



# Tax Legislative Update

Breaking news from Capitol Hill  
from Grant Thornton's Washington National Tax Office

2011-04A  
April 14, 2011

## President signs bill to repeal Form 1099 reporting requirements

The president on April 14, 2011, signed legislation (H.R. 4) that fully repeals the expanded Form 1099 information reporting requirements enacted in 2010. The enactment of H.R. 4 was virtually assured when the Senate on April 5 took the House bill (approved in a 314-112 vote in March) and sent it to the president with a veto-proof 87 to 12 majority.

H.R. 4 fully repeals the three new Form 1099 provisions that had expanded reporting requirements to include:

- payments made for property;
- payments made to corporations; and
- payments in connection with earning rental income.

Trades and businesses generally are required to report (typically on a Form 1099) payments over \$600 per year to a vendor for **services**, and the regulations generally exempt payments made to a corporation.

The health care bill enacted in 2010 had expanded the rules to require reporting beginning in 2012 on both payments made for **property** and payments made to **corporations**. Later in 2010, a small business bill amended the law to require reporting beginning in 2011 on any payments made in connection with earning rental income (which under previous law is potentially a passive activity exempt from reporting in certain circumstances). H.R. 4 repeals all these changes retroactively.

The president signed the legislation even though the White House opposes the tax credit policy used to pay for the bill. The revenue offset modifies the health care bill by increasing the limit on the amount of overpayment of premium assistance tax credit that taxpayers must include in income. The administration released a statement that indicated it will look to modify this provision in the future.

*The information contained herein is general in nature and based on authorities that are subject to change. It is not intended and should not be construed as legal, accounting or tax advice or opinion provided by Grant Thornton LLP to the reader. This material may not be applicable to or suitable for specific circumstances or needs and may require consideration of nontax and other tax factors. Contact Grant Thornton LLP or other tax professionals prior to taking any action based upon this information. Grant*

### Contact information

**Mel Schwarz**  
Partner, Washington National  
Tax Office  
T 202.521.1564  
E [Mel.Schwarz@us.gt.com](mailto:Mel.Schwarz@us.gt.com)

**Dustin Stamper**  
Manager, Washington  
National Tax Office  
T 202.861.4144  
E [Dustin.Stamper@us.gt.com](mailto:Dustin.Stamper@us.gt.com)

[www.GrantThornton.com/tax](http://www.GrantThornton.com/tax)

*Thornton LLP assumes no obligation to inform the reader of any changes in tax laws or other factors that could affect information contained herein. No part of this document may be reproduced, retransmitted or otherwise redistributed in any form or by any means, electronic or mechanical, including by photocopying, facsimile transmission, recording, re-keying or using any information storage and retrieval system without written permission from Grant Thornton LLP.*

**Tax professional standards statement**

This document supports the marketing of professional services by Grant Thornton LLP. It is not written tax advice directed at the particular facts and circumstances of any person. Persons interested in the subject of this document should contact Grant Thornton or their tax advisor to discuss the potential application of this subject matter to their particular facts and circumstances. Nothing herein shall be construed as imposing a limitation on any person from disclosing the tax treatment or tax structure of any matter addressed. To the extent this document may be considered written tax advice, in accordance with applicable professional regulations, unless expressly stated otherwise, any written advice contained in, forwarded with, or attached to this document is not intended or written by Grant Thornton LLP to be used, and cannot be used, by any person for the purpose of avoiding any penalties that may be imposed under the Internal Revenue Code.