

Congressman Tim Murphy
Member, U.S. House of Representatives
Message to Small Business

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“Healthcare law punishes small business with more paperwork”

Tucked away in the 3,200 page healthcare bill was a provision that received little notice, but will cause major headaches for small businesses. Under a change to current law, small businesses will now be required to file with the Internal Revenue Service a 1099 form for every business-to-business relationship greater than \$600 a year.

A small business owner will need to complete additional paperwork with every caterer providing lunch, every gas station filling up the company truck, and every printer producing brochures, business cards, or photocopies if the amount of goods and services exceeds \$600 in a given year.

For example, a recycling company that pays cash for scrap metal will now have to keep track of each individual it pays over the course of a year. The company will then have to supply every individual that received a total of more than \$600 for scrap metal with a 1099.

Businesses will need to keep on file a taxpayer identification number (TIN) for each vendor, and may have to withhold payments from the vendor upon request by the IRS. The IRS is expected to collect \$17 billion worth of fines and taxes from small business owners whose filings are deemed noncompliant.

The IRS' National Taxpayer Advocate (NTA) predicts that small businesses will need to purchase special software or hire additional accounting help to fulfill the new mandate. And perhaps most troubling, larger corporations may decide to cease doing business with multiple smaller employers.

“Small businesses that lack the capacity to track customer purchases may lose customers, leaving the economy with more large national vendors and less local competition,” according to the NTA.

The 1099 reporting provision will be a bureaucratic nightmare for small businesses and should be repealed. Many in Congress support doing away with the 1099 requirement, but unfortunately, as is too often the case, House Leadership served up a cure that's just as harmful as the disease.

In July, the House of Representatives failed to pass H.R. 5982, the Business Tax Relief Act, which would have freed small businesses of the 1099 burden but at the price of a new job-killing tax on U.S.-headquartered multinational companies.

Just as we cannot fix the healthcare system by slapping new fines and regulations on small businesses, we cannot pay down a \$13 trillion debt by raising taxes on larger employers. Companies neither large nor small should have to foot the tab for a \$1 trillion healthcare law that simply finances a broken system.

Business should not be forced to pick between onerous paperwork regulations and massive tax increases, especially at a time when the focus needs to be on creating jobs, investing in our economy, and spurring the kinds of entrepreneurship that will get our economy moving again.

That is why I am a co-sponsor HR 5141, the Small Business Paperwork Mandate Elimination Act, which would repeal the 1099 reporting requirement without raising taxes. For more information on the bill and what I'm doing to encourage job growth in our region, please visit my web site, Murphy.House.Gov and sign up for my weekly e-newsletter about the goings-on in Washington, D.C.