

Will This Red Tape Nightmare Ever End?



SARA WYANT

WASHINGTON, D.C.

Try, try again. That seems to be the motto embraced by Sen. Mike Johanns (R-NE) as he tries for the third time to repeal a burdensome 1099 provision that would require farmers, ranchers and small business owners to file

forms for business transactions totalling \$600 or more. This week, Johanns introduced legislation that would strike that provision: the Small Business Paperwork Mandate Elimination Act.

"This provision has folks in farm and ranch country very worried, and justifiably so," says Johanns. "For everything they buy, they would have to trace it and file a 1099 form for fertilizer, gas, internet service, heating, etc. They would need a full time person just to manage the paperwork."

Small businesses across Rural America could be hard hit, too.

"The other thing that's going to happen is that the big box retailers will figure this out," explains Johanns. They'll trace your purchases and give you a statement at the end of the year with a computer program. The small mom and pop stores that are fighting for survival and competing against them may not have the economic werewithall to do that. So they lose out."

Over 3,000 Nebraska businesses have signed up on Sen. Johanns web site in support of repeal.

This little-known provision, Sec. 9006, was tucked into the health care reform bill that President Obama signed into law last year. It's not scheduled to kick in until the start of 2012, but the IRS will need to figure out how to implement the new provision later this year—unless it's repealed.

Now members of both parties are rallying behind repeal of this specific provision in an attempt to score political points. Democrats want to demonstrate they are willing to "improve" the health care measure; Republicans are convinced that the 1099 requirement is just another way the health care bill hurts small businesses and stalls economic recovery.

The Patient Protection and Affordable Care Act (PPACA) provision would apply to businesses of all sizes, charities and other tax-exempt organizations, and government entities. The provision has nothing to do with health care, other than to help generate more tax revenue to pay for the mammoth reform package by reducing the "tax gap."

Requiring the additional 10-99 paper trails were an attempt by Democrats to pay for part of health care reform by helping the Internal Revenue Service (IRS) find businesses that may not be paying their fair share of taxes. Johanns says the provision is likely to cost more than it collects because of the time and effort required by the IRS to administer the program.

"You would spend more money chasing small businesses around on whether they had filed

1099 paperwork than you would ever get in terms of revenue from the bill," he explains.

Even an IRS ombudsman expressed concern that the burdens "may turn out to be disproportionate as compared with any resulting improvement in tax compliance."

Success not guaranteed

Last November, Johanns said there was agreement among enough senators to repeal the provision but there was not agreement on how to pay for the repeal. His amendment was supported by 61 senators, but because of a procedural hurdle, required a supermajority of 67 to pass in the U.S. Senate.

The Congressional Budget Office scored the provision at \$19 billion. So in order to stay budget neutral, there needs to be an offset for the same amount. Johanns says he found one that he says will "fully pay for" the repeal, by taking unused money from federal accounts at the end of each year.

On Jan. 25, Johanns introduced an identical bill as last year, this time with 52 cosponsors, including 12 Democrats: Sens. Mark Begich (D-AK), Michael Bennet (D-CO), Maria Cantwell (D-WA), Kay Hagan (D-N.C.), Amy Klobuchar (D-MN), Joe Manchin (D-WV), Ben Nelson (D-NE), Mark Pryor (D-AR), Debbie Stabenow (D-MI), Jon Tester (D-MT), Mark Udall (D-CO), Mark Warner (D-VA).

Later that day, Senate Finance Committee Chairman Max Baucus (D-MT) and Senate Majority Leader Harry Reid (D-NV) offered a similar measure.

"We have heard small businesses loud and clear and are responding to their concerns," explained Baucus. "Small businesses need to focus on creating good-paying jobs – not filing paperwork. Many of my colleagues on both sides of the aisle want to work with the small business community to eliminate these requirements, and it is my hope we can come together to pass legislation quickly."

Baucus offered a similar repeal bill last November, which did not include offsets to fully pay for the measure. Like Johanns, his amendment failed.

Johanns says he is optimistic that this time around, there will be enough votes to approve full repeal. House Republicans, who now hold the majority, have already voted to repeal all of the health care reform legislation passed by Congress last year. However, this largely symbolic gesture is not likely to be considered in the Democratically-controlled U.S. Senate. Even if it was, President Obama would veto any attempts to repeal his signature issue.

For this burdensome 1099 provision to be repealed, it may require House Republicans to take a more targeted approach, like the one offered by Rep. Dan Lundgren (R-CA) last year. Lundgren has already re-introduced his bill to repeal the 1009 requirement and has at least 245 members, including 12 Democrats, on board. Δ

SARA WYANT: Editor of Agri-Pulse, a weekly e-newsletter covering farm and rural policy. To contact her, go to: <http://www.agri-pulse.com/>



Link Directly To: **CASH RIVER**



Link Directly To: **SYNGENTA**



Link Directly To: **VERMEER**