



REPEALED AFFORDABLE CARE ACT 1099 REPORTING REQUIREMENT

April 2011

*PRESIDENT OBAMA HAS SIGNED INTO LAW THE **COMPREHENSIVE 1099 TAXPAYER PROTECTION AND REPAYMENT OF EXCHANGE SUBSIDY OVERPAYMENTS ACT OF 2011 (THE ACT)**. THIS LAW WITH A LENGTHY TITLE REPEALS THE PROVISION IN THE AFFORDABLE CARE ACT (ACA) WHICH WOULD HAVE REQUIRED ADDITIONAL 1099 REPORTING BY BUSINESSES BEGINNING IN 2012.*

THE PROVISION

The ACA included a provision that would have required businesses to file a Form 1099 when payments to any vendor in a given tax year were \$600 or more. This requirement, while having nothing to do with healthcare reform, nevertheless was incorporated into the ACA as a way to enhance tax compliance and raise revenue to support the legislation. It was expected to generate approximately \$20 billion over a 10 year period.

THE BUSINESS COMMUNITY RESPONDS

Many small businesses voiced concern that the additional paperwork to meet this requirement would be burdensome and costly to administer. While the President and most members of Congress agreed with the concerns being expressed, the challenge was to find an alternative funding source to make up for lost revenue. The Senate ultimately adopted the House version of the bill and its revenue-raising approach.

PAYING FOR REPEAL

The Act includes a funding source by increasing the amount certain taxpayers would need to repay for health insurance tax credits (used to purchase coverage in the Exchange) they otherwise would be eligible for starting in 2014 under the ACA. The amount of the credit (i.e. subsidy for those whose family income is less than 400% of the Federal Poverty Level) is based on an individual's

estimated income in a given tax year, and this Act increases the repayment amount when a taxpayer's income estimate proved to be too low. In other words, if you received a federal subsidy (to help purchase health insurance on an Exchange) to which you were not entitled; you will be required to reimburse the government a portion of the overpaid federal subsidy when filing your tax return.

IMPLICATIONS

The repeal of the 1099 reporting requirement should come as welcome relief to the business community as there is now one less ACA compliance requirement.

ADDITIONAL INFORMATION

For specific questions concerning information contained in this *INSIGHTS & IMPLICATIONS*, please contact your Chernoff Diamond consultant.

Information contained in this *INSIGHTS & IMPLICATIONS* is not intended to render tax or legal advice. Employers should consult with qualified legal and/or tax counsel for guidance in respect of matters of law, tax and related regulation.

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For additional information about our services please contact us at (516) 683-6100 or via e-mail at mail@chernoffdiamond.com.