



News Release

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SBA Backs Repeal of ‘Burdensome’ 1099 Reporting Requirements on Small Business Transactions

WASHINGTON – In an open letter to small business owners, SBA Administrator Karen Mills described requirements that small businesses report all transactions greater than \$600 as “burdensome,” and called for their repeal. Mills said the reporting requirements in the Affordable Care Act, which were to have begun in 2012, add up to “too much paperwork, too much filing.”

The text of the letter, which is posted on the SBA Website at <http://www.sba.gov/1099letter/>, follows:

Dear Small Business Owner,

I’m writing to update you on the progress that we have made regarding concerns stemming from the expanded 1099 reporting requirement in the Affordable Care Act, which could affect small businesses starting with 2012 purchases and 2013 filings.

The SBA and the Administration support the Small Business Paperwork Relief Act (introduced by Senator Baucus) which would repeal this provision.

As President Obama said on Nov. 3: “... the 1099 provision in the health care bill appears to be too burdensome for small businesses. It just involves too much paperwork, too much filing. It’s probably counterproductive.”¹ Our support for the Small Business Paperwork Relief Act also follows the Administration’s support in September for Senate Amendment 4595² (offered by Senator Bill Nelson), which would have relaxed the reporting requirement.

All businesses that pay another individual or business \$600 or more for goods or services starting in 2012 will be required to issue 1099s. The unintended consequence of a potential paperwork burden resulting from this provision quickly came to light, and we immediately began working across the Administration to reduce the burden of these potential future reporting requirements, as I noted in a letter to small businesses in May.³ We gathered feedback and comments from the small business community through roundtables, forums, and other feedback mechanisms involving outreach from the SBA, the Treasury Department, the I.R.S. and others.

Importantly, the repeal of this provision through the Small Business Paperwork Relief Act will not **adversely** affect the Affordable Care Act, which provides important health care benefits to millions of Americans. Small businesses are already taking advantage of the new tax credits⁴ for providing

¹ Press Conference, East Room, 11/3/10.

² http://www.healthcare.gov/center/letters/treasury_hhs_1099_letter.pdf

³ “Dear Small Business Owner” letter, 5/27/10, Karen Mills.

⁴ <http://www.irs.gov/newsroom/article/0,,id=223666,00.html>

health insurance to employees this year, and future benefits such as the insurance exchanges in 2013 will provide small businesses with more negotiating power and reduced administrative costs.

Thank you for the input and feedback that many of you have provided on the impact that the expanded 1099 reporting requirement could have on your business. Overall, with your help, we will continue to ensure that America's entrepreneurs and small business owners operate in an environment not burdened by excessive regulation, allowing you to continue doing what you do best: grow businesses, create jobs and lead America's economic recovery.

Sincerely,
Karen Mills
SBA Administrator

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