

# SMC Business Councils

Westinghouse Research & Technology Park  
1382 Beulah Road, Building 801  
Pittsburgh, PA 15235-5068  
412.371.1500 ■ [www.smc.org](http://www.smc.org)

**For Immediate Release**

**Contact: Eileen Anderson, 412.342.1606  
Mary Heindl, 412.342.1610**

## **SMC Business Councils Calling Attention to Proposed 1099 Law Changes**

**Pittsburgh, PA – October 28, 2009** --- SMC Business Councils (SMC) is advising its membership to oppose a proposed change to 1099 regulations embedded in current health reform legislation. Under current law, 1099 forms are issued to individual service vendors who are paid more than \$600 annually for the services they provide.

The Senate Finance Committee has proposed – as a revenue offset -- using the 1099 forms to capture unreported income to help pay for health care reform. If proposed changes in the law are enacted, any business that pays more than \$600 annually to corporate providers of *goods and/or services* will be required to file an information report with each provider and with the IRS. That means, a small business would have to file a 1099 for all vendors – *individual or corporate* – from whom they buy office supplies, advertising, Internet services, telephone, banking, financial, technical, cleaning services, and so forth. Businesses would also have to obtain the vendor's Taxpayers Identification Number.

Requirements such as this, hit small businesses especially hard. SMC Business Councils surveyed its membership on October 19 to determine the effect this proposed legislation would have on a small business. Responses were collected from companies ranging in size from one to 175 employees. Averaging out the responses, the following picture emerged:

- The typical business now processes about ten 1099 filings per year.
- The volume of this reporting would increase by a factor of 20 to 40.
- The average projection of new filings is about 200 additional 1099s.
- The estimated time to process each filing would be 30 minutes.

Based on this data, if a clerical worker is paid \$20 per hour and costs the employer \$30 per hour, then the cost to a typical small business is in the area of \$6,000. However, these estimates would be greatly affected by the complexity of filing requirements, the availability of data necessary to correctly complete the filing, and the cost of lost productivity.

With a national unemployment rate approaching 10 percent, small businesses need to create the jobs necessary to put America back to work. This new reporting requirement will have the opposite result placing the administrative burden of catching tax scofflaw on the backs of small businesses, which would incur penalties if they filed incorrect 1099 forms.

Robert Schmitt, CFO of BNI of Western Pennsylvania, commented, "I spend about half a day right now generating the fifteen 1099's I currently do. Between checking for accuracy, and updating address information, the end result will be taking blocks of time away from my staff."

Glen Maus, president of Magee Plastics, believes "this is another undue burden on small business, in an effort to assist a government unable to effectively do its job to provide revenue."

Mark Knobil, owner of Mark Knobil FILM/TAPE, is self-employed and said, "I do not have an accounting department. I have a laptop and a copy of Quicken. I am already drowning in paperwork."

C. T. Forster, vice president, Beaver Valley Alloy Foundry, voiced the prevailing opinion saying, "This additional time and bookkeeping would be a huge burden on our office. We will also have to send our tax information to all of our customers."

Chuck Wozniak, president, Creekside Springs, LLC, opined, "Pretty soon we will need a part-time person just to handle federal and state reporting requirements. I guess this is their idea of job creation; but it adds no real value to the economy. It only saps profitability from small businesses," he said.

For more than 65 years, SMC Business Councils has helped Pennsylvania businesses join together to foster mutual interests. With offices in Pittsburgh and Harrisburg, SMC has thousands of members in the service, manufacturing, and commercial sectors. A non-profit organization, SMC's professional staff operates a variety of business advocacy and development programs and services exclusively for the benefit of member-companies. Additional information can be found on the Internet at [www.smc.org](http://www.smc.org).

####