax-exempt purpose, especially small staff associations. In addition to completing the Form 1099 itself, staff will have to track down the taxpayer identification numbers for vendors as well as issue a copy of the 1099 to them. The number of forms filed annually could be in the thousands for some associations, and almost no nonprofit has the staff resources to dedicate to completing so many new individual 1099s.

The reasoning behind the provision and its inclusion in the health care bill is twofold: to close the tax gap and raise revenue for health care reform. The expanded reporting seeks to uncover unreported business expenses and ensure that all organizations are paying their full share of taxes. This specific proposal was never considered or debated outside of the health care